



英皇集團（國際）有限公司
Emperor International Holdings Limited

Incorporated in Bermuda with limited liability (Stock Code:163)

2020/2021
INTERIM REPORT



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FINANCIAL SUMMARY

The board of directors (the “**Board**” or “**Directors**”) of Emperor International Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2020 (the “**Period**”).

| | For the six months ended 30 September | |
|--|--|---------------------------------|
| | 2020 (Unaudited) HK\$'000 | 2019 (Unaudited) HK\$'000 |
| Total revenue | 637,503 | 1,238,031 |
| – Rental income | 447,554 | 513,455 |
| – Property sales | 82,100 | – |
| – Hotel and hotel related operations | 107,849 | 724,576 |
| Gross profit | 280,358 | 858,783 |
| Fair-value loss on investment properties | (981,815) | (1,298,635) |
| (Loss)/Profit attributable to the owners of the Company | | |
| – Underlying ¹ | (15,264) | 824,097 |
| – Reported | (990,157) | (519,311) |
| Basic loss per share | HK\$(0.27) | HK\$(0.14) |
| Interim dividend per share | HK\$0.012 | HK\$0.035 |

¹ Excluding the effect of any fair-value changes and relevant deferred taxation

RESULTS

During the Period, the global economy faced unprecedented challenges due to the COVID-19 pandemic (the “**Pandemic**”), which has been a severe blow to the Hong Kong economy in tandem with the US-China trade disputes.

Against the tough business operating environment, the Group’s total revenue decreased to HK\$637.5 million (2019: HK\$1,238.0 million) during the Period. Rental income decreased by 12.8% to HK\$447.6 million (2019: HK\$513.5 million). To get through the tough times alongside retail tenants, the Group has carried out rental relief measures, which have inevitably impacted its rental performance.

Revenue from the sales of property development was HK\$82.1 million (2019: Nil), which was solely contributed by the sales recognised from **Peak Castle**.

Owing to the travel restrictions and health quarantine arrangements for inbound travellers as a result of the Pandemic, the hospitality industry was in a slump, with monthly averages of 10,000 (2019: 4.8 million) and 133,000 (2019: 3.3 million) visitor arrivals only to Hong Kong and Macau respectively, during the Period. Revenue from the hospitality segment therefore declined to HK\$107.8 million (2019: HK\$724.6 million).

Gross profit decreased to HK\$280.4 million (2019: HK\$858.8 million). A revaluation loss on investment properties of HK\$981.8 million (2019: HK\$1,298.6 million) was recorded. As a result of the revaluation loss on investment properties and the decline in total revenue, loss for the Period attributable to the owners of the Company of HK\$990.2 million (2019: HK\$519.3 million) was recorded. Excluding the revaluation loss on investment properties, the underlying loss amounted to HK\$15.3 million (2019: underlying profit of HK\$824.1 million). Basic loss per share was HK\$0.27 (2019: HK\$0.14). The Board has resolved to declare an interim dividend of HK\$0.012 (2019: HK\$0.035) per share.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group principally engages in property investment, property development and hospitality, owning properties with a total area of over 6 million square feet in Greater China and overseas. The Group has a tri-engine business model – owning and managing investment properties in prime locations that generate stable income; developing residential projects to drive earnings visibility; and operating hospitality services with steady recurrent cash flow.

BUSINESS REVIEW

Rental Income

The Group's investment properties portfolio primarily focuses on commercial buildings and quality street-level retail spaces in prominent locations, with an aggregate gross floor area of over 4,600,000 square feet. In recent years, the Group has strived to further develop beyond its origins, notably by expanding its coverage from Greater China to the United Kingdom, enabling it to possess a geographically balanced property portfolio. By doing so, the Group can diversify its rental income streams and minimise impacts due to market volatility.

Existing Portfolio

– Hong Kong

Hong Kong accounted for more than 55% of the Group's total gross floor area of investment properties currently for lease. As at 30 September 2020, the occupancy rate of the Group's investment properties in Hong Kong was over 90%.

The Group owns numerous premium office, commercial and industrial complexes which mainly include **Emperor Group Centre** and **China Huarong Tower** in Wan Chai; **Emperor Commercial Centre** in Central; **CentreHollywood** in Sheung Wan; **Toppy Tower** in Kwai Chung; **New Media Tower** in Kwun Tong; **Bhotai Industrial Building & Shan Ling Industrial Building** in Tuen Mun; and **commercial and car park complexes at Sui Wo Court** in Sha Tin.

The Group also generated rental income from numerous retail spaces in popular shopping districts. Key investment properties include **Nos. 8, 20, 22-24 and 50-56 Russell Street, No. 76 Percival Street and Nos. 474-476, 478-484, 507, 523 Lockhart Road** in Causeway Bay; **Nos. 81, 83 Nathan Road, Nos. 35-37 Haiphong Road and Nos. 25-29 Hankow Road** in Tsim Sha Tsui; **the pulse** in Repulse Bay; **retail shops of Fairview Height** at Mid-levels, **Fitfort Shopping Arcade** in North Point, and **retail shops at Level 3, New Town Commercial Arcade** in Tuen Mun.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued making progress with its revitalisation projects, which allow relaxation of the maximum permissible non-domestic plot ratio by up to 20%, pursuant to the government's revitalisation scheme. Town planning approvals have been obtained for revitalisation of ***Toppy Tower, New Media Tower, Bhotai Industrial Building & Shan Ling Industrial Building***.

- Mainland China

Located in Chang'an Avenue East, Beijing, ***Emperor Group Centre Beijing*** is a 28-storey (excluding three-storey basement with parking facilities) Grade-A office tower and premier shopping mall with premium cinema, encompassing a gross floor area of approximately 1,062,000 square feet. It becomes an important part of Yong'anli CBD and marked a major milestone for the Group in developing upscale significant commercial projects in mainland China. It has therefore attracted reputable office tenants, multiple international superior jewellery, watch, and high-quality lifestyle product brands, as well as special trendy food and beverage tenants from different countries. ***Emperor Group Centre Beijing*** gives full play to advanced structural systems, intelligent technology, and energy-saving technology to create a new commercial image with a balance between environment and urban economic development.

- Macau

With a gross floor area of approximately 30,000 square feet, ***Emperor Nam Van Centre*** is a multi-storey premium retail complex on the Macau Peninsula. Located at the centre of Macau Peninsula's gaming district, ***Emperor Nam Van Centre*** has become a prime shopping location with a blend of shopping and lifestyle offerings, featuring a department store, sportswear outlet and jewellery store.

- London

The Group owns a 7-storey (including basement) retail and office complex at ***Nos. 181-183*** as well as ***Ampersand Building at Nos. 111-125 on Oxford Street, London***. ***Ampersand Building*** is an 8-storey (including basement) composite building comprising retail spaces, office premises and apartments under lease with a net internal area of approximately 91,000 square feet (for retail and office portions only). Located in the prime retail and vibrant SOHO office area of London's West End, it is also in close proximity to the Tottenham Court Road Crossrail development, thereby enjoying significant pedestrian traffic and excellent accessibility.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Projects

– Hong Kong

The Group continually strives to enhance the value and maximise the potential rental income of its premises by undertaking various redevelopment and revitalisation programmes. The site at **Nos. 75-85 Lockhart Road**, Wan Chai, will be transformed into a Grade-A office building with a gross floor area of approximately 96,000 square feet. The project is scheduled for completion in 2021 and is now in the process of pre-leasing. The redevelopment will create a vibrant building in the heart of Wan Chai – one of the core commercial districts on Hong Kong Island – and presents significant value-creation opportunities to the Group.

With a gross floor area of over 178,000 square feet, the 14-storey industrial building located at **No. 4 Kin Fat Lane**, Tuen Mun, will be transformed into a commercial building through a wholesale conversion scheme, and will support diverse functions such as food and beverage, retail and offices. The alteration and addition works will be completed soon, and it is now recruiting tenants.

– London

Occupying a prominent commercial and shopping location in London, which is popular with international visitors, the site at **No. 27 Oxford Street** will be redeveloped into a composite of retail and office building with a gross floor area of approximately 20,000 square feet, for long-term investment purposes. The redevelopment project entails restoring the building's historic street-front facades, along with the construction of a 9-storey building that houses retail shops and offices. The redevelopment project will be completed soon, and it is now in the process of pre-leasing.

– Mainland China

Located in Yuyuan, Huangpu District, Shanghai, **Emperor Star City** will be developed into a shopping arcade and hotel or serviced apartment complex, at a prime site adjacent to the Shanghai M10 subway route. Foundation and basement excavation work for the development has been completed. With an expected gross floor area of approximately 1,300,000 square feet, the complex will include a multi-storey shopping arcade as its major component.

MANAGEMENT DISCUSSION AND ANALYSIS

Property Sales

The Group pursues a strategy of providing quality residential properties including luxury composite buildings in popular urban areas, and low-rise detached houses in unique spots, with convenient access to transportation networks. A steady development pipeline has been established, which will provide medium-term contributions to the sale of residential units, for earnings visibility.

Projects launched for sale

Peak Castle is a luxurious low-rise development of 14 detached and semi-detached houses in Siu Lam, Tuen Mun. It is well served by a superb transportation network comprising Hong Kong-Shenzhen Western Corridor and Hong Kong-Zhuhai-Macau Bridge, as well as the coming Tuen Mun-Chek Lap Kok Link. As at 30 September 2020, only 1 detached house remained unsold.

Located at Nos. 8-10A Mosque Street, Mid-Levels, **Central 8** is a 29-storey (including lower ground floor) boutique residential tower with a gross floor area of approximately 34,000 square feet, offering 99 units with studio to 2-bedroom layouts. Adjacent to SOHO area and Lan Kwai Fong, it is in close proximity to the Central-Mid-Levels Escalator, with convenient access to the central business district. Superstructure work is almost finalised, and pre-sale was launched during the Period. As at 30 September 2020, the sales contracts of 39 units were committed, and the relevant sales amounts of approximately HK\$305.3 million may be recognised subsequent to the Period.

Projects to be launched soon

A prime residential site at **No. 9 Ching Lai Road**, Tai Lam, Tuen Mun, will be developed into 8 luxurious detached houses with sea views, encompassing a gross floor area of approximately 29,000 square feet. With close proximity to new transportation infrastructure such as Hong Kong-Shenzhen Western Corridor, the Hong Kong-Zhuhai-Macau Bridge and the coming Tuen Mun-Chek Lap Kok Link, the project has convenient access to the cities in the Greater Bay Area. It is also close to the prestigious Harrow International School. The occupation permit has been obtained and the project is expected to be fully completed in 2021. The sales activities will commence thereafter.

MANAGEMENT DISCUSSION AND ANALYSIS

A 40% owned signature luxury residential project on Hong Kong Island South by the Group, **Rural Building Lot No. 1198, Shouson Hill**, boasts a gross floor area of approximately 88,000 square feet. In proximity to Aberdeen Tunnel and a network of prestigious schools, the site will be developed into 15 low-density luxury villas, complemented by comprehensive auxiliary facilities. The occupation permit has been obtained and the project is expected to be fully completed in 2021. It will soon be launched to the market.

Other projects under development

With the successful extension of MTR to Kennedy Town, it becomes a popular urban area in Hong Kong Island. The site at **Nos. 24-26A, Davis Street**, Kennedy Town, will be redeveloped into a 22-storey residential and retail tower, and is planned to be completed in 2022. The pre-sale is expected to be launched in 2021.

The site at **Nos. 20-26 Old Bailey Street & No.11 Chancery Lane**, Central, is planned for redevelopment into a 26-storey boutique luxury residential tower. Adjacent to SOHO area and Lan Kwai Fong, it is in close proximity to Central-Mid-Levels Escalator, with convenient access to the central business district. The redevelopment is planned to be completed in 2023.

No. 1 Wang Tak Street, Happy Valley, a site previously occupied by Emperor (Happy Valley) Hotel, will be redeveloped into a 27-storey residential tower with a gross floor area of approximately 58,000 square feet. Happy Valley is a traditional luxury residential location on Hong Kong Island, with easy access to major shopping and business districts such as Causeway Bay and Wan Chai, and in close proximity to major facilities such as the Hong Kong Jockey Club, Hong Kong Sanatorium & Hospital and Hong Kong Stadium. Demolition work has completed and the project is planned to be completed in 2023.

The existing building at **Nos. 24-30 Bonham Road**, Mid-levels, will be demolished and redeveloped into a 27-storey residential complex with a gross floor area of approximately 104,000 square feet. Close to railway network, it is just 5 minutes walk away from the Sai Ying Pun MTR station. The redevelopment is planned to be completed in 2023.

The existing buildings at **Nos. 74-80 Old Main Street Aberdeen**, Aberdeen, will be demolished and redeveloped into a 23-storey residential and retail building with a gross floor area of approximately 38,000 square feet. Located in Aberdeen town centre, it is conveniently accessed by a variety of public transport. The redevelopment is planned to be completed in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

The redevelopment project at **No. 127 Caine Road**, Mid-levels, is planned to be redeveloped into a 23-storey residential and retail tower with a gross floor area of approximately 25,000 square feet. It is around 3 minutes and 5 minutes walk from PMQ and SOHO areas, respectively, and has convenient access to several leisure spots and multinational restaurants in Mid-levels. The redevelopment is planned to be completed in 2024.

Hotel and Hotel Related Operations

Reflecting the Group's dedication to developing hospitality business, **Emperor Hotels Group** has been established to cover several hotels and serviced apartments in Hong Kong and Macau. In Hong Kong, it currently covers **The Emperor Hotel**, **The Unit Serviced Apartments**, and **MORI MORI Serviced Apartments**. In Macau, it includes **Grand Emperor Hotel** and **Inn Hotel Macau**, where income from hospitality and gaming operations has been consolidated within the Group.

– Hong Kong

The Emperor Hotel, a 29-storey hotel in Wan Chai, offers 299 guest rooms together with leisure, dining and parking facilities. With a gross floor area of approximately 115,000 square feet, it is a signature hotel project under **Emperor Hotels Group**, which can further enhance its brand recognition in the hospitality segment.

The Unit Serviced Apartments, a 21-storey, 68-unit block in Happy Valley, is a highly sought-after residence given its ease of access to the central business district. The area is vibrant, conveniently located near Hong Kong's commercial districts, and affords easy access to Hong Kong Jockey Club and Hong Kong Stadium for international sports events, and Hong Kong Sanatorium & Hospital for medical check-ups, helping to ensure solid short-term leasing demand.

Situated at the vibrant junction of Wan Chai and Causeway Bay, **MORI MORI Serviced Apartments** provides 18 stylish serviced apartments for expats, MICE visitors, business travellers and overseas professionals, on short- and long-term leases. With state-of-the-art facilities and professional customer services, **MORI MORI Serviced Apartments** redefines the contemporary way of life. During the Period, **MORI MORI Serviced Apartments** was awarded "Best Luxury Serviced Apartment" at The Squarefoot Serviced Apartments Awards 2020, in recognition of its business philosophy and high-end, modern design concepts.

MANAGEMENT DISCUSSION AND ANALYSIS

– Macau

Grand Emperor Hotel is another of the Group's flagship projects, located on the Macau Peninsula. With a gross floor area of approximately 655,000 square feet, it is a 26-storey hotel with 311 exquisite guest rooms, fine dining restaurants and bars, as well as gaming facilities. It has won an array of prestigious industry awards.

Inn Hotel Macau is a 17-storey hotel with a gross floor area of approximately 209,000 square feet and 287 guest rooms. **Inn Hotel Macau** creates a comfortable experience, catering to the lifestyles of both leisure and business travellers. Through extending coverage from the Peninsula to Taipa, it enables the Group to fully capture the potential of Macau's hospitality market.

OUTLOOK

The geopolitical situation and the development of the Pandemic are amongst the major factors determining the potential for global economy recovery. The US-China trade dispute remains in question, while Pandemic containment measures are expected to remain in place for the near term, which will continue restraining worldwide business and trade activities. The outlook for the global economy will remain gloomy, and market instability will linger.

Domestically, there are record high vacancy rates of retail shops and office spaces. More surrender of space is expected, as brands and corporations have immediate needs to save on overheads. Leasing demand, especially within the core shopping and central business districts, will remain weak. The Group will closely monitor the market situation, and adjust company strategies accordingly. The Group will continue to look out for commercial buildings with redevelopment value and undertake urban renewal projects in suitable districts, with an aim of maintaining a more balanced investment property portfolio.

MANAGEMENT DISCUSSION AND ANALYSIS

The government and banking sector have already adopted a number of measures to support corporations and individuals with relieving cash flow pressure, in an effort to help Hong Kong's economy get through difficult times. Given the limited land supply and underlying demand for the residential units, and a low interest rate environment which will provide considerable support to the local property market, the Group remains cautiously optimistic about the industry outlook in the long term. The Group has a solid pipeline in development properties for the coming few years, and will launch the projects depending on the market situation. With its solid financials, the Group is well positioned to seize the opportunities when the market revives, and will strive to generate stable return for its shareholders.

FINANCIAL INFORMATION

Liquidity and Financial Resources

As at 30 September 2020, the Group's net asset value and net asset value per share amounted to HK\$26,474.3 million (31 March 2020: HK\$27,200.2 million) and HK\$7.20 (31 March 2020: HK\$7.40) per share, respectively.

The Group had cash, bank balances and bank deposits amounted to HK\$3,850.4 million as at 30 September 2020 (31 March 2020: HK\$3,924.1 million). The total external borrowings (excluding payables) was approximately HK\$27,611.9 million (31 March 2020: HK\$27,087.3 million), and the Group's net gearing ratio (measured by net debts as a percentage to its total asset value) was 39.5% (31 March 2020: 38.4%).

To finance its operations, the Group utilises cash flow generated from business operations and maintains multiple channels of funding sources including bank borrowings and bond issuances. During the Period, the Company issued unsecured notes amounting to US\$250.0 million with a coupon interest rate of 4.5% and a tenor of three years due September 2023. As of 30 September 2020, the outstanding principal of the medium-term notes issued by the Group was HK\$5,983.3 million, which were denominated in Hong Kong dollar and United States dollar at fixed rates ranging from 3.15% to 5.0% per annum.

Assets Pledged

As at 30 September 2020, assets with carrying value of HK\$46,257.0 million (31 March 2020: HK\$44,534.8 million) were pledged as security for banking facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

The total cost incurred for staff, including Directors' emoluments, was HK\$241.2 million during the Period (2019: HK\$344.0 million). The number of staff was 1,258 as at 30 September 2020 (2019: 1,692). Each employee's remuneration was determined in accordance with the individual's responsibility, competence and skills, experience and performance, as well as market pay levels. Staff benefits include medical and life insurance, retirement benefits and other competitive fringe benefits. The Company has adopted a share option scheme to provide incentives or rewards to the staff.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.012 per share ("**Interim Dividend**") (2019: HK\$0.035 per share) amounting to approximately HK\$44.1 million (2019: HK\$128.7 million). The Interim Dividend will be payable on 18 December 2020 (Friday) to shareholders whose names appear on the register of members of the Company on 11 December 2020 (Friday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to the Interim Dividend, from 10 December 2020 (Thursday) to 11 December 2020 (Friday) (both days inclusive), during which period no transfer of shares will be registered.

In order to qualify for the Interim Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 9 December 2020 (Wednesday).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

| | Notes | Six months ended 30 September | |
|---|-------|----------------------------------|---------------------------------|
| | | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 |
| Revenue | | | |
| Contracts with customers | 3(a) | 189,949 | 724,576 |
| Leases | 3(b) | 447,554 | 513,455 |
| Total revenue | | 637,503 | 1,238,031 |
| Cost of properties sales | | (56,617) | – |
| Cost of hotel and hotel related operations | | (230,069) | (310,354) |
| Direct operating expenses in respect of leasing of investment properties | | (70,459) | (68,894) |
| Gross profit | | 280,358 | 858,783 |
| Other income | | 59,198 | 112,704 |
| Fair value changes of investment properties | | (981,815) | (1,298,635) |
| Other gains and losses | 5 | 51,802 | 667,897 |
| Impairment allowance reversed for trade receivables | | 5 | 265 |
| Selling and marketing expenses | | (49,342) | (156,701) |
| Administrative expenses | | (181,320) | (220,271) |
| Share of result of an associate | | (6,532) | 23,684 |
| Share of result of a joint venture | | (51) | (74) |
| Loss from operations | 6 | (827,697) | (12,348) |
| Finance costs | | (236,259) | (341,851) |
| Loss before taxation | | (1,063,956) | (354,199) |
| Taxation charge | 7 | (3,528) | (85,667) |
| Loss for the period | | (1,067,484) | (439,866) |
| (Loss) profit for the period attributable to: | | | |
| Owners of the Company | | (990,157) | (519,311) |
| Non-controlling interests | | (77,327) | 79,445 |
| | | (1,067,484) | (439,866) |
| Loss per share | 8 | | |
| Basic | | HK\$(0.27) | HK\$(0.14) |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 |
| Loss for the period | (1,067,484) | (439,866) |
| Other comprehensive income (expense) | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Exchange differences arising on translation of foreign operations: | | |
| – subsidiaries | 360,915 | (528,332) |
| – an associate | 6,595 | (6,107) |
| Fair value change of debt instruments at fair value through other comprehensive income | 854 | 438 |
| Reclassification adjustments for amounts transferred to profit or loss upon disposal of debt instruments at fair value through other comprehensive income | (3,270) | 25 |
| Release of assets revaluation reserve upon disposal of subsidiaries | – | (72,796) |
| Release of hedging reserve upon disposal of hedging instruments in cash flow hedge | – | 12,567 |
| Other comprehensive income (expense) for the period | 365,094 | (594,205) |
| Total comprehensive expense for the period | (702,390) | (1,034,071) |
| Total comprehensive (expense) income for the period attributable to: | | |
| Owners of the Company | (624,438) | (1,113,630) |
| Non-controlling interests | (77,952) | 79,559 |
| | (702,390) | (1,034,071) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

| | Notes | At 30 September 2020 (unaudited) HK\$'000 | At 31 March 2020 (audited) HK\$'000 |
|--|-------|---|---|
| Non-current assets | | | |
| Investment properties | 10 | 44,499,486 | 44,690,869 |
| Property, plant and equipment | 10 | 3,130,866 | 3,185,297 |
| Deposits paid for acquisition of investment properties/property, plant and equipment | | 47,163 | 15,734 |
| Receivables related to a development project | | 168,989 | 162,519 |
| Right-of-use assets | | 544,227 | 556,404 |
| Debt instruments at fair value through other comprehensive income | | – | 35,959 |
| Interest in an associate | | 170,225 | 170,162 |
| Interest in a joint venture | 11 | 898,334 | 813,970 |
| Goodwill | | 56,683 | 56,683 |
| Other assets | | 4,052 | 4,052 |
| | | 49,520,025 | 49,691,649 |
| Current assets | | | |
| Inventories | | 14,918 | 15,676 |
| Properties held for sale | 12 | 258,896 | 315,497 |
| Properties under development for sale | 10 | 5,088,960 | 4,858,713 |
| Trade and other receivables | 13 | 1,395,155 | 1,417,187 |
| Debt instruments at fair value through other comprehensive income | | – | 46,415 |
| Taxation recoverable | | 16,422 | 17,987 |
| Deposit in designated bank account for development properties | | 9,609 | 9,194 |
| Pledged bank deposits | | 63,351 | 348 |
| Short-term bank deposits | | 2,049,173 | 980,656 |
| Bank balances and cash | | 1,801,199 | 2,943,493 |
| Total current assets | | 10,697,683 | 10,605,166 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

| | Notes | At 30 September 2020 (unaudited) HK\$'000 | At 31 March 2020 (audited) HK\$'000 |
|--|-------|---|---|
| Current liabilities | | | |
| Trade and other payables | 15 | 919,921 | 970,763 |
| Contract liabilities | | 254,413 | 16,420 |
| Amount due to an associate | | 136,562 | 87,556 |
| Amounts due to related companies | | 1,083,234 | 1,105,010 |
| Amounts due to non-controlling interests of subsidiaries | | 41,090 | 41,090 |
| Taxation payable | | 305,332 | 330,774 |
| Unsecured notes – due within one year | | 1,531,990 | 1,092,563 |
| Bank borrowings – due within one year | | 4,694,848 | 4,540,971 |
| Lease liabilities – due within one year | | 4,431 | 4,790 |
| Total current liabilities | | 8,971,821 | 8,189,937 |
| Net current assets | | 1,725,862 | 2,415,229 |
| Total assets less current liabilities | | 51,245,887 | 52,106,878 |
| Non-current liabilities | | | |
| Contract liabilities | | 22,535 | 18,870 |
| Unsecured notes – due after one year | | 4,451,279 | 4,069,203 |
| Bank borrowings – due after one year | | 15,809,472 | 16,238,421 |
| Lease liabilities – due after one year | | 37,328 | 39,569 |
| Deferred taxation | | 2,064,504 | 2,018,611 |
| | | 22,385,118 | 22,384,674 |
| | | 28,860,769 | 29,722,204 |
| Capital and reserves | | | |
| Share capital | | 36,775 | 36,775 |
| Reserves | | 26,437,496 | 27,163,460 |
| Equity attributable to owners of the Company | | 26,474,271 | 27,200,235 |
| Non-controlling interests | | 2,386,498 | 2,521,969 |
| | | 28,860,769 | 29,722,204 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

| | Attributable to owners of the Company | | | | | | | | | | Non-controlling interests | Total equity |
|---|---------------------------------------|---------------------------|---------------------------------|--|---|-----------------------------|----------------------------|------------------------------|-------------------|-----------|---------------------------|--------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Translation reserve HK\$'000 | Assets revaluation reserve HK\$'000 | Investments revaluation reserve HK\$'000 | Hedging reserve HK\$'000 | Other reserves HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 | HK\$'000 | HK\$'000 | |
| At 1 April 2020 (audited) | 36,775 | 4,563,248 | (497,180) | 137,473 | 1,791 | - | 900,627 | 22,057,501 | 27,200,235 | 2,521,969 | 29,722,204 | |
| Loss for the period | - | - | - | - | - | - | - | (990,157) | (990,157) | (77,327) | (1,067,484) | |
| Exchange differences arising on translation of foreign operations: | | | | | | | | | | | | |
| - subsidiaries | - | - | 360,915 | - | - | - | - | - | 360,915 | - | 360,915 | |
| - an associate | - | - | 6,595 | - | - | - | - | - | 6,595 | - | 6,595 | |
| Fair value change of debt instruments at fair value through other comprehensive income | - | - | - | - | 503 | - | - | - | 503 | 351 | 854 | |
| Reclassification adjustments for amounts transferred to profit or loss upon disposal of debt instruments at fair value through other comprehensive income | - | - | - | - | (2,294) | - | - | - | (2,294) | (976) | (3,270) | |
| Total comprehensive income (expense) for the period | - | - | 367,510 | - | (1,791) | - | - | (990,157) | (624,438) | (77,952) | (702,390) | |
| Acquisition of additional interests in subsidiaries | - | - | - | - | - | - | 27,124 | - | 27,124 | (46,227) | (19,103) | |
| Depreciation attributable to assets | - | - | - | (460) | - | - | - | 524 | 64 | - | 64 | |
| Dividend paid to owners of the Company | - | - | - | - | - | - | - | (128,714) | (128,714) | - | (128,714) | |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | - | - | (11,292) | (11,292) | |
| At 30 September 2020 (unaudited) | 36,775 | 4,563,248 | (129,670) | 137,013 | - | - | 927,751 | 20,939,154 | 26,474,271 | 2,386,498 | 28,860,769 | |
| At 1 April 2019 (audited) | 36,775 | 4,563,248 | 143,044 | 211,189 | 2,143 | (12,567) | 902,825 | 25,988,417 | 31,835,074 | 2,522,766 | 34,357,840 | |
| (Loss) profit for the period | - | - | - | - | - | - | - | (519,311) | (519,311) | 79,445 | (439,866) | |
| Exchange differences arising on translation of foreign operations: | | | | | | | | | | | | |
| - subsidiaries | - | - | (528,332) | - | - | - | - | - | (528,332) | - | (528,332) | |
| - an associate | - | - | (6,107) | - | - | - | - | - | (6,107) | - | (6,107) | |
| Fair value change of debt instruments at fair value through other comprehensive income | - | - | - | - | 330 | - | - | - | 330 | 108 | 438 | |
| Reclassification adjustments for amounts transferred to profit or loss upon disposal of debt instruments at fair value through other comprehensive income | - | - | - | - | 19 | - | - | - | 19 | 6 | 25 | |
| Release of assets revaluation reserve upon disposal of subsidiaries | - | - | - | (72,796) | - | - | - | - | (72,796) | - | (72,796) | |
| Release of hedging reserve upon disposal of hedging instruments in cash flow hedge | - | - | - | - | - | 12,567 | - | - | 12,567 | - | 12,567 | |
| Total comprehensive (expense) income for the period | - | - | (534,439) | (72,796) | 349 | 12,567 | - | (519,311) | (1,113,630) | 79,559 | (1,034,071) | |
| Acquisition of additional interests in subsidiaries | - | - | - | - | - | - | 17,725 | - | 17,725 | (49,392) | (31,667) | |
| Arising from changes in cash flow estimates on amounts due to related companies | - | - | - | - | - | - | 2,004 | - | 2,004 | - | 2,004 | |
| Depreciation attributable to assets | - | - | - | (461) | - | - | - | 524 | 63 | - | 63 | |
| Dividend paid to owners of the Company | - | - | - | - | - | - | - | (231,685) | (231,685) | - | (231,685) | |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | - | - | (21,245) | (21,245) | |
| At 30 September 2019 (unaudited) | 36,775 | 4,563,248 | (391,395) | 137,932 | 2,492 | - | 922,554 | 25,237,945 | 30,509,551 | 2,531,688 | 33,041,239 | |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 |
| Net cash flow from (used in) operating activities | 133,718 | (412,591) |
| Net cash flow used in investing activities | (1,388,670) | (867,605) |
| Net cash flow from financing activities | 102,597 | 139,058 |
| Net decrease in cash and cash equivalent | (1,152,355) | (1,141,138) |
| Cash and cash equivalents at the beginning of the reporting period: | | |
| Bank balance and cash | 2,943,493 | 3,643,816 |
| Bank balance and cash included in a disposal group classified as held for sale | – | 36 |
| Effect of foreign exchange rate changes | 10,061 | (9,287) |
| Cash and cash equivalents at the end of the reporting period | 1,801,199 | 2,493,427 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. BASIS OF PREPARATION

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

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2020.

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. On the other hand, governments in different countries have announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. As such, the financial positions and performance of the Group were affected in different aspects, including decrease in fair value of investment properties, reduction in revenue and profits generated from lease of properties and hotel and hotel related operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and debt instruments at fair value through other comprehensive income (“**FVTOCI**”) that are measured at fair values at the end of each reporting period.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by HKICPA, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the Period are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2020.

Application of new and amendments to HKFRSs

In the Period, the Group has adopted, for the first time, the following new and amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s unaudited condensed consolidated financial statements:

| | |
|--|--------------------------------|
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

The application of the above new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

The Group has not early applied any new or revised HKFRSs that have been issued but are not yet effective for the current accounting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3. REVENUE

An analysis of the Group's revenue is as follows:

(a) Contracts with customers

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 |
| Hotel and hotel related operations: | | |
| Recognised over time: | | |
| Service income from gaming operations | 51,094 | 559,548 |
| Hotel room income | 25,967 | 90,387 |
| Others | – | 1,411 |
| | 77,061 | 651,346 |
| Recognised at a point in time: | | |
| Food and beverage sales | 30,337 | 72,298 |
| Others | 451 | 932 |
| | 30,788 | 73,230 |
| | 107,849 | 724,576 |
| Sales of properties recognised at a point in time | 82,100 | – |
| Revenue from contracts with customers | 189,949 | 724,576 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3. REVENUE (Continued)

(b) Leases

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 |
| Total revenue arising from leases: | | |
| For operating leases: | | |
| Lease payments that are fixed | 441,912 | 507,295 |
| Variable lease payments depend on an index or a rate | 5,642 | 6,160 |
| | 447,554 | 513,455 |

4. SEGMENT INFORMATION

For management purpose, the business segments of the Group are currently organised into lease of properties, properties development and hotel and hotel related operations. Segment results represent the profit earned by or loss suffered from each segment without allocation of central administration cost, interest income, gain on disposal of subsidiaries, fair value changes of investment properties, finance costs, gain (loss) on disposal of debt instruments at FVTOCI, gain on disposal of derivative financial instruments, share of result of an associate and share of result of a joint venture. These divisions are the basis on which the Group reports its primary segment information. The segment results of lease of properties and properties development include administrative and running expenses for those properties under development.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. SEGMENT INFORMATION (Continued)

| | Segment revenue Six months ended 30 September | | Segment results Six months ended 30 September | |
|---|---|---------------------------------|---|---------------------------------|
| | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 |
| Business segments | | | | |
| Lease of properties | 447,554 | 513,455 | 366,902 | 427,582 |
| Properties development | 82,100 | – | 3,004 | (6,650) |
| Hotel and hotel related operations | 107,849 | 724,576 | (237,778) | 149,958 |
| | 637,503 | 1,238,031 | 132,128 | 570,890 |
| Interest income | | | 40,808 | 62,816 |
| Gain on disposal of subsidiaries | | | – | 712,585 |
| Corporate expenses, net | | | (15,505) | (103,560) |
| Fair value changes of investment properties | | | (981,815) | (1,298,635) |
| Finance costs | | | (236,259) | (341,851) |
| Gain (loss) on disposal of debt instruments at FVTOCI | | | 3,270 | (31) |
| Gain on disposal of derivative financial instruments | | | – | 19,977 |
| Share of result of an associate | | | (6,532) | 23,684 |
| Share of result of a joint venture | | | (51) | (74) |
| Loss before taxation | | | (1,063,956) | (354,199) |
| Taxation charge | | | (3,528) | (85,667) |
| Loss for the period | | | (1,067,484) | (439,866) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

5. OTHER GAINS AND LOSSES

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 |
| Gain on disposal of subsidiaries (note 16) | – | 712,585 |
| Gain on disposal of derivative financial instrument | – | 19,977 |
| Government subsidy | 13,834 | – |
| Net exchange gain (loss) | 37,968 | (51,687) |
| Written-off of an amount due from an associate | – | (12,978) |
| | 51,802 | 667,897 |

6. LOSS FROM OPERATIONS

Loss from operations for the Period has been arrived at after charging depreciation of approximately HK\$90,237,000 (2019: HK\$76,893,000) in respect of the Group's property, plant and equipment and approximately HK\$12,177,000 (2019: HK\$10,485,000) in respect of the Group's right-of-use assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

7. TAXATION CHARGE

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 |
| Taxation charge comprises: | | |
| Current tax | | |
| Hong Kong Special Administrative Region ("Hong Kong") Profits Tax | 19,598 | 33,751 |
| Macau Special Administrative Region ("Macau") Complementary Tax | 166 | 22,421 |
| United Kingdom ("UK") Income Tax | 852 | 918 |
| The People's Republic of China ("The PRC") Enterprise Income Tax | 398 | 465 |
| | 21,014 | 57,555 |
| Under(over)provision in respect of prior years | | |
| Hong Kong Profits Tax | 394 | (1,420) |
| UK Income Tax | 5 | (118) |
| | 399 | (1,538) |
| Deferred taxation (credit) charge | (17,885) | 29,650 |
| | 3,528 | 85,667 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

The Macau Complementary Tax is calculated at the applicable rate of 12% of the estimated assessable profits for both periods.

UK Income Tax is calculated at the applicable rate of 20% of the estimated assessable profits for both periods.

Under the Law of The PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of The PRC subsidiaries is 25% for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

8. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the following data:

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 |
| Loss | | |
| Loss (loss for the period attributable to owners of the Company) for the purpose of basic loss per share | (990,157) | (519,311) |
| | | |
| | Six months ended 30 September | |
| | 2020 (unaudited) | 2019 (unaudited) |
| Number of shares | | |
| Weighted average number of ordinary shares in issue for the purpose of basic loss per share | 3,677,545,667 | 3,677,545,667 |

Diluted loss per share is not presented as there were no dilutive potential ordinary share for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

9. DIVIDEND

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 |
| Final dividend of HK\$0.035 per share for the year ended 31 March 2020 paid during the period (year ended 31 March 2019: HK\$0.063) | 128,714 | 231,685 |

The Board has resolved to declare an interim dividend of HK\$0.012 (2019: HK\$0.035) per share amounting to approximately HK\$44,131,000 (2019: HK\$128,714,000).

10. ADDITIONSTOINVESTMENTPROPERTIES,PROPERTY,PLANT AND EQUIPMENT AND PROPERTIES UNDER DEVELOPMENT FOR SALE

Investment properties

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

During the Period, the Group acquired investment properties for a cash consideration of HK\$241,590,000 (2019: HK\$1,141,481,000).

The fair values of the Group's investment properties at 30 September 2020 and 31 March 2020 have been arrived at on the basis of a valuation carried out on those date by Memfus Wong Surveyors Limited, Colliers International (Hong Kong) Limited, Cushman & Wakefield Limited and Jones Lang LaSalle Limited, independent firms of qualified professional property valuers (the "Valuers") not connected with the Group, in accordance with the HKIS Valuation Standards 2017 issued by Hong Kong Institute of Surveyors or International Valuation Standards 2017 issued by the Royal Institution of Chartered Surveyors.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

10. ADDITIONSTO INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND PROPERTIES UNDER DEVELOPMENT FOR SALE *(Continued)*

Investment properties *(Continued)*

For completed investment properties, the valuations have been arrived at with reference to market evidence of recent transaction prices for similar properties and rental income using the applicable market yields for the respective locations and types of properties.

For investment properties under development, the valuations have been arrived at assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The valuations include key factors such as the market value of the completed investment properties, which are estimated with reference to recent sales evidence of similar properties in the nearest locality as available in the relevant market with adjustments made by the Valuers to account for differences in the locations and other factors specifically to determine the potential sales proceeds, and deducting the development costs and required profit margin from the investment properties which are derived from the interpretation of prevailing investor requirements or expectations at the valuation dates.

The resulting decrease in fair value of investment properties of approximately HK\$981,815,000 (2019: HK\$1,298,635,000) has been recognised directly in profit or loss for the Period.

Property, plant and equipment and properties under development for sale

During the Period, the Group acquired or incurred additional costs on property, plant and equipment and properties under development for sale amounting to approximately HK\$23,530,000 and HK\$127,432,000 (2019: HK\$65,545,000 and HK\$545,396,000) respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

11. INTEREST IN A JOINT VENTURE

Interest in a joint venture represents interest in Superb Land Limited in which the Group holds 40% equity interest. Superb Land Limited holds 100% interest in Talent Charm Corporation Limited (“**Talent Charm**”), being the property development company of a development project located at Rural Building Lot No. 1198, Shouson Hill Road West, Hong Kong.

As at 30 September 2020, the Group has given a corporate guarantee of HK\$932,000,000 (31 March 2020: HK\$941,600,000) to a bank in respect of its shares of banking facilities granted to Talent Charm, of which HK\$908,084,000 (31 March 2020: HK\$829,357,000) has been utilised. In the opinion of the Directors, the fair value of the financial guarantee is not significant.

12. PROPERTIES HELD FOR SALE

The carrying amounts of properties held for sale comprise properties situated in:

| | At 30 September 2020 (unaudited) HK\$'000 | At 31 March 2020 (audited) HK\$'000 |
|-----------|---|---|
| Hong Kong | 258,444 | 315,061 |
| The PRC | 452 | 436 |
| | 258,896 | 315,497 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

13. TRADE AND OTHER RECEIVABLES

An aging analysis of the Group's trade receivables (net of impairment allowance) based on either the date of credit granted or the invoice date at the end of the reporting period is set out below:

| | At 30 September 2020 (unaudited) HK\$'000 | At 31 March 2020 (audited) HK\$'000 |
|--------------------------|---|---|
| 0 – 30 days | 36,811 | 25,493 |
| 31 – 90 days | 2,080 | 3,447 |
| 91 – 180 days | 2,584 | 1,261 |
| Over 180 days | 12,900 | 12,900 |
| | 54,375 | 43,101 |
| Chips on hand | 54,414 | 69,277 |
| Other receivables | 411,111 | 343,209 |
| Deposits and prepayments | 875,255 | 961,600 |
| | 1,395,155 | 1,417,187 |

Chips on hand represent chips issued by a gaming concessionaire in Macau which can be exchanged into their cash amounts.

No credit period was granted to tenants for rental of premises. Before accepting any new tenant, the Group will internally assess the credit quality of the potential tenant. No credit period was granted to hotel customers generally except for those high quality customers to whom an average credit period of 30 days were granted.

For gaming operation, the Group normally allows credit periods of up to 60 days to its credit approved customers, except for certain credit worthy customers with long term relationship and stable repayment pattern, where the credit periods are extended to a longer period.

As at 30 September 2020, included in other receivables are amounts due from related companies of HK\$37,564,000 (31 March 2020: HK\$44,741,000). These related companies are indirectly controlled by private discretionary trusts which are also founded by Dr. Yeung Sau Sing, Albert (“**Dr. Albert Yeung**”), deemed substantial shareholder of the Company. The amounts are unsecured, interest-free and repayable within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSSES (“ECL”) MODEL

The Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligation by the counterparties at the end of reporting period are arising from the carrying amounts of the respective recognised financial assets as stated in the unaudited condensed consolidated statement of financial position.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually. In this regard, the Directors consider that the Group’s credit risk is significantly reduced.

During the Period, lifetime ECL of HK\$74,000 (2019: nil) for certain trade receivables were recognised as the management considered that amounts for certain customers were credit impaired and HK\$79,000 (2019: HK\$265,000) for certain trade receivables were reversed upon settlement from these customers of which recognised as credit impaired previously.

The management has also assessed all available forward looking information, including but not limited to the economic outlook and subsequent settlement of these customers. As at 30 September 2020, impairment allowance with an aggregate balance of HK\$14,360,000 (31 March 2020: HK\$46,202,000) represents individually credit-impaired trade receivables with an aggregate gross carrying amount of HK\$27,260,000 (31 March 2020: HK\$59,102,000) as the management considered the outstanding balances from these customers were uncollectable.

Lifetime ECL for the remaining trade receivables with an aggregate gross carrying amount of HK\$41,475,000 (31 March 2020: HK\$30,201,000) was insignificant and thus negligible to be provided by the Group due to the low probability of default of those debtors base on historical credit loss experience.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSSES (“ECL”) MODEL *(Continued)*

The following table shows the movement in lifetime ECL that been recognised for trade receivables under the simplified approach.

| | Lifetime ECL (credit-impaired) HK\$'000 |
|---|---|
| At 1 April 2020 (audited) | 46,202 |
| Change due to financial instruments recognised at 1 April 2020: | |
| – impairment losses reversed | (79) |
| New trade receivables originated during the Period | 74 |
| Written off | (31,837) |
| At 30 September 2020 (unaudited) | 14,360 |

For the rest of other receivables including chips on hand, deposit in designated bank account for development properties, pledge bank deposits, short-term bank deposits and bank balances, no allowance for impairment was made since the management of the Group considered the probability of default is minimal after assessing counterparties’ financial background and creditability or the counterparties are bank with high credit ratings assigned by international credit-rating agencies and have low credit risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

15. TRADE AND OTHER PAYABLES

An aging analysis of the Group's trade payables based on invoice date at the end of the reporting period is set out below:

| | At 30 September 2020 (unaudited) HK\$'000 | At 31 March 2020 (audited) HK\$'000 |
|---|---|---|
| 0 – 90 days | 55,337 | 54,930 |
| 91 – 180 days | 45 | – |
| Over 180 days | 110 | – |
| | 55,492 | 54,930 |
| Amount due to a shareholder of an associate (Note) | 1,351 | 1,299 |
| Construction payables and accruals | 333,777 | 352,655 |
| Rental deposits received | 291,129 | 320,516 |
| Other payables and accruals | 238,172 | 241,363 |
| | 919,921 | 970,763 |

Note: The amount due to a shareholder of an associate is unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

16. GAIN ON DISPOSAL OF SUBSIDIARIES

During the six months period ended 30 September 2019, the Group had disposed of the following subsidiaries:

On 8 February 2019, the Group entered into a sales and purchase agreement to dispose of its entire equity interest in Keenrise Holdings Limited and its subsidiary (“**Keenrise Group**”) to an independent third party for a total consideration of approximately HK\$1,100,000,000. Keenrise Group is an indirect wholly-owned subsidiaries of the Company which holds a property located at No.60 Portland Street, Hong Kong. The disposal was completed on 10 June 2019 with a gain of HK\$712,585,000.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries were as follows:

| | HK\$'000 |
|-----------------------------|-----------|
| Cash consideration received | 1,100,122 |

The net assets of the subsidiaries at the date of disposal were as follows:

| | HK\$'000 |
|-----------------------------------|----------|
| Investment properties | 100,000 |
| Property, plant and equipment | 354,831 |
| Debtors, deposits and prepayments | 2 |
| | 454,833 |

Gain on disposal is calculated as follows:

| | HK\$'000 |
|--|-----------|
| Cash consideration received | 1,100,122 |
| Assets revaluation reserve released | 72,796 |
| Net assets of the subsidiaries disposed of | (454,833) |
| Expenses on the disposal | (5,500) |
| Net gain on disposal | 712,585 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

17. RELATED PARTY TRANSACTIONS

- (a) Other than disclosed in notes 5, 11, 13 and 15, the Group also had the following significant transactions with related parties during both periods:

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 |
| Commission to Dr. Albert Yeung in his capacity as a patron of the Group's VIP rooms | – | 172 |
| Financial services expenses to related companies | 622 | 549 |
| Interest income from a joint venture | 8,416 | 7,567 |
| Interest expenses to related companies | 38,193 | 59,627 |
| Purchase of property, plant and equipment and merchandising goods from related companies | 390 | 359 |
| Rental income from related companies | 56,961 | 101,470 |
| Secretarial fee expenses to a related company | 370 | 408 |
| Share of administrative expenses by related companies | 35,909 | 40,103 |

- (b) The key management personnel of the Company are Directors and the total remunerations paid to them are as follows:

| | Six months ended 30 September | |
|---------------------------------------|----------------------------------|---------------------------------|
| | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 |
| Fees | 1,170 | 1,170 |
| Salaries and other short term benefit | 6,334 | 8,682 |
| | 7,504 | 9,852 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

17. RELATED PARTY TRANSACTIONS (Continued)

(c) Amounts due to related parties

| | At 30 September 2020 (unaudited) HK\$'000 | At 31 March 2020 (audited) HK\$'000 |
|--|---|---|
| Amounts due to non-controlling interests of subsidiaries | 41,090 | 41,090 |
| Amounts due to related companies | 1,083,234 | 1,105,010 |

Related companies are companies controlled by relevant private discretionary trusts of which Dr. Albert Yeung is the founder and settlor and Mr. Yeung Ching Loong, Alexander (“**Mr. Alex Yeung**”) is one of the eligible beneficiaries or controlled by a Director.

18. COMMITMENTS

| | At 30 September 2020 (unaudited) HK\$'000 | At 31 March 2020 (audited) HK\$'000 |
|--|---|---|
| Contracted for but not provided in the unaudited condensed consolidated financial statements, net of deposits paid, in respect of: | | |
| – investment properties | 296,422 | 387,230 |
| – property, plant and equipment | 8,240 | 4,658 |
| – properties under development for sale | 483,015 | 299,099 |
| | 787,677 | 690,987 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

19. PLEDGE OF ASSETS

Certain assets of the Group were pledged to banks to secure banking facilities granted to the Group. The carrying values of these assets at the end of the reporting period were as follows:

| | At 30 September 2020 (unaudited) HK\$'000 | At 31 March 2020 (audited) HK\$'000 |
|--|---|---|
| Bank deposits | 63,000 | – |
| Investment properties | 38,460,781 | 39,068,214 |
| Properties under development for sale | 4,228,484 | 1,914,946 |
| Buildings, including relevant leasehold land in Hong Kong | 352,150 | 346,603 |
| Hotel properties, including relevant leasehold land in Hong Kong | 2,588,961 | 2,614,531 |
| Right-of-use assets | 528,537 | 541,802 |
| Others (Note) | 35,136 | 48,722 |
| | 46,257,049 | 44,534,818 |

Note: Others represent floating charges over certain other assets of the Group including principally property, plant and equipment (other than hotel properties), inventories, trade and other receivables and bank deposits.

The Group also had a bank deposit of HK\$351,000 (31 March 2020: HK\$348,000) pledged to a bank to secure for the use of ferry ticket equipment provided by a third party to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair value of the Group's financial instruments are measured at the end of each reporting period on a recurring basis, categorised into the three level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified and determined with reference to the observable and significance of the inputs used in the valuation technique is as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

| | Fair value at | | Fair value hierarchy | Valuation techniques and key inputs |
|----------------------------|--|--|----------------------|--|
| | 30 September 2020 (unaudited) HK\$'000 | 31 March 2020 (audited) HK\$'000 | | |
| Financial asset | | | | |
| Debt instruments at FVTOCI | – | 82,374 | Level 1 | Quoted bid prices in an active market. |

There were no transfers between Level 1, 2 and 3 during the Period and year ended 31 March 2020.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the unaudited condensed consolidated financial statements approximate their fair values.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 September 2020, the following Directors and chief executives of the Company had or were deemed or taken to have interests and short positions in the following shares, underlying shares and debentures of the Company and its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (“EIH Security Code”):

(A) LONG POSITIONS INTERESTS IN THE COMPANY

(i) Ordinary shares of HK\$0.01 each of the Company (the “Shares”)

| Name of Director | Capacity/ Nature of interests | Number of issued Shares interested | % of issued voting Shares |
|---|---|--|------------------------------|
| Ms. Luk Siu Man, Semon (“Ms. Semon Luk”) | Interest of spouse | 2,747,610,489 (Note) | 74.71% |
| Mr. Alex Yeung | Eligible beneficiary of a private discretionary trust | 2,747,610,489 (Note) | 74.71% |
| Ms. Fan Man Seung, Vanessa | Beneficial owner | 10,500,000 | 0.29% |

Note:

These Shares were held by Emperor International Group Holdings Limited (“Emperor International Group Holdings”), a wholly-owned subsidiary of Albert Yeung Holdings Limited (“AY Holdings”). AY Holdings is held by First Trust Services GmbH (“First Trust”) in trust for a private discretionary trust set up by Dr. Albert Yeung. Dr. Albert Yeung, as founder of the private discretionary trust, had deemed interests in the said Shares held by Emperor International Group Holdings. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk had deemed interests in the same Shares whereas Mr. Alex Yeung also had deemed interests in the same Shares by virtue of being one of the eligible beneficiaries of such private discretionary trust.

(ii) Debentures

| Name of Director | Capacity/Nature of interests | Amount of debentures held |
|------------------|------------------------------------|------------------------------|
| Mr. Wong Chi Fai | Interest of controlled corporation | HK\$2,000,000 |

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

(B) LONG POSITIONS INTERESTS IN ASSOCIATED CORPORATIONS OF THE COMPANY

| Name of Director | Name of associated corporation | Capacity/ Nature of interests | Number of ordinary shares interested | % of issued voting shares |
|------------------|--|---|---|------------------------------|
| Ms. Semon Luk | Emperor Entertainment Hotel Limited ("Emperor E Hotel") | Interest of spouse | 851,352,845 | 69.92% |
| | Emperor Watch & Jewellery Limited ("Emperor W&J") | Interest of spouse | 4,290,850,000 | 63.29% |
| | Emperor Culture Group Limited ("Emperor Culture") | Interest of spouse | 2,371,313,094 | 73.80% |
| | Ulferts International Limited ("Ulferts") | Interest of spouse | 600,000,000 | 75.00% |
| Mr. Alex Yeung | Emperor E Hotel | Eligible beneficiary of a private discretionary trust | 851,352,845 | 69.92% |
| | Emperor W&J | Eligible beneficiary of a private discretionary trust | 4,290,850,000 | 63.29% |
| | Emperor Culture | Eligible beneficiary of a private discretionary trust | 2,371,313,094 | 73.80% |
| | Ulferts | Eligible beneficiary of a private discretionary trust | 600,000,000 | 75.00% |

Note:

These shares were ultimately owned by respective private discretionary trusts which are also founded by Dr. Albert Yeung. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk had deemed interests in the same shares whereas Mr. Alex Yeung also had deemed interests in the same shares by virtue of being one of the eligible beneficiaries of such private discretionary trusts.

Save as disclosed above, as at 30 September 2020, none of the Directors nor chief executives of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO).

OTHER PERSONS' INTERESTS IN SECURITIES

So far as is known to any Directors or chief executives of the Company, as at 30 September 2020, the following persons or corporations (other than a Director or a chief executive of the Company) who had, or were deemed or taken to have an interest and short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO (“**DI Register**”) were as follows:

LONG POSITIONS IN SHARES

| Name | Capacity/ Nature of interests | Number of Shares interested | % of issued voting Shares |
|------------------|--|--------------------------------|------------------------------|
| AY Holdings | Interest in a controlled corporation | 2,747,610,489 | 74.71% |
| First Trust | Trustee of a private discretionary trust | 2,747,610,489 | 74.71% |
| Dr. Albert Yeung | Founder of a private discretionary trust | 2,747,610,489 | 74.71% |

Note: These Shares were the same Shares of which Ms. Semon Luk and Mr. Alex Yeung had deemed interests as set out under Section (A)(i) of “Directors’ and Chief Executives’ Interests in Securities” above.

Save as disclosed above, as at 30 September 2020, the Directors or chief executives of the Company were not aware of any other persons or corporations (other than the Directors and chief executives of the Company) who had, or were deemed or taken to have, any interests or short positions in Shares or underlying Shares as recorded in the DI Register.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTIONS

To enable the Group to attract, retain and motivate talented participants to strive for future developments and expansion of the Group, the Company adopted a share option scheme on 15 August 2013. Since then, no share options were granted thereunder.

CORPORATE GOVERNANCE CODE

The Company has complied throughout the Period with all the code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted EHL Securities Code as its own code of conduct regarding securities transactions by Directors on no less exacting terms than the required standards set out in Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) in Appendix 10 of the Listing Rules. Having made specific enquiry to the Directors, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code and EHL Securities Code throughout the Period.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines in line with the Model Code. No incident of non-compliance by relevant employees was noted throughout the Period.

CHANGE IN INFORMATION OF DIRECTORS

The Company is not aware of any change in the Directors’ information which is required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules since the date of the 2019/2020 Annual Report.

REVIEW OF INTERIM REPORT

The condensed consolidated financial statements of the Group for the Period as set out in this interim report have not been audited or reviewed by the Company’s auditor, Deloitte Touche Tohmatsu (Registered Public Interest Entity Auditor), but this report has been reviewed by the audit committee of the Company, which comprises the three Independent Non-executive Directors of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE, REDEMPTION AND ISSUANCE OF THE COMPANY'S LISTED SECURITIES

During the Period, the Company has repurchased medium term notes (Stock Code: 4326) due in September 2021 in an aggregate principal amount of US\$200,000 on 10 August 2020 and subsequently cancelled the same on 21 August 2020 leaving the remaining principal amount of the notes at US\$199,800,000.

On 20 August 2020, the Company commenced the exchange offer upon the terms and subject to the conditions in the exchange offer memorandum dated 20 August 2020. Medium term notes in a total of US\$143,200,000 (representing about 71.67% of the outstanding US\$199,800,000 notes (Stock Code: 4326)) had been converted into new notes. Such new notes together with additional new notes in an aggregate principal sum of US\$250,000,000 bearing a coupon interest rate 4.5% were issued on 3 September 2020 in a single series due September 2023 and listed on the Hong Kong Stock Exchange (Stock Code: 40367) on 4 September 2020. Hence, the remaining principal amount of the medium term notes (Stock Code: 4326) due September 2021 was US\$56,600,000. Save as disclosed above, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

By order of the Board
Emperor International Holdings Limited
Luk Siu Man, Semon
Chairperson

Hong Kong, 25 November 2020

As at the date hereof, the Board comprises:

Non-Executive Director:

Ms. Luk Siu Man, Semon

Executive Directors:

Mr. Wong Chi Fai

Ms. Fan Man Seung, Vanessa

Mr. Cheung Ping Keung

Mr. Yeung Ching Loong, Alexander

Independent Non-Executive Directors:

Ms. Cheng Ka Yu

Mr. Wong Tak Ming, Gary

Mr. Chan Hon Piu

This Interim Report (in both English and Chinese versions) is available to any shareholder in printed form and on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.emperorint.com>). In order to protect the environment, the Company highly recommends the shareholders to elect to receive electronic copy of this Interim Report. Shareholders may have the right to change their choice of receipt of our future Corporate Communications at any time by reasonable notice in writing to the Company or the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited, by post at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email at is-enquiries@hk.tricorglobal.com.