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ASIA ORIENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 214)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2018

FINANCIAL HIGHLIGHTS

(In HK\$ million, except otherwise indicated)

	Six months ended 30th September		
	2018	2017	Change
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
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 completed hotel properties at valuation:

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%

The board of directors (the “Board”) of Asia Orient Holdings Limited (the “Company”) announces that the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30th September 2018 together with the comparative figures for the six months ended 30th September 2017 were as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

For the six months ended 30th September

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	2	1,140,078	969,824
Cost of sales		<u>(157,434)</u>	<u>(194,400)</u>
Gross profit		982,644	775,424
Selling and administrative expenses		(132,580)	(128,835)
Depreciation		(98,483)	(123,863)
Net investment (loss)/gain	3	(246,629)	361,939
Fair value gain of investment properties		<u>627,176</u>	<u>446,660</u>
Operating profit		1,132,128	1,331,325
Net finance costs	5	(245,983)	(131,192)
Share of profits less losses of			
Joint ventures		26,768	38,198
Associated companies		<u>48,877</u>	<u>(20,384)</u>
Profit before income tax		961,790	1,217,947
Income tax expense	6	<u>(12,505)</u>	<u>(9,484)</u>
Profit for the period		<u>949,285</u>	<u>1,208,463</u>
Attributable to:			
Shareholders of the Company		509,498	653,768
Non-controlling interests		<u>439,787</u>	<u>554,695</u>
		<u>949,285</u>	<u>1,208,463</u>
Earnings per share (HK\$)			
Basic	7	<u>0.61</u>	<u>0.78</u>
Diluted	7	<u>0.60</u>	<u>0.77</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

For the six months ended 30th September

	2018	2017
	HK\$'000	HK\$'000
Profit for the period	<u>949,285</u>	<u>1,208,463</u>
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	<u>(178,266)</u>	<u>-</u>
	<u>(1,626,953)</u>	<u>141,056</u>
Total comprehensive (charge)/income for the period	<u>(677,668)</u>	<u>1,349,519</u>
Attributable to:		
Shareholders of the Company	(404,902)	723,087
Non-controlling interests	<u>(272,766)</u>	<u>626,432</u>
	<u>(677,668)</u>	<u>1,349,519</u>

CONDENSED CONSOLIDATED BALANCE SHEET– UNAUDITED

	Note	30th September 2018 HK\$'000	31st March 2018 HK\$'000
Non-current assets			
Investment properties		9,555,290	8,924,567
Property, plant and equipment		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		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	9	601,490	560,021
Loan receivables		167	340,966
Income tax recoverable		2,581	2,776
Financial investments		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	10	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		99,490	309,696
Derivative financial instruments		-	3,522
Income tax payable		62,867	42,600
Borrowings		4,754,743	2,958,974
		5,707,190	3,927,963
Net current assets		12,039,072	12,281,041
Non-current liabilities			
Long term borrowings		11,329,494	9,644,801
Medium term notes		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		84,087	84,087
Reserves		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

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 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”).

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.

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			
Available-for-sale (“AFS”) investments	333,067	(333,067)	-
Financial assets at fair value through profit or loss (“FVPL”)	410,808	(351,316)	59,492
Financial assets at fair value through other comprehensive income (“FVOCI”)	-	684,383	684,383
	<u>743,875</u>	<u>-</u>	<u>743,875</u>
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
	<u>13,357,065</u>	<u>-</u>	<u>13,357,065</u>
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

1 Basis of preparation (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
	<u>643,856</u>	<u>-</u>	<u>643,856</u>
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
	<u>14,731,459</u>	<u>-</u>	<u>14,731,459</u>
Reserves			
Investment revaluation reserve	2,468	(897,730)	(895,262)
(previously named as AFS investment reserve)			
Revenue reserve	9,342,878	897,730	10,240,608
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
	<u>(499,691)</u>	<u>1,448,976</u>	<u>949,285</u>
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)
	<u>(677,668)</u>	<u>-</u>	<u>(677,668)</u>

1 Basis of preparation (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.

2 Segment information

Revenue includes revenue from property management, property sales and leasing, hotel and travel operation, management services, interest income and dividend income.

	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

2 Segment information (continued)

	Business segments						Unallocated HK\$'000	Total HK\$'000
	Property sales HK\$'000	Property leasing HK\$'000	Hotel and travel HK\$'000	Financial investments HK\$'000	Others 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							<u>1,932,367</u>	
							<u><u>18,016,604</u></u>	
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							<u>2,052,235</u>	
							<u><u>14,656,010</u></u>	

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

2 Segment information (continued)

	Six months ended 30th September	
	2018 HK\$'000	2017 HK\$'000
Revenue		
Hong Kong	384,921	368,760
Overseas	<u>755,157</u>	<u>601,064</u>
	<u>1,140,078</u>	<u>969,824</u>
	30th September 2018 HK\$'000	31st March 2018 HK\$'000
Non-current assets*		
Hong Kong	19,966,088	18,966,285
Overseas	<u>2,657,661</u>	<u>2,464,105</u>
	<u>22,623,749</u>	<u>21,430,390</u>

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

3 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	-
- changes in expected credit losses and other credit impairment charges	(204,454)	-
Derivative financial instruments		
- net unrealised gain	-	14,735
- net realised gain	<u>1,726</u>	<u>-</u>
	<u>(246,629)</u>	<u>361,939</u>

3 Net investment (loss)/gain (continued)

	Six months ended 30th September	
	2018	2017
	HK\$'000	HK\$'000
Notes:		
a. Net realised (loss)/gain on financial assets at FVPL		
Gross consideration	331,542	5,246,578
Cost of investments	<u>(486,127)</u>	<u>(4,558,918)</u>
Total (loss)/gain	(154,585)	687,660
Add/(less): net unrealised loss/(gain) recognised in prior years	<u>146,301</u>	<u>(628,711)</u>
Net realised (loss)/gain recognised in current period	<u><u>(8,284)</u></u>	<u><u>58,949</u></u>
b. Net realised gain on financial assets at FVOCI		
Gross consideration	541,161	-
Cost of investments	<u>(527,411)</u>	<u>-</u>
Total gain	13,750	-
Less: net unrealised gain recognised in prior years	<u>(4,369)</u>	<u>-</u>
Net realised gain recognised in current period	<u><u>9,381</u></u>	<u><u>-</u></u>

4 Income and expenses by nature

	Six months ended 30th September	
	2018	2017
	HK\$'000	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	<u>27,299</u>	<u>26,514</u>
Expenses		
Cost of properties and goods sold	6,009	11,833
Operating lease rental expense for land and buildings	<u>1,606</u>	<u>1,286</u>

5 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	<u>13,793</u>	<u>15,953</u>
	(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	<u>3,660</u>	<u>10,544</u>
	<u>(245,983)</u>	<u>(131,192)</u>

6 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	<u>(102)</u>	<u>914</u>
	(23,189)	(15,436)
Deferred income tax credit	<u>10,684</u>	<u>5,952</u>
	<u>(12,505)</u>	<u>(9,484)</u>

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.

7 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	2017
	HK\$'000	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	<u>(689)</u>	<u>(1,257)</u>
Profit attributable to shareholders of the Company for calculation of diluted earnings per share	<u>508,809</u>	<u>652,511</u>
	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	<u>1,594,889</u>	<u>2,622,881</u>
Weighted average number of shares for calculation of diluted earnings per share	<u>842,468,885</u>	<u>843,496,877</u>

8 Dividend

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

9 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
	<u>79,286</u>	<u>72,697</u>

10 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
	<u>51,498</u>	<u>59,215</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 Hotel, 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 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.

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.

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 1 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.

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 1 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.

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.

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE CODE

During the period, the Company has complied with the code provisions of the Corporate Governance Code (“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 but shall then be 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.

AUDIT COMMITTEE

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

By Order of the Board
Asia Orient Holdings Limited
Fung Siu To, Clement
Chairman

Hong Kong, 28th November 2018

As at the date of this announcement, the executive directors of the Company are Mr. Fung Siu To, Clement, Mr. Poon Jing, Mr. Poon Hai, Mr. Poon Yeung, Roderick, Mr. Lun Pui Kan and Mr. Kwan Po Lam, Phileas; and the independent non-executive directors are Mr. Cheung Kwok Wah, Mr. Hung Yat Ming and Mr. Wong Chi Keung.