



Interim Report
2018

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Corporate Information

DIRECTORS

Executive

Mr. Fung Siu To, Clement (*Chairman*)

Mr. Poon Jing

(*Managing Director and
Chief Executive*)

Mr. Poon Hai

Mr. Poon Yeung, Roderick

Mr. Lun Pui Kan

Mr. Kwan Po Lam, Phileas

Independent non-executive

Mr. Cheung Kwok Wah

Mr. Hung Yat Ming

Mr. Wong Chi Keung

AUDIT COMMITTEE

Mr. Hung Yat Ming (*Chairman*)

Mr. Cheung Kwok Wah

Mr. Wong Chi Keung

REMUNERATION COMMITTEE

Mr. Wong Chi Keung (*Chairman*)

Mr. Fung Siu To, Clement

Mr. Hung Yat Ming

AUTHORISED REPRESENTATIVES

Mr. Fung Siu To, Clement

Mr. Lun Pui Kan

COMPANY SECRETARY

Mr. Tung Kwok Lui

REGISTERED OFFICE

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

PRINCIPAL OFFICE IN HONG KONG

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PRINCIPAL BANKERS

HSBC

Bank of China (Hong Kong)

Industrial and Commercial Bank of
China (Asia)

Hang Seng Bank

United Overseas Bank

Chiyu Banking Corporation

Bank of East Asia

Chong Hing Bank

Dah Sing Bank

Shanghai Commercial Bank

UBS

Bank of Singapore

Bank Morgan Stanley

Credit Suisse AG

Bank Julius Baer

LEGAL ADVISERS

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

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1 Connaught Place, Central,
Hong Kong

AUDITOR

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

SHARE REGISTRAR IN BERMUDA

MUFG Fund Services (Bermuda)
Limited
The Belvedere Building,
69 Pitts Bay Road,
Pembroke HM08,
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Financial Highlights

(in HK\$ million, except otherwise indicated)	Six months ended 30th September		
	2018	2017	Change
Consolidated profit and loss account			
Revenue	1,140	970	+18%
Operating profit	1,132	1,331	-15%
Profit attributable to shareholders of the Company	509	654	-22%
Earnings per share - basic (HK\$)	0.61	0.78	-22%

	30th September 2018	31st March 2018	Change
Consolidated balance sheet			
Total assets	41,063	38,424	+7%
Net assets	23,047	23,768	-3%
Equity attributable to shareholders of the Company	12,106	12,531	-3%
Net debt	15,751	12,263	+28%

Supplementary information with five (31st March 2018: four) completed hotel properties in Hong Kong at valuation (note):

Revalued total assets	46,497	43,367	+7%
Revalued net assets	29,036	29,273	-1%
Equity attributable to shareholders of the Company	14,852	15,055	-1%
Gearing - net debt to revalued net assets	54%	42%	+12%

Note: According to the Group's accounting policies, 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.

The hotel properties in Hong Kong were revalued by Vigers Appraisal & Consulting Limited, independent professional valuers, on an open market value basis as at 30th September 2018 and 31st March 2018.

Management Discussion and Analysis



Residential development in **Tongzhou, Beijing**

RESULTS

The Group's revenue for the six months amounted to HK\$1,140 million (2017: HK\$970 million), with profit attributable to shareholders at HK\$509 million (2017: HK\$654 million). Revenue rose because of increased investment income while the decrease in profit is mainly caused by investment loss against last year's gain, partially compensated by increase in revenue and increase in fair value gain of investment properties during the period.

The Group continued carrying out its property sales, development and leasing operation through Asia Standard International, its 51.8% owned listed subsidiary.

PROPERTY SALES, DEVELOPMENT AND LEASING

SALES AND DEVELOPMENT

The Group's development projects pipeline in Hong Kong, mainland China and Canada progressed well during the interim period.

Joint Venture projects

Application of presale consent of our Tongzhou development in Beijing is underway. Sales office and presentation center is close to completion, paving way for launching the sales programme in the first half of 2019. Foundation works and basement excavation have continued to progress during the period.

Management Discussion and Analysis

Occupation permit of the Group's re-development at Perkins Road, Jardine's Lookout, Hong Kong was issued at the end of June 2018. The property is at the fitting out stage and show flats refurbishment is targeted to complete towards end of 2018. Sales launching will follow shortly afterwards.

Refurbishment of new show flats of Queen's Gate, our joint venture high-end villas and apartments development in Shanghai, was completed and launch of the third phase is pending the issuance of sales permit. Management is closely monitoring the market and regulatory conditions.

Another luxurious residential development at Po Shan Road, west mid-level, Hong Kong is under foundation construction which is anticipated to complete towards the end of 2018.

The Group's redevelopment of a high-end residential complex in Alberni Street, downtown Vancouver has obtained public hearing approval for rezoning in September, and is heading for development permit approval from local authority.

In April 2018, Asia Standard International, through another joint venture with which it owns 40% equity interest, completed an acquisition of another development also located in Alberni Street, within close proximity to its present joint venture project for redevelopment into premium residential units for sale.

In August 2018, a 25% joint venture of Asia Standard International completed an acquisition of a commercial building of approximately 795,000 sq. ft. marketable GFA in Kowloon Bay. The building will be up-graded and refurbished for value appreciation and rental reversion.

Self developed projects

The land exchange process for the commercial and residential development at Hung Shui Kiu, Yuen Long is ongoing, provisional basic terms were concluded and is now in the course of premium assessment. Another



Octa Tower in Kowloon Bay

residential development at the Lam Tei station nearby is also in the process of land exchange application with the government. These two projects will provide approximately 590,000 sq. ft. of developable GFA.

In Canada, redevelopment of our Empire Landmark Hotel had commenced in the second half of last financial year and will be redeveloped into a mixed-use property with two residential towers ("Landmark on Robson") upon completion. Demolition is in progress and had achieved contracted sales of CAD135 million up to 30 September 2018, since the launch of presale in January 2018.

Management Discussion and Analysis

LEASING

Leasing income of MassMutual Tower, 33 Lockhart Road in Wanchai had increased by about 33% compared with last interim period, following the gradual filled up of vacancies in the second half of last financial year, after repositioning new tenants and the completion of extensive renovation works.

Leasing income from Asia Standard Tower in Central decreased slightly upon a rent consolidation of an anchor tenant, and that of Goldmark in Causeway Bay also decreased slightly.

Overall leasing income attributable to Asia Standard International increased by 7% from HK\$109 million to HK\$117 million. Net revaluation gain (taking into account our share from the investment property owned by an associated company) of HK\$669 million (2017: HK\$419 million) was recorded.

HOTEL

During the year, overnight stay visitors to Hong Kong increased 4% to approximately 14 million. Mainland visitors dominate this segment with 69% share, and their arrival increased 6% from same period of last year. Total hotel rooms in Hong Kong are approximately 80,000 rooms, an increase of 3% over same period of last year.



Empire Prestige in Tsimshatsui

Revenue arising from the hotel and travel segment for the year amounted to HK\$260 million (2017: HK\$288 million). Average occupancies for the 4 Hong Kong hotels were approximately 95% (2017: 95%) while average room rates increased 13%. Overall, contribution to segment results before depreciation decreased from HK\$95 million to HK\$82 million, primarily due to cessation of Empire Landmark Hotel in Canada since October 2017 for redevelopment.

Our new hotel in Tsimshatsui obtained hotel operating licence in September 2018 and will commence business in the fourth quarter of 2018.

FINANCIAL INVESTMENTS

The Group has adopted the new accounting standard HKFRS 9 with effect from 1st April 2018. This is a new classification and measurement approach for financial assets with changes in fair value of certain securities (consisted mostly listed debt securities) to be recognised through reserve while expected credit losses and impairment to be assessed at each reporting date and the charges to be reported in profit and loss account. This differed from the previous practice for recognizing fair value changes through profit and loss account with impairment charges made when incurred. Further details of the nature and effect of the changes to previous accounting policies can be referred to note 3 of the notes to the interim financial information.

At 30th September 2018, the Group held financial investments of approximately HK\$15,375 million (31st March 2018: HK\$14,101 million), with HK\$13,506 million (31st March 2018: HK\$12,050 million) held by the two listed subsidiary groups. The investment portfolio comprise 87% by listed debt securities (mostly issued by PRC-based real estate companies), 11% by listed equity securities (of which approximately 80% were issued by major banks) and 2% unlisted funds and securities. They are denominated in different currencies with 94% in United States dollar, 4% in Hong Kong dollar and 2% in Sterling.

The portfolio increase largely arose from a further net investment of HK\$2,960 million and a mark-to-market valuation net loss of HK\$1,686 million, of which a net investment loss of HK\$249 million was charged to profit and loss while the remaining were recognised in the investment reserve account pursuant to HKFRS 9. The net investment loss comprised changes in the expected credit loss, impairment charges and exchange losses of listed debt securities, offset by fair value changes of listed equity securities. The drop in market price is mainly due to a rising interest rate environment, the market correction following the uncertainties over the Sino-US trade conflict, and the various austerity measures over the PRC property market.

Income from these investment portfolio amounted to HK\$761 million (2017: HK\$497 million). The increase in income resulted from further investment in debt securities.

At 30th September 2018, an approximate value of HK\$2,500 million (31st March 2018: HK\$2,160 million) of these investments were pledged to banks as collateral for credit facilities granted to the Group.

Management Discussion and Analysis

FINANCIAL REVIEW

At 30th September 2018, the Group had over HK\$4.4 billion (31st March 2018: HK\$6.6 billion) cash and undrawn banking facilities. The financing and treasury activities of our three listed groups are independently administered.

At 30th September 2018, the Group's total assets amounted to approximately HK\$41.1 billion (31st March 2018: HK\$38.4 billion). Net assets were HK\$23.0 billion (31st March 2018: HK\$23.8 billion). Adopting market value of hotel properties, the revalued total assets and revalued net assets of the Group would be HK\$46.5 billion (31st March 2018: HK\$43.4 billion) and HK\$29.0 billion (31st March 2018: HK\$29.3 billion).

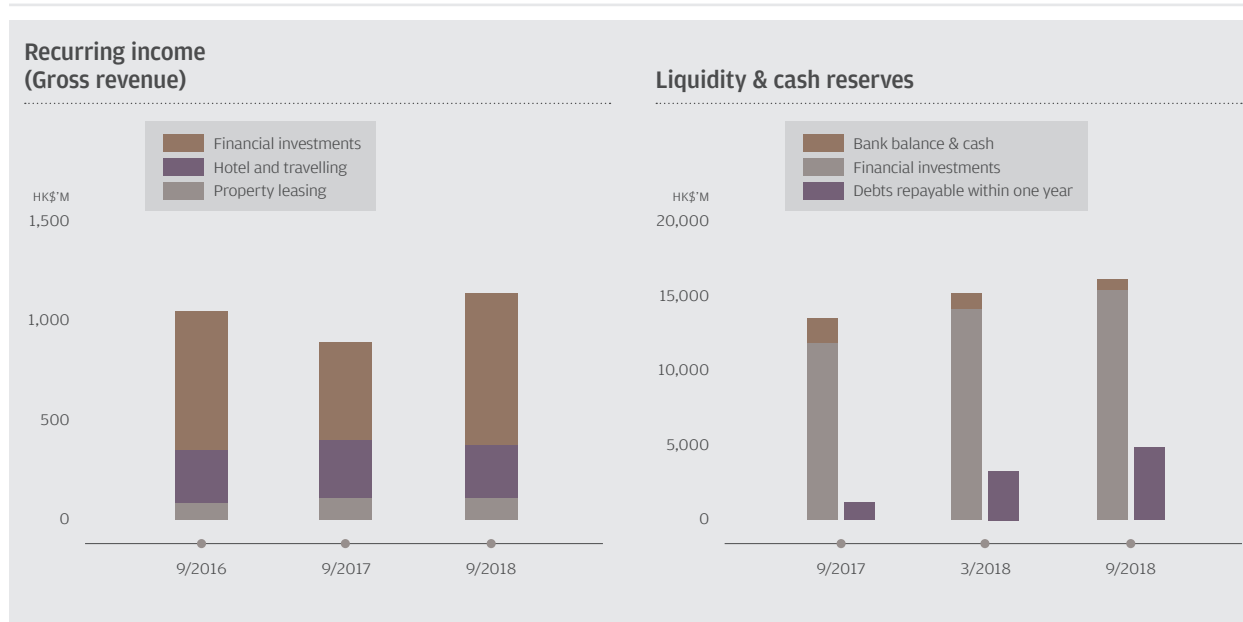
Net debt at 30th September 2018 was HK\$15,751 million (31st March 2018: HK\$12,263 million), of which HK\$765 million (31st March 2018: HK\$808 million) was attributable to the parent group. Total interest cost increased as a result of increased borrowings together with the gradual rate hike. The Group's gearing, calculated as net debt to revalued net asset, was approximately 54% (31st March 2018: 42%). As at 30th September 2018, the Group had

net current assets of HK\$12.0 billion (31st March 2018: HK\$12.3 billion) and the HK\$16.1 billion aggregate amount of marketable securities and cash together represented 3.3 times of the HK\$4.9 billion current debt repayable within one year.

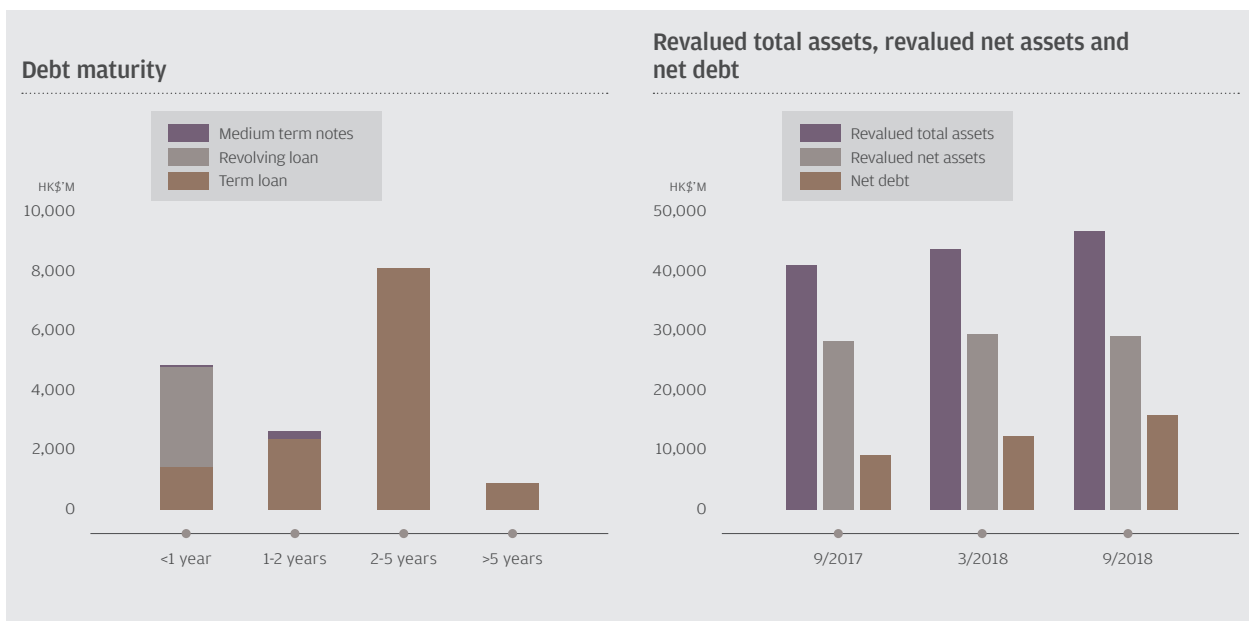
59% of the debts are secured and 99% of the debts are at floating rates. The maturities of our debts are spreading over a long period of up to 8 years, with 5% repayable after five years and 66% repayable between one to five years. The remaining 29% is repayable within one year.

About 93% of the Group's borrowings are in Hong Kong dollar, 6% in United States Dollar and the remaining 1% in other currencies.

At 30th September 2018, an approximate HK\$19.1 billion (31st March 2018: HK\$18.5 billion) book value of property assets were pledged to banks as collateral for credit facilities granted to the Group. HK\$2,772 million guarantee (31st March 2018: HK\$897 million) was provided to financial institutions and third parties against outstanding loans of joint ventures.



Management Discussion and Analysis



EMPLOYEES AND REMUNERATION POLICIES

At 30th September 2018, the Group employed approximately 480 (31st March 2018: 460) employees. Their remuneration packages, commensurate with job nature and experience level, include basic salary, annual bonus, retirement and other benefits.

FUTURE PROSPECTS

The Sino-US trade conflict has raised substantial uncertainty to the economy, while Federal Reserve has several rate hikes in 2018. The resilient Hong Kong property market has softened lately, after the continuous effort of local government to increase the land supply by every means, and banks raised the local prime lending rate recently. However, the effect on the office and luxury residential property market is yet to be seen.

The slowdown of price increase and the property market in Mainland is more obvious, as reflected by the reduction in land auction price, increase in unsuccessful land bids, property prices trade off to maintain volume. Central government continued to impose stringent austerity measures on the property sector. The Sino-US trade dispute exerts pressure on the Mainland's economic growth and thus the property market.

Hotel performance has regained momentum during the financial year. With the completion of more infrastructure projects, in particular the Express Rail Link and the Hong Kong-Zhuhai-Macau Bridge, we are expecting the continuous gradual increment of visitors staying overnight, and remain positive over the long-term prospects of our hospitality industry.

Financial market continues to be volatile, especially amongst the environment of trade disputes between various territories with the United States, the interest rate hike, and the political tension brought by United States administration.

The Group have successfully repositioned its tenant mix and improved the rental performance following the upgrading and renovating of the Wanchai headquarter office building. Retail space segment is becoming stable after a period of consolidation. We expect to upkeep our performance in the leasing activities.

Management remain cautious in the rapidly changing environment and is affirmative with the Group's performance.

Report on Review of Interim Financial Information

**To the Board of Directors of
Asia Orient Holdings Limited**

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 11 to 49, which comprises the condensed consolidated balance sheet of Asia Orient Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th September 2018 and the related condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 November 2018

Condensed Consolidated Profit and Loss Account – Unaudited

	<i>Note</i>	Six months ended 30th September	
		2018 HK\$'000	2017 HK\$'000
Revenue	6	1,140,078	969,824
Cost of sales		(157,434)	(194,400)
Gross profit		982,644	775,424
Selling and administrative expenses		(132,580)	(128,835)
Depreciation		(98,483)	(123,863)
Net investment (loss)/gain	7	(246,629)	361,939
Fair value gain of investment properties		627,176	446,660
Operating profit		1,132,128	1,331,325
Net finance costs	9	(245,983)	(131,192)
Share of profits less losses of			
Joint ventures		26,768	38,198
Associated companies		48,877	(20,384)
Profit before income tax		961,790	1,217,947
Income tax expense	10	(12,505)	(9,484)
Profit for the period		949,285	1,208,463
Attributable to:			
Shareholders of the Company		509,498	653,768
Non-controlling interests		439,787	554,695
		949,285	1,208,463
Earnings per share (HK\$)			
Basic	12	0.61	0.78
Diluted	12	0.60	0.77

Condensed Consolidated Statement of Comprehensive Income – Unaudited

	Six months ended 30th September	
	2018 HK\$'000	2017 HK\$'000
Profit for the period	949,285	1,208,463
Other comprehensive (charge)/income		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Net fair value loss on debt securities at fair value through other comprehensive income	(1,294,431)	-
Fair value gain on available-for-sale investments	-	44,756
Cash flow hedges		
- fair value gain	1,796	15,336
- transfer to finance costs	(3,660)	(10,544)
- realised loss	(446)	-
Currency translation differences	223	18,843
Share of currency translation differences of joint ventures	(152,169)	72,665
Items that will not be reclassified to profit or loss:		
Net fair value loss on equity securities at fair value through other comprehensive income	(178,266)	-
	(1,626,953)	141,056
Total comprehensive (charge)/income for the period	(677,668)	1,349,519
Attributable to:		
Shareholders of the Company	(404,902)	723,087
Non-controlling interests	(272,766)	626,432
	(677,668)	1,349,519

Condensed Consolidated Balance Sheet – Unaudited

		30th September 2018 HK\$'000	31st March 2018 HK\$'000
	<i>Note</i>		
Non-current assets			
Investment properties	13	9,555,290	8,924,567
Property, plant and equipment	14	7,675,090	7,715,692
Joint ventures and associated companies		5,393,369	4,790,131
Loan receivables		1,491	2,054
Financial investments	16	643,856	743,875
Deferred income tax assets		47,918	38,688
		23,317,014	22,215,007
Current assets			
Properties under development for sale		1,711,573	932,995
Completed properties held for sale		3,700	3,700
Hotel and restaurant inventories		13,848	14,091
Trade and other receivables	15	601,490	560,021
Loan receivables		167	340,966
Income tax recoverable		2,581	2,776
Financial investments	16	14,731,459	13,357,065
Bank balances and cash		681,444	997,390
		17,746,262	16,209,004
Current liabilities			
Trade and other payables	17	392,207	327,112
Amount due to joint ventures		134,813	61,659
Amount due to an associated company		224,400	224,400
Amount due to non-controlling interests		38,670	-
Medium term notes	19	99,490	309,696
Derivative financial instruments		-	3,522
Income tax payable		62,867	42,600
Borrowings	18	4,754,743	2,958,974
		5,707,190	3,927,963
Net current assets		12,039,072	12,281,041

Condensed Consolidated Balance Sheet – Unaudited

		30th September 2018 HK\$'000	31st March 2018 HK\$'000
	<i>Note</i>		
Non-current liabilities			
Long term borrowings	18	11,329,494	9,644,801
Medium term notes	19	248,583	347,291
Deferred income tax liabilities		731,337	735,955
		12,309,414	10,728,047
Net assets		23,046,672	23,768,001
Equity			
Share capital	20	84,087	84,087
Reserves	21	12,021,639	12,446,722
Equity attributable to shareholders of the Company		12,105,726	12,530,809
Non-controlling interests		10,940,946	11,237,192
		23,046,672	23,768,001

Condensed Consolidated Statement of Cash Flows – Unaudited

	Six months ended 30th September	
	2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities		
Net cash used in operation	(3,030,541)	(1,522,649)
Net income tax paid	(2,727)	(6,669)
Net interest paid	(248,187)	(137,545)
Interest received from bank deposit and other receivables	71,910	9,969
Net cash used in operating activities	(3,209,545)	(1,656,894)
Cash flows from investing activities		
Net purchase of financial assets at FVOCI	(82,960)	-
Purchase of available-for-sale investments	-	(8,036)
Addition to investment properties	(3,546)	(10,032)
Addition to property, plant and equipment	(44,113)	(60,489)
Repayment of loan by a joint venture partner	280,000	-
Increase in investments in joint ventures	(79,613)	(197,753)
(Advance to)/repayment by joint ventures and associated companies	(526,994)	3,120
Net cash used in investing activities	(457,226)	(273,190)
Cash flows from financing activities		
Net redemption of medium term notes	(319,528)	-
Drawdown of long term borrowings	2,752,000	2,771,100
Repayment of long term borrowings	(1,118,666)	(82,392)
Net increase in short term borrowings	1,865,100	75,445
Dividend paid	(20,181)	(20,181)
Dividend paid to non-controlling interests	(44,197)	(23,271)
Contribution from non-controlling interests	38,670	-
Net cash generated from financing activities	3,153,198	2,720,701
Net (decrease)/increase in cash and cash equivalents	(513,573)	790,617
Cash and cash equivalents at the beginning of the period	847,437	672,040
Changes in exchange rates	(220)	6,065
Cash and cash equivalents at the end of the period	333,644	1,468,722
Analysis of the balances of cash and cash equivalents		
Bank balances and cash (excluding restricted bank balances)	333,644	1,468,722

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 2017	84,087	11,531,284	11,615,371	10,468,437	22,083,808
Fair value gain on available-for-sale investments	-	21,511	21,511	23,245	44,756
Cash flow hedges					
- fair value gain	-	7,943	7,943	7,393	15,336
- transfer to finance costs	-	(5,461)	(5,461)	(5,083)	(10,544)
Currency translation differences	-	45,326	45,326	46,182	91,508
Profit for the period	-	653,768	653,768	554,695	1,208,463
Total comprehensive income for the period	-	723,087	723,087	626,432	1,349,519
Dividends paid and total transactions with owners	-	(20,181)	(20,181)	(23,271)	(43,452)
	-	702,906	702,906	603,161	1,306,067
At 30th September 2017	84,087	12,234,190	12,318,277	11,071,598	23,389,875
At 31st March 2018	84,087	12,446,722	12,530,809	11,237,192	23,768,001
Net fair value gain on financial asset at fair value through other comprehensive income	-	(834,741)	(834,741)	(637,956)	(1,472,697)
Cash flow hedges					
- fair value gain	-	930	930	866	1,796
- transfer to finance costs	-	(1,895)	(1,895)	(1,765)	(3,660)
- realised loss	-	(353)	(353)	(93)	(446)
Currency translation differences	-	(78,341)	(78,341)	(73,605)	(151,946)
Profit for the period	-	509,498	509,498	439,787	949,285
Total comprehensive charge for the period	-	(404,902)	(404,902)	(272,766)	(677,668)
Dividends paid and total transactions with owners	-	(20,181)	(20,181)	(23,480)	(43,661)
	-	(425,083)	(425,083)	(296,246)	(721,329)
At 30th September 2018	84,087	12,021,639	12,105,726	10,940,946	23,046,672

Notes to the Interim financial information

1 GENERAL INFORMATION

Asia Orient Holdings 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 registered office is 30th Floor, MassMutual Tower, 33 Lockhart Road, Wanchai, Hong Kong.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2018 (“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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 THE ADOPTION OF NEW HKFRS

The accounting policies and methods of computation used in the preparation of this Interim Financial Information are consistent with those used in the annual financial statements for the year ended 31st March 2018, except for the adoption of the following new standards that is effective for the financial year ending 31st March 2019 which is relevant to the Group’s operations and is mandatory for accounting periods beginning on or after 1st January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from contracts with customers

The adoption of HKFRS 9 and HKFRS 15 from 1st April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9 and HKFRS 15, comparative figures have not been restated.

Notes to the Interim financial information

3 THE ADOPTION OF NEW HKFRS (Continued)

HKFRS 9 FINANCIAL INSTRUMENTS

The Group's existing available-for-sale ("AFS") investments as at 31 March 2018 would be reclassified as financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss ("FVPL"). It would have no change to the fair value measurement method of these long term financial assets at FVOCI from AFS investments except for any gains or losses realised upon sale will no longer be transferred to the profit and loss account, but instead reclassified from "investment revaluation reserve" (previously named as "AFS investment reserve") to "revenue reserve". In addition, there will be no more impairment losses required to be charged to the profit and loss account for equity investments at FVOCI under the new guidance.

Equity investments that were previously classified as financial assets at FVPL at 31 March 2018 are continued to be classified as financial assets at FVPL, except for financial assets at FVPL previously included in non-current assets to be classified as financial assets at FVOCI, on 1 April 2018. There is no change in the measurement of fair value and realised gains or losses.

The Group's investments in debt securities that were previously classified as financial assets at FVPL satisfied the conditions for classification as financial assets at FVOCI. Therefore, all unrealised fair value changes of these debt investments would be recognised in other comprehensive income (except unrealized exchange differences and changes in expected credit losses which would be recognised in the profit and loss account). Any gains or losses realised upon disposal would be recognised in the profit and loss account.

The new impairment provisions under HKFRS 9 requires the recognition of impairment based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts.

From 1st April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVPL and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been change.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, the Group did not identify any new hedge relationships upon the adoption of HKFRS 9.

3 THE ADOPTION OF NEW HKFRS (Continued)

HKFRS 9 FINANCIAL INSTRUMENTS (Continued)

The Group will not apply the standard retrospectively as permitted under the new standard. Comparative information for prior periods with respect to classification and measurement (including impairment) changes is not restated and any differences in the previous carrying amounts and the carrying amount at the beginning of current accounting period will be recognised as an adjustment to the opening balance of revenue reserve (or other component of equity, as appropriate) in the year of adoption.

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

HKFRS 15 replaces both the provisions of HKAS 18 “Revenue” and HKAS 11 “Construction contracts” and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

In prior reporting periods, the Group accounted for property development activities when significant risks and rewards of ownership of properties have been transferred to the customers. Under HKFRS 15, revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time. Control of the properties under development is transferred over time if the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

When control of the property transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

The progress towards complete satisfaction of the performance obligation is measured based on the property development costs incurred as a percentage of total estimated costs for complete satisfaction as allocated to the contract.

Revenue from the Group’s existing pre-sale properties contracts will remain unchanged and recognised at a single point in time. Revenue from pre-sale properties contracts entered in the future might be recognised at a single point in time or over a period depending on the terms of contract and laws that apply to the contract.

The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties is transferred, will be recognised at a later point in time when the underlying property is legally or physically transferred to the customer under the control transfer model.

The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue from service.

The adoption of HKFRS 15 has no material impact on the condensed consolidated interim financial statements of the Group as at 1st April 2018.

Notes to the Interim financial information

3 THE ADOPTION OF NEW HKFRS (Continued)

EFFECT ON ADOPTION OF NEW HKFRS IS AS FOLLOWS:

HKFRS 9

Condensed consolidated balance sheet (extract)

	As at 1st April 2018		
	As presented under previous accounting policies HK\$'000	Effect of adoption of HKFRS 9 HK\$'000	As presented under new accounting policies HK\$'000
Non-current assets			
Financial investments			
AFS investments	333,067	(333,067)	-
Financial assets at FVPL	410,808	(351,316)	59,492
Financial assets at FVOCI	-	684,383	684,383
	743,875	-	743,875
Current assets			
Financial investments			
Financial assets at FVPL	13,357,065	(11,727,732)	1,629,333
Financial assets at FVOCI	-	11,727,732	11,727,732
	13,357,065	-	13,357,065
Reserves			
Investment revaluation reserve (previously named as AFS investment reserve)	15,746	(76,267)	(60,521)
Revenue reserve	9,675,024	76,267	9,751,291

Notes to the Interim financial information

3 THE ADOPTION OF NEW HKFRS (Continued)

EFFECT ON ADOPTION OF NEW HKFRS IS AS FOLLOWS: (Continued)

HKFRS 9 (Continued)

Condensed consolidated balance sheet (extract) (Continued)

	As at 30th September 2018		
	As presented under previous accounting policies HK\$'000	Effect of adoption of HKFRS 9 HK\$'000	As presented under new accounting policies HK\$'000
Non-current assets			
Financial investments			
AFS investments	392,300	(392,300)	-
Financial assets at FVPL	251,556	(196,462)	55,094
Financial assets at FVOCI	-	588,762	588,762
	643,856	-	643,856
Current assets			
Financial investments			
Financial assets at FVPL	14,731,459	(13,412,053)	1,319,406
Financial assets at FVOCI	-	13,412,053	13,412,053
	14,731,459	-	14,731,459
Reserves			
Investment revaluation reserve (previously named as AFS investment reserve)	2,719	(897,981)	(895,262)
Revenue reserve	9,342,627	897,981	10,240,608

Notes to the Interim financial information

3 THE ADOPTION OF NEW HKFRS (Continued)

EFFECT ON ADOPTION OF NEW HKFRS IS AS FOLLOWS: (Continued)

HKFRS 9 (Continued)

	For the six months ended 30th September 2018		
	As presented under previous accounting policies HK\$'000	Effect of adoption of HKFRS 9 HK\$'000	As presented under new accounting policies HK\$'000
Condensed consolidated profit and loss account (extract)			
Revenue	1,106,230	33,848	1,140,078
Net investment loss	(1,663,599)	1,416,970	(246,629)
Income tax expense	(10,663)	(1,842)	(12,505)
Profit for the period attributable to:			
Shareholders of the Company	(312,216)	821,714	509,498
Non-controlling interests	(187,475)	627,262	439,787
	(499,691)	1,448,976	949,285
Basic (loss)/earnings per share	(0.37)	0.98	0.61
Condensed consolidated statement of comprehensive income (extract)			
Other comprehensive income			
Net fair value loss on financial assets at FVOCI			
- Debt securities	-	(1,294,431)	(1,294,431)
- Equity securities	-	(178,266)	(178,266)
Fair value loss on AFS investments	(23,721)	23,721	-
Total comprehensive income attributable to:			
Shareholders of the Company	(404,903)	-	(404,903)
Non-controlling interests	(272,765)	-	(272,765)
	(677,668)	-	(677,668)

Notes to the Interim financial information

3 THE ADOPTION OF NEW HKFRS (Continued)

EFFECT ON ADOPTION OF NEW HKFRS IS AS FOLLOWS: (Continued)

HKFRS 15

As at 30th September 2018, contract liabilities included in trade and other payables of HK\$108,794,000 (1st April 2018: HK\$56,833,000) in relation to sale of properties were previously presented as deposit received from sale of properties and were reclassified to contract liabilities under HKFRS 15.

There are no other standards or interpretations effective for financial period beginning on 1st April 2018 that would have a material impact to the Group.

4 FINANCIAL RISK MANAGEMENT

(I) FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. There have been no changes in the overall risk management since the year ended 31st March 2018 except for credit risk of financial instruments upon the adoption of HKFRS 9.

Measurement of expected credit losses

(A) *Segmentation of financial instrument*

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 definition 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, 12 months expected credit losses are recognised;
- Stage 2: For financial instruments with significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date), but there are 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 show objective evidence of impairment 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.

Notes to the Interim financial information

4 FINANCIAL RISK MANAGEMENT (Continued)

(I) FINANCIAL RISK FACTORS (Continued)

Measurement of expected credit losses (Continued)

(B) *Significant change in credit risk*

The Group assesses whether the credit risk of a financial instrument has changed significantly since initial recognition on a semi-annual basis. The Group sufficiently considers reasonable and supportable information, including forward-looking information, which reflects the significant change 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 considers the change in probability of default, delinquency of interest or principal repayments and other factors to determine whether there is significant change in credit risk since initial recognition.

(C) *Definition of default and credit-impaired assets*

The Group considers a financial instrument is default, when it is credit-impaired.

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

- Significant financial difficulty of the borrower or issuer;
- 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;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer of an equity instrument;
- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and
- Other objective evidence indicating there is an impairment of the financial asset.

The Interim Financial Information does not include other financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st March 2018.

Notes to the Interim financial information

4 FINANCIAL RISK MANAGEMENT (Continued)

(II) FAIR VALUE ESTIMATION

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

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
At 30th September 2018			
Assets			
Financial investments			
Financial assets at FVOCI	458,053	13,451,926	90,836
Financial assets at FVPL	1,248,974	70,432	55,094
	1,707,027	13,522,358	145,930
At 31st March 2018			
Assets			
Financial investments			
Financial assets at FVPL	1,971,269	11,796,604	-
AFS investments	225,546	39,945	67,576
	2,196,815	11,836,549	67,576
Liabilities			
Derivative financial instruments	-	3,522	-

Notes to the Interim financial information

4 FINANCIAL RISK MANAGEMENT (Continued)

(II) FAIR VALUE ESTIMATION (Continued)

During the six months ended 30th September 2018, there was no transfer between level 1, level 2 and level 3 fair value measurements and there was no change in valuation technique.

- Financial instruments in level 1
The fair value of financial instruments traded in active markets (such as listed equity securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. These instruments are included in level 1.
- Financial instruments in level 2
The fair value of financial instruments that are not traded in an active market (over-the-counter investments and derivatives) is determined by using latest available transaction price or valuation techniques. Judgements as to whether there is an active market may include, but not restricted to, consideration of factors such as the magnitude and frequency of trading activities, the availability of prices and the size 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 equity securities which are not traded in an active market. Fair values of these instruments have been determined using appropriate valuation techniques with references including other prices observed in recent transactions.

Notes to the Interim financial information

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing this condensed consolidated interim financial information, except for the below mentioned amendment, 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 2018.

The adoption of HKFRS 9 has resulted in a change to the assessment of the critical accounting estimates and judgements related to impairment of financial investments. The loss allowances for financial investments are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

6 SEGMENT INFORMATION

The Group is principally engaged in property management, development and investment, hotel, travel operation and securities investments. Revenue includes revenue from property management, property sales and leasing, hotel and travel operation, management services, interest income and dividend income.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by the chief operating decision-maker. The Group is organised into four main operating segments, comprising property sales, property leasing, hotel and travel and financial investments. Segment assets consist primarily of property, plant and equipment, investment properties, loan receivables, financial investments, other non-current assets, hotel inventories, properties under development/held for sale and trade and other receivables. Segment liabilities comprise mainly borrowings.

Notes to the Interim financial information

6 SEGMENT INFORMATION (Continued)

	Property sales HK\$'000	Property leasing HK\$'000	Hotel and travel HK\$'000	Financial Investments HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30th September 2018						
Segment revenue	-	103,555	260,268	761,053	15,202	1,140,078
Contribution to segment results	(13,043)	89,898	81,647	759,284	10,521	928,307
Depreciation	-	-	(87,929)	-	(10,554)	(98,483)
Net investment loss	-	-	-	(246,629)	-	(246,629)
Fair value gain of investment properties	-	627,176	-	-	-	627,176
Share of profits less losses of						
Joint ventures	21,785	-	-	-	4,983	26,768
Associated companies	-	48,961	-	-	(84)	48,877
Segment results	8,742	766,035	(6,282)	512,655	4,866	1,286,016
Unallocated corporate expenses						(78,243)
Net finance costs						(245,983)
Profit before income tax						961,790
Six months ended 30th September 2017						
Segment revenue	-	94,624	288,084	497,007	90,109	969,824
Contribution to segment results	(1,636)	80,269	95,025	496,381	53,181	723,220
Depreciation	-	-	(119,505)	-	(4,358)	(123,863)
Net investment gain	-	-	-	361,939	-	361,939
Fair value gain of investment properties	-	446,660	-	-	-	446,660
Share of profits less losses of						
Joint ventures	36,661	-	-	-	1,537	38,198
Associated companies	-	(20,355)	-	-	(29)	(20,384)
Segment results	35,025	506,574	(24,480)	858,320	50,331	1,425,770
Unallocated corporate expenses						(76,631)
Net finance costs						(131,192)
Profit before income tax						1,217,947

Notes to the Interim financial information

6 SEGMENT INFORMATION (Continued)

	Business segments						Total HK\$'000
	Property sales HK\$'000	Property leasing HK\$'000	Hotel and travel HK\$'000	Financial investments HK\$'000	Others HK\$'000	Unallocated HK\$'000	
At 30th September 2018							
Assets	5,227,214	11,593,740	6,504,633	15,855,995	270,601	1,611,093	41,063,276
Assets include:							
Joint ventures and associated companies	3,324,189	1,999,213	-	-	16,499	3,468	5,343,369
Addition to non-current assets for the six months ended 30th September 2018*	204,851	3,546	39,912	-	8,312	-	256,621
Liabilities							
Borrowings	3,285,737	1,025,230	1,957,326	4,906,258	-	4,909,686	16,084,237
Other unallocated liabilities							1,932,367
							18,016,604
At 31st March 2018							
Assets	4,214,075	10,516,476	6,682,153	14,500,655	628,534	1,882,118	38,424,011
Assets include:							
Joint ventures and associated companies	3,220,867	1,554,483	-	-	11,230	3,551	4,790,131
Addition to non-current assets for the six months ended 30th September 2017*	-	10,032	41,789	-	34,655	-	86,476
Liabilities							
Borrowings	2,453,469	1,048,628	1,737,356	3,156,992	280,000	3,927,330	12,603,775
Other unallocated liabilities							2,052,235
							14,656,010

* 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 2018 HK\$'000	2017 HK\$'000
Revenue		
Hong Kong	384,921	368,760
Overseas	755,157	601,064
	1,140,078	969,824

	30th September 2018 HK\$'000	31st March 2018 HK\$'000
	Non-current assets*	
Hong Kong	19,966,088	18,966,285
Overseas	2,657,661	2,464,105
	22,623,749	21,430,390

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

Notes to the Interim financial information

7 NET INVESTMENT (LOSS)/GAIN

	Six months ended 30th September	
	2018 HK\$'000	2017 HK\$'000
Financial assets at FVPL		
- net unrealised gain from market price movements	22,249	232,740
- net unrealised exchange (loss)/gain	(27,283)	55,515
- net realised (loss)/gain (note (a))	(8,284)	58,949
Financial assets at FVOCI		
- net unrealised exchange loss	(39,964)	-
- net realised gain (note (b))	9,381	-
- change in expected credit losses and other credit impairment charge	(204,454)	-
Derivative financial instruments		
- net unrealised gain	-	14,735
- net realised gain	1,726	-
	(246,629)	361,939

Notes:

(a) Net realised (loss)/gain on financial assets at FVPL		
Gross consideration	331,542	5,246,578
Cost of investments	(486,127)	(4,558,918)
Total (loss)/gain	(154,585)	687,660
Add/(less): net unrealised loss/(gain) recognised in prior years	146,301	(628,711)
Net realised (loss)/gain recognised in current period	(8,284)	58,949
(b) Net realised gain on financial assets at FVOCI		
Gross consideration	541,161	-
Cost of investments	(527,411)	-
Total gain	13,750	-
Less: net unrealised gain recognised in prior years	(4,369)	-
Net realised gain recognised in current period	9,381	-

Notes to the Interim financial information

7 NET INVESTMENT (LOSS)/GAIN (Continued)

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

During the period, the Group derecognised 5 (2017: 31) debt securities and 5 (2017: 6) equity securities. Listed below are the securities disposed/redeemed/exchanged that contributed to the majority of realised gain:

	Realised gain/(loss) HK\$'000
Debt securities	
Hydoo International Holding Limited ("Hydoo") 13.75% notes	9,659
Others	(278)
Equity securities	
Orient Overseas (International) Limited ("OOIL")	11,109
Royal Bank of Scotland ("RBS")	(15,214)
Lloyds Banking Group ("Lloyds")	(3,952)
Others	(227)
	1,097

Hydoo is principally engaged in the property development, sales and operation of commercial trade and logistic centers and residential properties in the PRC. Its shares are listed on the Stock Exchange of Hong Kong Limited ("HKEX") (stock code: 1396). The notes derecognised were rated "Caa1" by Moody's and were listed on Stock Exchange of Singapore ("SGX-ST").

OOIL is principally engaged in container transport and logistics, and its shares are listed on HKEX (stock code: 316).

RBS is a global bank that provides financial services, and its shares are listed on London Stock Exchange ("LSE") (stock code: RBS) with a "BBB-" rated by S&P.

Lloyds is a global bank that provides financial services, and its shares are listed on LSE (stock code: LLOY) with a "BBB+" rated by S&P.

Notes to the Interim financial information

7 NET INVESTMENT (LOSS)/GAIN (Continued)

The unrealised (loss)/gain for the period was generated from the fair value changes of the financial investments that comprised 47 (2017: 35) securities as at 30th September 2018. Please refer to note 16 for the details.

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

	Six months ended 30th September	
	2018 HK\$'000	2017 HK\$'000
Equity securities	(4,106)	280,359
Debt securities	(35,269)	7,024
Unlisted fund	(5,623)	871
	(44,998)	288,254

Notes to the Interim financial information

8 INCOME AND EXPENSES BY NATURE

	Six months ended 30th September	
	2018 HK\$'000	2017 HK\$'000
Income		
Interest income		
- Listed investments	701,067	455,283
- Unlisted investments	2,034	2,034
- Loan receivables	9,810	20,265
- Bank deposits	1,335	1,915
Dividend income		
- Listed investments	27,299	26,514
Expenses		
Cost of properties and goods sold	6,009	11,833
Employee benefit expense, including Director's emoluments (note (a))	104,264	116,858
Loss on disposal of properties, plant and equipment	-	3
Operating lease rental expense for land and buildings	1,606	1,286

Note:

(a) Employee benefit expense		
Wages and salaries	102,878	111,490
Retirement benefit costs	2,963	5,368
	105,841	116,858
Capitalised under property under development for sale	(1,577)	-
	104,264	116,858

Notes to the Interim financial information

9 NET FINANCE COSTS

	Six months ended 30th September	
	2018 HK\$'000	2017 HK\$'000
Interest expenses		
Long term bank loans	(215,600)	(101,071)
Short term bank loans and overdrafts	(12,790)	(6,093)
Medium term notes	(9,201)	(16,403)
Interest income from derivative financial instruments	740	1,383
Interest capitalised under properties under development	13,793	15,953
	(223,058)	(106,231)
Other incidental borrowing costs	(23,880)	(21,569)
Net foreign exchange loss on borrowings	(2,705)	(13,936)
Fair value gain on derivative financial instruments		
Cash flow hedge, transfer from reserve	3,660	10,544
	(245,983)	(131,192)

Notes to the Interim financial information

10 INCOME TAX EXPENSE

	Six months ended 30th September	
	2018 HK\$'000	2017 HK\$'000
Current income tax expense		
Hong Kong profits tax	(21,700)	(15,028)
Overseas profits tax	(1,387)	(1,322)
(Under)/over-provision in prior years	(102)	914
	(23,189)	(15,436)
Deferred income tax credit	10,684	5,952
	(12,505)	(9,484)

Hong Kong profits tax is provided at the rate of 16.5% (2017: 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 does not recommend the payment of an interim dividend for the six months ended 30th September 2018 (2017: Nil).

Notes to the Interim financial information

12 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended 30th September is based on the following:

	Six months ended 30th September	
	2018 HK\$'000	2017 HK\$'000
Profit attributable to shareholders of the Company for calculation of basic earnings per share	509,498	653,768
Effect of dilutive potential shares:		
A portion of share options of the subsidiaries assumed to be exercised	(689)	(1,257)
Profit attributable to shareholders of the Company for calculation of diluted earnings per share	508,809	652,511
	Number of shares	
Weighted average number of shares for calculation of basic earnings per share	840,873,996	840,873,996
Effect of dilutive potential shares:		
A portion of share options of the Company assumed to be exercised	1,594,889	2,622,881
Weighted average number of shares for calculation of diluted earnings per share	842,468,885	843,496,877

13 INVESTMENT PROPERTIES

Investment properties were revalued by Prudential Surveyors (Hong Kong) Limited, independent professional valuers, on an open market value basis as at 30th September 2018 and 31st March 2018. All of the fair value measurements of the Group's investment properties were categorised as level 3 of the fair value hierarchy. There were no transfers into or out of level 3 during the period.

Notes to the Interim financial information

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land in Hong Kong HK\$'000	Hotel buildings HK\$'000	Other buildings HK\$'000	Other equipments HK\$'000	Total HK\$'000
Cost					
At 31st March 2018	6,836,476	2,172,676	326,574	182,845	9,518,571
Currency translation differences	-	-	-	82	82
Additions	2,107	33,443	9,233	13,123	57,906
Disposals	-	(292)	-	-	(292)
At 30th September 2018	6,838,583	2,205,827	335,807	196,050	9,576,267
Accumulated depreciation					
At 31st March 2018	962,048	752,360	16,991	71,480	1,802,879
Currency translation differences	-	-	-	(31)	(31)
Charge for the period	47,793	29,783	3,186	17,721	98,483
Disposals	-	(154)	-	-	(154)
At 30th September 2018	1,009,841	781,989	20,177	89,170	1,901,177
Net book value					
At 30th September 2018	5,828,742	1,423,838	315,630	106,880	7,675,090
At 31st March 2018	5,874,428	1,420,316	309,583	111,365	7,715,692

Supplementary information with completed hotel properties at valuation:

According to the Group's accounting policies, the carrying amount of the five (31st March 2018: four) completed hotel properties in Hong Kong were HK\$6,338,000,000 (31st March 2018: HK\$6,375,179,000).

The aggregate open market value, on a highest and best use basis, of the five (31st March 2018: four) completed hotel properties in Hong Kong based on valuations conducted by Vigers Appraisal & Consulting Limited ("Vigers"), independent professional valuers, amounted to HK\$11,772,000,000 (31st March 2018: HK\$10,653,700,000), is regarded as level 3 hierarchy for disclosure purpose under HKFRS 13.

Notes to the Interim financial information

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

The hotel properties portfolio in Hong Kong comprised five (31st March 2018: four) completed hotels. Vigers used the discounted cash flow (“DCF”) method, which is considered the most appropriate valuation approach for assessing the market value of the properties as it would better reflect specific characteristics of the income-producing properties such as occupancies, average room rates, potential income growth and all out-goings, subject to future economic conditions in the markets.

The supplementary information with completed hotel properties at valuation is for readers’ information only. It does not constitute a disclosure requirement under HKAS 16 and HKAS 17.

15 TRADE AND OTHER RECEIVABLES

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

Trade receivables of the Group amounted to HK\$79,286,000 (31st March 2018: HK\$72,697,000). 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.

An aging analysis of trade receivables net of provision for impairment is as follows:

	30th September 2018 HK\$'000	31st March 2018 HK\$'000
0 month to 6 months	48,209	71,541
7 months to 12 months	31,064	1,126
More than 12 months	13	30
	79,286	72,697

Notes to the Interim financial information

16 FINANCIAL INVESTMENTS

	30th September 2018 HK\$'000	31st March 2018 HK\$'000
Non-current assets		
Equity securities		
- Listed in Hong Kong	458,053	636,354
- Unlisted	185,803	107,521
	643,856	743,875
Current assets		
Equity securities		
- Listed in the USA	901,849	851,440
- Listed in Europe	247,781	509,393
- Listed in Hong Kong	99,344	199,628
	1,248,974	1,560,461
Debt securities		
- Listed in Singapore	12,496,119	10,792,742
- Listed in Europe	862,466	867,020
- Listed in Hong Kong	54,910	71,539
- Unlisted	59,572	54,866
	13,473,067	11,786,167
Unlisted fund	9,418	10,437
	14,731,459	13,357,065
Total financial investments	15,375,315	14,100,940

Notes to the Interim financial information

16 FINANCIAL INVESTMENTS (Continued)

	30th September 2018 HK\$'000	31st March 2018 HK\$'000
Financial investments are classified in the following categories:		
Non-current assets		
Financial assets at FVOCI	588,762	-
Financial assets at FVPL	55,094	410,808
AFS investments	-	333,067
	643,856	743,875
Current assets		
Financial assets at FVOCI	13,412,053	-
Financial assets at FVPL	1,319,406	13,357,065
	14,731,459	13,357,065
Total financial investments	15,375,315	14,100,940
Financial investments are denominated in the following currencies:		
United States dollar	14,454,030	12,629,438
Hong Kong dollar	616,969	898,931
Sterling	302,875	568,885
Euro	1,441	3,685
	15,375,315	14,100,940

Notes to the Interim financial information

16 FINANCIAL INVESTMENTS (Continued)

EQUITY SECURITIES

As at 30th September 2018, the Group held 22 (31st March 2018: 20) listed equity securities and 5 (31st March 2018: 3) unlisted equity securities. The summary of equity securities portfolio of financial investments at 30th September 2018 and 31st March 2018 and their corresponding unrealised (loss)/gain and dividend income for the six months ended 30th September 2018 and 2017 are as follows:

	Market value		Unrealised (loss)/gain for the six months ended		Dividend income for the six months ended	
	30th September 2018 HK\$'000	31st March 2018 HK\$'000	30th September 2018 HK\$'000	2017 HK\$'000	30th September 2018 HK\$'000	2017 HK\$'000
Citigroup Inc. ("Citigroup")	898,654	847,810	50,844	165,512	7,858	4,200
MGM China ("MGM")	251,556	410,808	(159,251)	51,123	3,266	5,599
HSBC Holdings PLC ("HSBC")	206,496	225,546	(19,050)	40,382	4,785	4,755
Lloyds Banking Group ("Lloyds")	127,081	215,289	(22,623)	17,036	8,756	9,842
Royal Bank of Scotland ("RBS")	120,701	294,104	(14,223)	43,790	-	-
Others	328,215	310,779	(22,675)	5,754	2,634	2,118
	1,892,830	2,304,336	(186,978)	323,597	27,299	26,514

Citigroup is a global bank that provides financial services, and its shares are listed on the New York Stock Exchange ("NYSE") (stock code: C) with a "BBB+" rated by S&P. As at 30th September 2018, a total of 0.06% shareholding of Citigroup was held by the Group.

MGM is a company principally engaged in development and operation of casino game and related hotel and resort facilities in Macau, and its shares are listed on HKEX (stock code: 2282). As at 30th September 2018, a total of 0.5% shareholding of MGM was held by the Group.

HSBC is a banking and financial services company. It operates across various geographical regions, and its shares are listed on HKEX (stock code: 5). As at 30th September 2018, a total of 0.02% shareholding of HSBC was held by the Group.

Lloyds is a global bank that provides financial services, and its shares are listed on LSE (stock code: LLOY) with a "BBB+" rated by S&P. As at 30th September 2018, a total of 0.03% shareholding of Lloyds was held by the Group.

RBS is a global bank that provides financial services, and its shares are listed on LSE (stock code: RBS) with a "BBB-" rated by S&P. As at 30th September 2018, a total of 0.09% shareholding of RBS was held by the Group.

Notes to the Interim financial information

16 FINANCIAL INVESTMENTS (Continued)

DEBT SECURITIES

As at 30th September 2018, the Group held 19 (31st March 2018: 18) debt securities, 15 of them are listed in Singapore, 1 in Hong Kong, 2 in Europe and 1 is unlisted. Approximately 99% (31st March 2018: 99%) of the mark to market valuation comprising 17 (31st March 2018: 15) 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.

The summary of debt securities portfolio of financial investment as at 30th September 2018 and 31st March 2018 and their corresponding unrealised (loss)/gain and interest income for the six months ended 30th September 2018 and 2017 are as follows:

	As at 30th September 2018			As at 31st March 2018		
	Issued by PRC-based real estate companies HK\$'000	Others HK\$'000	Total HK\$'000	Issued by PRC-based real estate companies HK\$'000	Others HK\$'000	Total HK\$'000
Principal amount of notes	15,687,163	50,700	15,737,863	12,202,510	65,172	12,267,682
Investment cost	28,077,342	50,256	28,127,598	11,717,046	57,836	11,774,882
Market value	13,412,053	61,014	13,473,067	11,727,617	58,549	11,786,166
Coupon	8% to 13.75%	8%	8% to 13.75%	8% to 13.75%	8%	8% to 13.75%
Maturity	Sep 2018 - Jun 2025	Jun 2019 - Oct 2042	Sep 2018 - Oct 2042	May 2018 - Jan 2025	Sep 2019 - Oct 2042 & 1 perpetual	May 2018 - Oct 2042 & 1 perpetual
Rating	NR to B	NR	NR to B	NR to B+	NR to B-	NR to B+

	For the six months ended 30th September 2018			2017		
	Issued by PRC-based real estate companies HK\$'000	Others HK\$'000	Total HK\$'000	Issued by PRC-based real estate companies HK\$'000	Others HK\$'000	Total HK\$'000
Interest income	701,067	2,034	703,101	455,283	2,034	457,317
Unrealised (loss)/gain						
- to profit and loss account	(39,650)	4,381	(35,269)	4,786	2,238	7,024
- to other comprehensive income	(1,465,036)	-	(1,465,036)	-	-	-

Notes to the Interim financial information

16 FINANCIAL INVESTMENTS (Continued)

DEBT SECURITIES (CONTINUED)

As at 30th September 2018, the 19 (30th September 2017: 15) debt securities gave rise to a net unrealised fair value loss of HK\$1,500 million for the six months ended 30th September 2018 (2017: gain of HK\$7.0 million). A total of 2 (2017: 9) debt securities have recorded unrealised fair value gain, with the remaining 17 debt securities (2017: 6) that recorded unrealised fair value loss.

As at 30th September 2018, the mark to market valuation of the largest single debt securities within the Group's financial investments represents approximately 9% (31st March 2018: 10.0%) of the Group's revalued total assets, and the mark to market valuation of the five largest debt securities held represents approximately 17.8% (31st March 2018: 19.6%). The remaining 14 debt securities represent 11.2% of the Group's revalued total assets, which each of them less than 1.6%.

The five largest debt securities held at 30th September 2018 are as follows:

	Market value				Unrealised (loss)/gain for the six months ended 30th September		Interest income for the six months ended 30th September	
	30th September 2018 HK\$'000	% of the debt securities portfolio	31st March 2018 HK\$'000	% of the debt securities portfolio	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Kaisa 9.375% notes	4,213,124	31%	4,346,824	37%	(831,076)	26,442	251,497	109,058
Ronshine 8.25% notes	1,097,807	8%	373,785	3%	(6,270)	-	50,908	-
Evergrande 8.75% notes	1,118,597	8%	1,249,950	11%	(131,354)	14,028	54,988	26,963
Mingfa 11% notes due 2020	1,066,762	8%	1,106,497	9%	(39,734)	16,885	60,356	44,301
Fantasia 12% notes	782,750	6%	-	-	(5,358)	-	19,454	-
	8,279,040		7,077,056		(1,013,792)	57,355	437,203	180,322

“Kaisa 9.375% notes”, issued by Kaisa Group Holdings Limited (“Kaisa”) and carries fixed coupon rate of 9.375% per annum. It is denominated in United States dollar (“US\$”) and matures on 30th June 2024. The notes are listed on SGX-ST and not rated. Kaisa is principally engaged in the property development, property investment, property management and hotel and catering operations in the PRC. Its shares are listed on HKEX (stock code: 1638).

“Ronshine 8.25% notes”, issued by Ronshine China Holdings Limited (“Ronshine”) and carries fixed coupon of 8.25% per annum. It is denominated in US\$ and matures on 1st February 2021. The notes are listed on SGX-ST. Ronshine is principally engaged in property development business in the PRC. Its shares are listed on HKEX (stock code: 3301).

Notes to the Interim financial information

16 FINANCIAL INVESTMENTS (Continued)

DEBT SECURITIES (CONTINUED)

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

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

“Fantasia 12% notes”, issued by Fantasia Holdings Group Company Limited (“Fantasia”) and carries fixed coupon of 12% per annum. It is denominated in US\$ and matures on 15th July 2019. The notes are rated “B” by S&P and listed on SGX-ST. Fantasia is principally engaged in sales of properties in the PRC. Its shares are listed on HKEX (stock code: 1777).

17 TRADE AND OTHER PAYABLES

Trade and other payables of the Group include trade payables, rental and management fee deposits, contract liabilities, retentions payable of construction costs, interest payable and various accruals. Trade payables of the Group amounted to HK\$51,498,000 (31st March 2018: HK\$59,215,000).

An aging analysis of trade payables is as follows:

	30th September 2018 HK\$'000	31st March 2018 HK\$'000
0 month to 6 months	26,075	58,403
7 months to 12 months	25,013	343
More than 12 months	410	469
	51,498	59,215

Notes to the Interim financial information

18 BORROWINGS

	30th September 2018 HK\$'000	31st March 2018 HK\$'000
Current liabilities		
Short term bank loans		
Secured	2,340,046	1,064,430
Unsecured	988,507	379,925
Current portion of long term bank loans		
Secured	765,920	1,194,235
Unsecured	583,904	244,461
Portion of long term bank loans with a repayment on demand clause, secured	76,366	75,923
	4,754,743	2,958,974
Non-current liabilities		
Long term bank loans		
Secured	6,535,086	4,426,831
Unsecured	4,794,408	5,217,970
	11,329,494	9,644,801
	16,084,237	12,603,775

The maturities of the 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 follow:

Repayable within one year	1,349,824	1,438,696
Repayable between one and two years	2,469,036	2,597,879
Repayable between two and five years	8,062,824	6,218,845
Repayable after five years	874,000	904,000
	12,755,684	11,159,420
Current portion included in current liabilities	(1,349,824)	(1,438,696)
	11,405,860	9,720,724

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

Notes to the Interim financial information

19 MEDIUM TERM NOTES

	30th September 2018 HK\$'000	31st March 2018 HK\$'000
Included in non-current liabilities		
RMB250 million at coupon of 6.5% per annum due April 2018	-	309,696
HKD100 million at coupon of 4.8% per annum due July 2019	100,000	100,000
HKD250 million at coupon of 3% above HIBOR per annum due April 2020	250,000	250,000
	350,000	659,696
Less: deferred issue expenses	(1,927)	(2,709)
	348,073	656,987
Included in current liabilities	(99,490)	(309,696)
	248,583	347,291

The carrying amounts approximate their fair values.

Notes to the Interim financial information

20 SHARE CAPITAL

Shares of HK\$0.1 each	Number of shares	Amount HK\$'000
Authorised:		
At 31st March 2018 and 30th September 2018	3,000,000,000	300,000
Issued and fully paid:		
At 31st March 2018 and 30th September 2018	840,873,996	84,087

21 RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Hedging reserve HK\$'000	Currency translation reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31st March 2018										
Previously reported	2,257,745	398,021	60,257	4,111	1,318	14,843	19,657	15,746	9,675,024	12,446,722
Adoption of HKFRS9	-	-	-	-	-	-	-	(76,267)	76,267	-
Restated	2,257,745	398,021	60,257	4,111	1,318	14,843	19,657	(60,521)	9,751,291	12,446,722
Net fair value loss on financial assets at FVOCI	-	-	-	-	-	-	-	(834,741)	-	(834,741)
Cash flow hedges										
- fair value gain	-	-	-	-	930	-	-	-	-	930
- transfer to finance costs	-	-	-	-	(1,895)	-	-	-	-	(1,895)
- realised loss	-	-	-	-	(353)	-	-	-	-	(353)
Currency translation differences	-	-	-	-	-	(78,341)	-	-	-	(78,341)
Profit for the period	-	-	-	-	-	-	-	-	509,498	509,498
2018 final dividend	-	-	-	-	-	-	-	-	(20,181)	(20,181)
At 30th September 2018	2,257,745	398,021	60,257	4,111	-	(63,498)	19,657	(895,262)	10,240,608	12,021,639

Notes to the Interim financial information

22 CAPITAL COMMITMENTS

Capital commitments at the balance sheet date are as follows:

	30th September 2018 HK\$'000	31st March 2018 HK\$'000
Contracted but not provided for		
Investment properties	15,363	7,022
Property, plant and equipment	4,482	29,497
Contribution to joint ventures	568,032	498,064
	587,877	534,583

23 FINANCIAL GUARANTEES

	30th September 2018 HK\$'000	31st March 2018 HK\$'000
Guarantees for the bank and other loans of joint ventures	2,771,583	897,074

24 RELATED PARTY TRANSACTIONS

During the period, no significant transactions have been carried out with related parties.

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 key management personnel compensation) (2017: Nil).

Other Information

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined balance sheet of affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30th September 2018 are as follow:

	Proforma combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Non-current assets	12,777,890	1,910,566
Current assets	9,812,854	2,303,418
Current liabilities	(4,201,040)	(624,478)
Non-current liabilities	(8,001,148)	(1,373,332)
	10,388,556	2,216,174

The proforma combined balance sheet of the affiliated companies is prepared by combining their balance sheet, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the balance sheet as at 30th September 2018.

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

As at 30th September 2018, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")), which (a) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (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	Family interest	Total	
Poon Jing	273,607,688	145,213,900	5,318,799	424,140,387	50.44
Fung Siu To, Clement	15,440,225	-	-	15,440,225	1.83
Poon Hai	10,444,319	-	-	10,444,319	1.24

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

I. LONG POSITIONS IN SHARES (Continued)

(b) Associated corporations

Director	Associated corporation	Number of shares held			Percentage of shares in issue (%)
		Personal interest	Corporate interest	Total	
Poon Jing	Asia Standard International Group Limited ("Asia Standard")	1,308,884	683,556,392 (Notes)	684,865,276	51.89
	Asia Standard Hotel Group Limited ("Asia Standard Hotel")	152,490	1,346,158,049 (Notes)	1,346,310,539	66.71
Fung Siu To, Clement	Mark Honour Limited	9	-	9	0.01

Notes:

- By virtue of Mr. Poon Jing's controlling interest in the Company, he is deemed to be interested in the shares of Asia Standard and Asia Standard Hotel held by the Company and its subsidiaries.
- By virtue of Mr. Poon Jing's interest in the Company, he is deemed to be interested in the shares of all the Company's subsidiaries and associated corporations.

II. LONG POSITIONS IN UNDERLYING SHARES

Interests in share options

(a) The Company

Director	Outstanding as at 1st April 2018 and 30th September 2018
Poon Hai	3,500,000
Poon Yeung, Roderick	3,500,000

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)

(a) *The Company (Continued)*

Notes:

- Options were granted under 2014 Share Option Scheme (as described under the heading "Share Option Schemes") on 11th December 2015 and exercisable during the period from 11th December 2015 to 10th December 2025 at an exercise price of HK\$1.42 per share.
- During the period, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

(b) *Associated corporations*

- Asia Standard

Director	Outstanding as at 1st April 2018 and 30th September 2018
Poon Hai	3,500,000
Poon Yeung, Roderick	3,500,000

Notes:

- Options were granted under 2014 Asia Standard Share Option Scheme (as described under the heading "Share Option Schemes") on 11th December 2015 and exercisable during the period from 11th December 2015 to 10th December 2025 at an exercise price of HK\$1.38 per share.
- During the period, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

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)

(b) *Associated corporations (Continued)*

- Asia Standard Hotel

Director	Outstanding as at 1st April 2018 and 30th September 2018
Poon Hai	14,400,000
Poon Yeung, Roderick	14,400,000

Notes:

- Options were granted under 2006 Asia Standard Hotel Share Option Scheme (as described under the heading "Share Option Schemes") 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.
- During the period, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

Other Information

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

III. LONG POSITIONS IN UNDERLYING SHARES AND DEBENTURES

Interests in convertible notes

Associated corporations

Asia Standard Hotel

Director	Nature of interest	Amount of convertible note held (HK\$)	Number of underlying shares held
Poon Jing	Corporate	1,219,619,192	2,692,316,098

Note:

By virtue of Mr. Poon Jing's controlling interest in the Company, he is deemed to be interested in the convertible notes held by the Company and its subsidiaries which are convertible into 2,692,316,098 shares of Asia Standard Hotel. The convertible notes are redeemable at the redemption value of HK\$0.453 per convertible note. Please refer to the section headed "Convertible Notes" of 2018 Annual Report of the Company for details of the convertible notes.

Save as disclosed above, as at 30th September 2018, none of the Directors or Chief Executive (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th September 2018, 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 Chief Executive.

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Shareholder	Capacity	Number of shares held	Percentage (%)
Heston Holdings Limited ("Heston") (Note 1)	Beneficial owner	50,429,573	5.99
Teddington Holdings Limited ("Teddington") (Note 1)	Beneficial owner	60,624,439	7.20
Dalton Investments LLC ("Dalton") (Note 2)	Investment manager	165,906,485	19.73
Clearwater Insurance Company ("Clearwater Insurance") (Note 2)	Trustee	48,341,035	5.74
Daswani Rajkumar Murlidhar	Beneficial owner	53,910,548	6.41

Notes:

1. Mr. Poon Jing, his family interest and the companies wholly owned by him namely Teddington, Heston and Full Speed Investments Limited together hold 424,140,387 shares. The interest of Teddington and Heston duplicate the interest of Mr. Poon Jing disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures".
2. Dalton is the investment manager for Clearwater Insurance. The interest of Clearwater Insurance in the shares duplicates the interest of Dalton disclosed above.

Save as disclosed above, as at 30th September 2018, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under Section 336 of the SFO.

Other Information

SHARE OPTION SCHEMES

THE COMPANY

The share option scheme of the Company was adopted by the Company on 29th August 2014. As at 30th September 2018, there were 7,000,000 share options outstanding. Movements of share options of the Company during the period are as follows:

Grantee	Outstanding as at 1st April 2018 and 30th September 2018
Directors	7,000,000

Notes:

- These share 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\$1.42 per share.
- During the period, no option was granted, exercised, cancelled or lapsed.

SUBSIDIARIES

- Asia Standard

The share option scheme of Asia Standard adopted by Asia Standard on 27th August 2004 ("2004 Asia Standard Share Option Scheme") was expired on the tenth anniversary of such adoption date. Following the expiry of 2004 Asia Standard Share Option Scheme, no further share option can be granted thereunder but all outstanding share options granted under 2004 Asia Standard Share Option Scheme and yet to be exercised shall remain valid and exercisable. As at 30th September 2018, there were 1,000,000 share options granted under 2004 Asia Standard Share Option Scheme outstanding. Movements of share options granted under 2004 Asia Standard Share Option Scheme during the period are as follows:

Grantee	Outstanding as at 1st April 2018 and 30th September 2018
Other employee	1,000,000

Notes:

- These share options were granted on 13th March 2014 and exercisable during the period from 10th March 2017 to 12th March 2024 at an exercise price of HK\$2.00 per share.
- During the period, no option was exercised, cancelled or lapsed.

SHARE OPTION SCHEMES (Continued)

SUBSIDIARIES (Continued)

- Asia Standard (Continued)

Asia Standard adopted a share option scheme on 29th August 2014 (“2014 Asia Standard Share Option Scheme”). As at 30th September 2018, there were 7,000,000 share options granted under 2014 Asia Standard Share Option Scheme outstanding. Movements of share options granted under 2014 Asia Standard Share Option Scheme during the period are as follows:

Grantee	Outstanding as at 1st April 2018 and 30th September 2018
Directors	7,000,000

Notes:

1. These share 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\$1.38 per share.
2. During the period, no option was granted, exercised, cancelled or lapsed.

Other Information

SHARE OPTION SCHEMES (Continued)

SUBSIDIARIES (Continued)

- Asia Standard Hotel

The share option scheme of Asia Standard Hotel adopted by Asia Standard Hotel on 28th August 2006 (“2006 Asia Standard Hotel Share Option Scheme”) was expired on the tenth anniversary of such adoption date. Following the expiry of 2006 Asia Standard Hotel Share Option Scheme, no further share option can be granted thereunder but all outstanding share options granted under 2006 Asia Standard Hotel Share Option Scheme and yet to be exercised shall remain valid and exercisable. As at 30th September 2018, there were 28,800,000 share options granted under 2006 Asia Standard Hotel Share Option Scheme outstanding. Movements of the share options granted under 2006 Asia Standard Hotel Share Option Scheme during the period are as follows:

Grantee	Outstanding as at 1st April 2018 and 30th September 2018
Directors	28,800,000

Notes:

1. These share 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 granted, exercised, cancelled or lapsed.

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

INTERIM DIVIDEND

The Board of Directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30th September 2018 (2017: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code and has made specific enquiry of all directors regarding any non-compliance with the Model Code during the period, and they all confirmed that they have fully complied with the required standard as set out in the Model Code throughout the period ended 30th September 2018.

CORPORATE GOVERNANCE CODE

During the period, the Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules, except the following deviations:

1. Code Provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. All Independent Non-executive Directors of the Company are not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with the Bye-Laws of the Company;
2. Code Provision A.5.1 of the CG Code provides that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. The Company does not have a nomination committee. The Board as a whole is responsible for assessing the independence of Independent Non-executive Directors, reviewing the structure, diversity, size and composition of the Board, the appointment of new Directors and the nomination of Directors for re-election by shareholders at the general meeting of the Company. Under the Bye-Laws of the Company, the Board may from time to time and at any time appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office until the next following annual general meeting of the Company and shall then eligible for re-election at the meeting; and
3. Code Provision C.2.5 of the CG Code provides that issuers should have an internal audit function. The Company’s internal audit function was carried out by the internal auditor who has resigned and left the Company in August 2018. The Company is in the process of identifying suitable candidate to fill in the vacancy of internal auditor of the Company.

Other Information

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30th September 2018.

On behalf of the Board

Asia Orient Holdings Limited

Fung Siu To, Clement

Chairman

Hong Kong, 28th November 2018

