



Asia Orient Holdings Limited



Annual 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

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22 Victoria Street,
Hamilton HM12,
Bermuda

PRINCIPAL OFFICE IN HONG KONG

30th Floor, MassMutual Tower,
33 Lockhart Road, Wanchai,
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Telephone 2866 3336
Facsimile 2866 3772
Website <http://www.asiaorient.com.hk>
E-mail aoinfo@asiastandard.com

PRINCIPAL BANKERS

HSBC
Bank of China (Hong Kong)
Hang Seng Bank
Industrial and Commercial Bank of
China (Asia)
China Construction Bank
United Overseas Bank
Chiyu Banking Corporation
Dah Sing Bank
Chong Hing Bank
Bank of Singapore
Bank Morgan Stanley
UBS
Credit Suisse AG
Bank Julius Baer

LEGAL ADVISERS

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18th Floor, United Centre,
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Hong Kong

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Hong Kong

AUDITOR

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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

For the year ended 31st March (In HK\$ million, except otherwise indicated)	2018	2017	Change
Consolidated profit and loss account			
Revenue	1,925	1,862	+3%
Operating profit	1,717	1,929	-11%
Profit attributable to shareholders of the Company	814	1,011	-19%
Earnings per share - basic (HK\$)	0.97	1.21	-20%
Consolidated balance sheet			
Total assets	38,424	31,454	+22%
Net assets	23,768	22,084	+8%
Equity attributable to shareholders of the Company	12,531	11,615	+8%
Net debt	12,263	7,183	+71%

Supplementary information with hotel properties in operation at valuation (note):

Revalued total assets	43,367	36,101	+20%
Revalued net assets	29,273	27,142	+8%
Equity attributable to shareholders of the Company	15,055	13,935	+8%
Gearing - net debt to revalued net assets	42%	26%	+16%

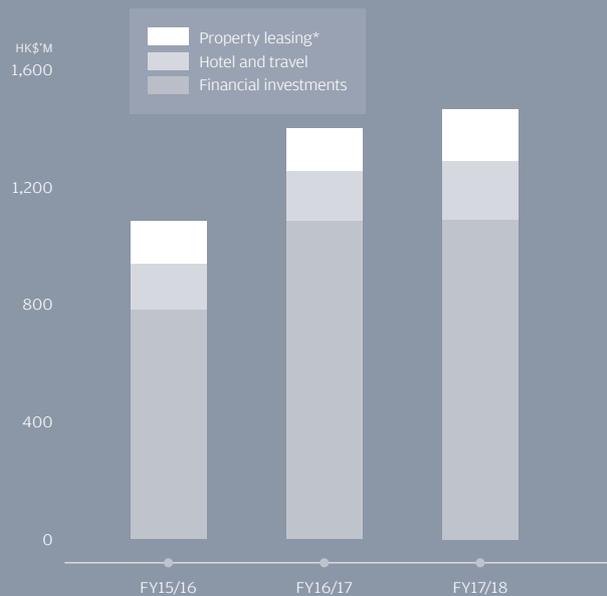
Note: According to the Group's accounting policies, hotel properties were carried at cost less accumulated depreciation. To give further information on the economic substance of its hotel properties investments, the Group hereby presents supplementary unaudited financial information taking into account the fair market value of 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 four hotel properties in Hong Kong (2017: five in Hong Kong and Canada) were revalued by Vigers Appraisal & Consulting Limited ("Vigers") (2017: Vigers and Altus Group Limited ("Altus") respectively), independent professional valuers, on an open market value basis.

Chairman's Statement

The Group's joint venture development of premium detached villas, the Queen's Gate in Hongqiao Shanghai, is well prepared for its launch of the third batch, pending approval of pre-sales permit, while its 2.3 million sq. ft. GFA water-front residential development in Tungzhou Beijing has completed resettlement and site clearance, and has commenced foundation work during the year.

Segment profit contribution



* includes share of net rental income from an associated company



Landmark on Robson, Vancouver

In Canada, re-development of Empire Landmark Hotel into a mixed-use development of residential condominiums with retail and office has started. Pre-sale is on-going.

On leasing aspect, the Group has successfully improved the leasing income from the rebranded Wanchai office building and enhancement of the tenant mix. The Group continues to improve the recurring income base of its financial investments.

Hotel performance improves over last year. We expect the contribution to increase further when another hotel extension in Tsimshatsui is fully operational in the third quarter of 2018, together with the coming into operation of Hong Kong's major transport infrastructures.

Management will remain cautious and prudent in the coming period in face of an interest rate hike environment and the outburst of Sino-US trade dispute.

We take this opportunity to thank all our staff for their efforts extended during the year.

Fung Siu To, Clement

Chairman

Hong Kong, 28th June 2018

Business Model and Strategies



Business Model and Strategies

Asia Orient has established a well-diversified business model that encompasses four main operating segments namely, property investments, hospitality and travel, financial investments and property development in Hong Kong and first tier cities in China. The Group's property investments, hospitality and travel and financial investments provide a stable recurring income source to the Group, while the property development business is the core driver for the Company's dynamic growth.

The Group's property development business in Hong Kong continues to identify and craft signature properties, leveraging on our expertise in conceiving, designing and developing luxury residential developments. The Group's approach to land banking is to invest in prime locations characterised by its transportation conveniences and connectivity. For projects in China, the Group focuses on larger-scale developments in first tier cities, whereby we aim to replicate the success we have experienced in Hong Kong into China. The Group remains confident in pursuing attractive investment opportunities in tier one cities, as we believe these cities have a sustainable and fundamental demand for housing. At present, while the Group concentrates its' business activities in Hong Kong and Mainland China, we will consider thoroughly to expand selectively elsewhere should opportunities arise.

In Hong Kong, the Group's investment properties portfolio comprises commercial and retail spaces in prime locations, namely Central, Wanchai and Causeway Bay. The Group also owns and operates four hotels in core CBDs of Hong Kong. Our diverse property investment portfolio reduces the adverse impact of market volatility and offset particular cyclicity of each business segments. These segments of our business provide a growing and recurring income source to the Group that enhances the company's liquidity and complements our property development arm.

With regards to financial investments, the Group's foremost objective is to generate stable recurring income on a relatively longer-term basis. The portfolio mainly comprises equity and debt investments.

The Group is focused on enhancing the performance of its core business and is dedicated to maximise value for shareholders by exploring investment opportunities with the following strategies:

- (i) **Build on our reputation and track record of premium property development in Hong Kong and China**
Our development strategy is to continue to invest primarily in Hong Kong and first-tier cities in China. The Group will continue to expand its property development business through carefully selected opportunities in premium as well as large-scale residential development. Leveraging our expertise as a premium residential developer with an international standard, we will continue to look for opportunities to increase our presence in Greater China.
- (ii) **Growing recurring income from investment properties and financial investment portfolio**
The Group has a diversified property and financial investment portfolio generating a recurring and steady income source. Our investment properties comprise a mix of commercial and retail spaces situated in core central business district in Hong Kong. The Group's financial investment portfolio provides a liquidity buffer and recurring income as well as a diversified cash flow stream, enabling us to finance existing projects and seize potential investment as opportunities arise.
- (iii) **To expand and grow our hotel business in prime CBDs and to strive for excellence in management and operations**
The Group owns and operates four hotels under the "Empire" brand, all of which are in Hong Kong and have one hotel new extension under development. Our four hotels in Hong Kong are situated within central hubs and are targeted at business travelers as well as visitors from the PRC. Our hospitality chain has a centralised management team to optimise revenue generation and ensuring efficient deployment of resources for achieving maximum cost benefit. The prime locations further allow us to cater to both business visitors and tourists, which has led us to maintain a high occupancy and RevPAR at our hotels.
- (iv) **Continue to manage risk effectively, through a prudent financial management policy**
The Group aims to monitor risk and manage exposures to a range of debt maturities and a range of debt types in a disciplined and prudent manner. The Group strives to maintain a strong financial position with a healthy level of liquidity and low level of gearing.

We are confident that our strategies will deliver maximum value to the shareholder in the long term.

Management Discussion and Analysis

RESULTS

The Group's revenue for the year amounted to HK\$1,925 million (2017: HK\$1,862 million), with profit attributable to shareholders at HK\$814 million (2017: HK\$1,011 million).

The decrease in profit is mainly caused by mark-to-market valuation loss from our financial investments while that of last year was a gain.

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

PROPERTIES, SALES DEVELOPMENT AND LEASING

SALES AND DEVELOPMENT

Our joint venture company in Shanghai has sold out the second phase of Queen's Gate, a high-end villas and apartments development. During the year, it substantially completed the delivery of the sold houses and collection of the remaining sales proceeds. Recently, we concluded the refurbishment of new show flats for the third phase. Management will continue to monitor the market and regulatory conditions and will launch the third phase of the development once sales permit is obtained.

Joint venture project at Tongzhou, Beijing has completed site clearance during the year and foundation works has already commenced. Sales office and presentation center is under construction to cope with our sales programme in the latter half of the financial year ending March 2019.

Management Discussion and Analysis

In Hong Kong, our residential joint venture re-development at Perkins Road, Jardine's Lookout is near completion. Occupation permit is expected to be issued shortly in mid-2018 and will be launched for sale in the fourth quarter 2018 after completion of refurbishment of show flats. Another luxurious joint venture residential development at Po Shan Road is under foundation construction which is anticipated to complete towards the end of 2018.

The land exchange process for the commercial and residential development at Hung Shui Kiu, Yuen Long is ongoing. Provisional basic terms were substantially agreed. 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 Macau, the Group is continuing its appeal on Macau government's declaration of lease expiry of the Group's site in Seac Pai Van. Full provision on the carrying value of the site has been made in last financial year ended 31 March 2017. More details are given in the Notes to the Financial Statements relating to "Other exceptional charges".

In Canada, redevelopment of our Empire Landmark Hotel commenced in the second half of the financial year and will be turned into a mixed-use development with two residential towers ("Landmark on Robson") upon completion. Demolition is in progress and contracted sales of CAD97 million was achieved up to 31 March 2018, since the launch of presale in January 2018. A joint venture redevelopment of a high-end residential complex in Alberni Street, downtown Vancouver is undergoing land re-zoning application.



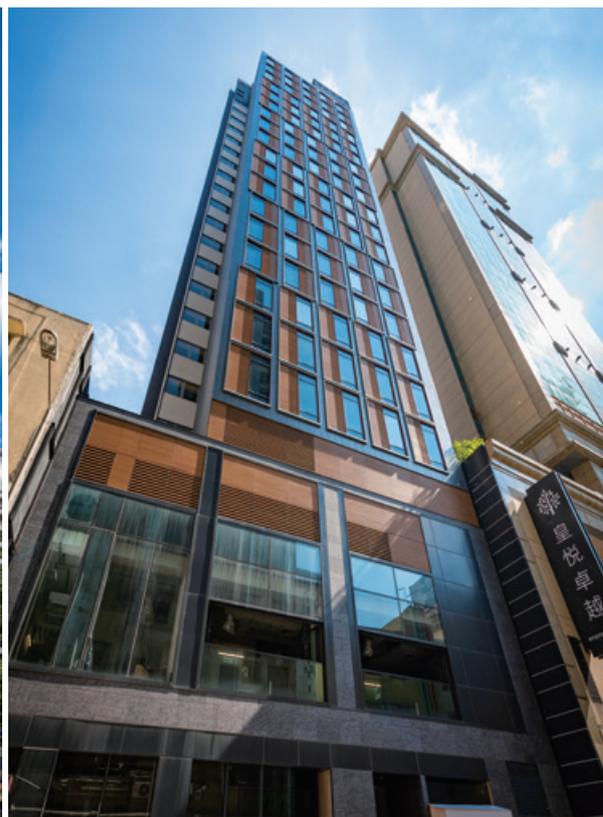
Residential development at **Perkins Road, Jardine's Lookout**

Shortly after the financial year ended 31 March 2018, the Group, through another joint venture with which it owns 40% equity interest, has completed the acquisition of certain land and building in Alberni Street, within close proximity to its present joint venture project for redevelopment into premium residential units for sale.

Management Discussion and Analysis



MassMutual Tower in Wanchai



Empire Prestige Tsim Sha Tsui (adjacent to Empire Hotel Kowloon)

LEASING

Leasing income of MassMutual Tower, 33 Lockhart Road in Wanchai increased by about 70% compared with last year, following the repositioning of new tenants and the completion of extensive renovation works in the second half of last financial year.

Leasing income from Asia Standard Tower in Central was at a similar level compared to last year while Goldmark in Causeway Bay decreased following the expiry of a major retail tenancy in the middle of the first half financial year.

Overall leasing income attributable to Asia Standard International increased by 18% from HK\$187 million to HK\$220 million. Net revaluation gain (taking into account our share from the investment property owned by an associated company) of HK\$725 million (2017: HK\$607 million) was recorded.

HOTEL

During the year, overnight stay visitors to Hong Kong increased 5% to approximately 28 million. Mainland visitors dominate this segment with 67% share, and their arrival increased 8% from last year. Total hotel rooms in Hong Kong are approximately 78,000 rooms, an increase of 3% over last year.

Revenue arising from the hotel and travel segment for the year amounted to HK\$530 million (2017: HK\$502 million). Average occupancies for the 4 Hong Kong hotels were approximately 95% (2017: 96%) while average room rates increased 10%. Overall, contribution to segment results before depreciation increased from HK\$168 million to HK\$203 million.

The hotel licence application of our new hotel in Tsimshatsui is being considered by the authority, adding another 90 rooms to the portfolio. This hotel is expected to commence operation in the third quarter of 2018.

FINANCIAL INVESTMENTS

At 31st March 2018, the Group held financial investments of approximately HK\$14,101 million (2017: HK\$9,538 million), with HK\$12,050 million (2017: HK\$8,186 million) held by the two listed subsidiary groups. The investment portfolio comprise 83% by listed debt securities (mostly issued by PRC-based real estate companies), 16% by listed equity securities (of which approximately 72% were issued by major banks) and 1% unlisted funds and securities. They are denominated in different currencies with 90% in United States dollar, 6% in Hong Kong dollar and 4% in Sterling.

The portfolio increase largely arose from a further net investment of HK\$4,749 million and a mark-to-market valuation net loss of HK\$186 million, comprising HK\$497 million loss from debt securities (mostly from PRC-based real estate companies) and HK\$311 million gain from equity securities (largely from our bank investments and a Macau-based gaming resort listed in Hong Kong).

The valuation loss in debt securities is mainly due to higher yield expectation from investors amidst a rising interest rate environment. Our equity investment in US bank continued to benefit from the improvement of US economy, while those in the UK banks were boosted by the appreciation of Sterling. The gaming resort in Macau has enjoyed improved business environment following more visitors with the opening of new resorts in the Cotai area.

Income from these investment portfolio amounted to HK\$1,090 million (2017: HK\$1,100 million). The increase in income from further investment was offsetted by a special one-time coupon income last year of certain debt securities from a PRC-based real estate issuer, resulting in a slight decrease this year.

At 31st March 2018, an approximate value of HK\$2,160 million (2017: HK\$760 million) of these investments were pledged to banks as collateral for credit facilities granted to the Group.

Management Discussion and Analysis

FINANCIAL REVIEW

At 31st March 2018, the Group had over HK\$6.6 billion (2017: HK\$7.8 billion) cash and undrawn banking facilities. The financing and treasury activities of our three listed groups are independently administered.

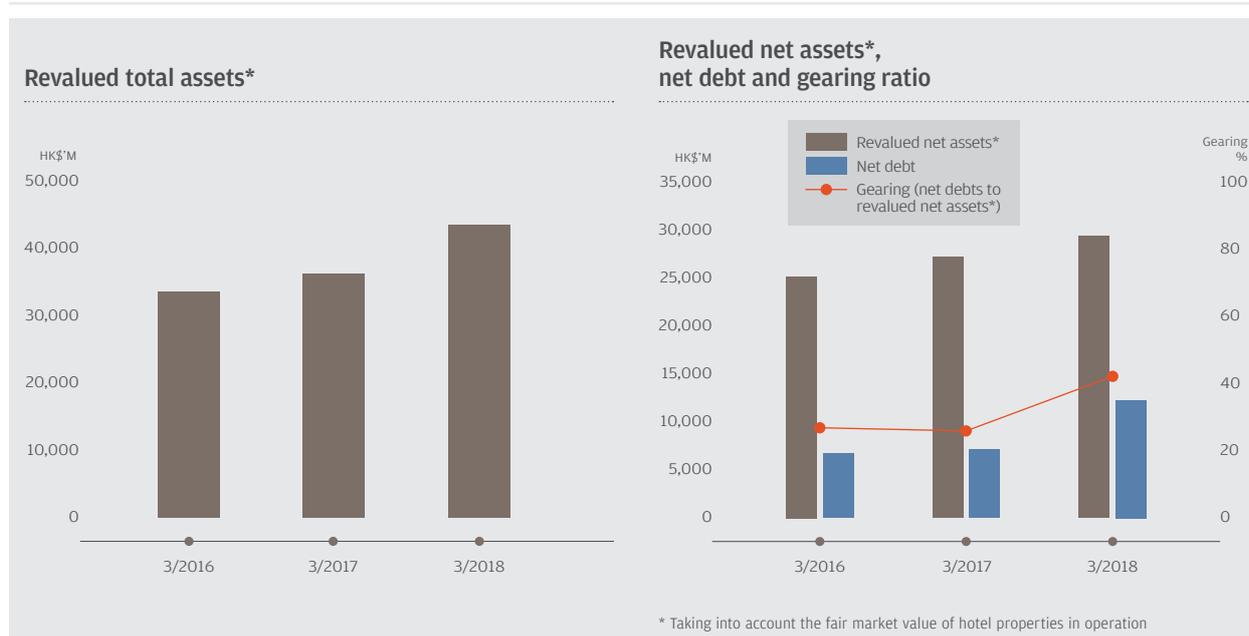
At 31st March 2018, the Group's total assets amounted to approximately HK\$38.4 billion (2017: HK\$31.5 billion). Net assets were HK\$23.8 billion (2017: HK\$22.1 billion). Adopting market value of hotel properties in operation, the revalued total assets and revalued net assets of the Group would be HK\$43.3 billion (2017: HK\$36.1 billion) and HK\$29.3 billion (2017: HK\$27.1 billion), an increase of 20% and 8% respectively when compared to end of last financial year.

Net debt at 31st March 2018 was HK\$12,263 million (2017: HK\$7,183 million), of which HK\$808 million (2017: HK\$164 million) was attributable to the parent group. The Group's gearing, calculated as net debt to revalued net asset, was approximately 42% (2017: 26%). 51% of the debts are secured and 97% of the debts are at floating rates. Total interest cost increased as a result of increased borrowings.

The maturities of our debts are spreading over a long period of up to 9 years, with 7% repayable after five years and 71% repayable between one to five years. The remaining 22% is repayable within 1 year of which 8% are revolving and 7% has been refinanced after the financial year end into longer term maturities of 5 years. As at 31st March 2018, the Group had net current assets of HK\$12.3 billion (2017: HK\$8.9 billion).

About 94% of the Group's borrowings are in Hong Kong dollar, 3% in United States Dollar, 2% in Renminbi, and the remaining 1% in other currencies.

At 31st March 2018, an approximate HK\$18.5 billion (2017: HK\$17.8 billion) book value of property assets were pledged to banks as collateral for credit facilities granted to the Group. HK\$897 million guarantee (2017: HK\$1,206 million) was provided to financial institutions against outstanding bank loans of joint ventures.



EMPLOYEES AND REMUNERATION POLICIES

At 31st March 2018, the Group employed approximately 460 (2017: 600) employees. Their remuneration packages, commensurate with job nature and experience level, include basic salary, annual bonus, retirement and other benefits.

FUTURE PROSPECTS

Property prices in Hong Kong have been rising gradually over the financial year, with demand for both commercial and residential properties still actively pursued, amid the continuous effort of local government to increase the land supply by every means. In view of the upcoming operation of the Hong Kong-Zhuhai-Macau Bridge, Express Rail Link and the Shatin to Central Link, the great shortening of transportation time brought by these major infrastructures would potentially increase demand and fuel the rising trend of property prices. On the other hand, the Hong Kong Interbank Offered Rates have risen significantly, though still at a relatively low level, following a series of interest rate increase in the United States, we anticipate the mortgage interest rate in Hong Kong is also on an upward trend.

The property segment in Mainland cosmopolitans and developing urban areas continue to grow over the past financial year, as evidenced by the increasing sale of major developers. Restrictive purchase measures are still in place to maintain the healthy development of the segment. Recently, the trade dispute between United States and China escalates and management is closely following the development of its impact on Mainland economy and the property segment.

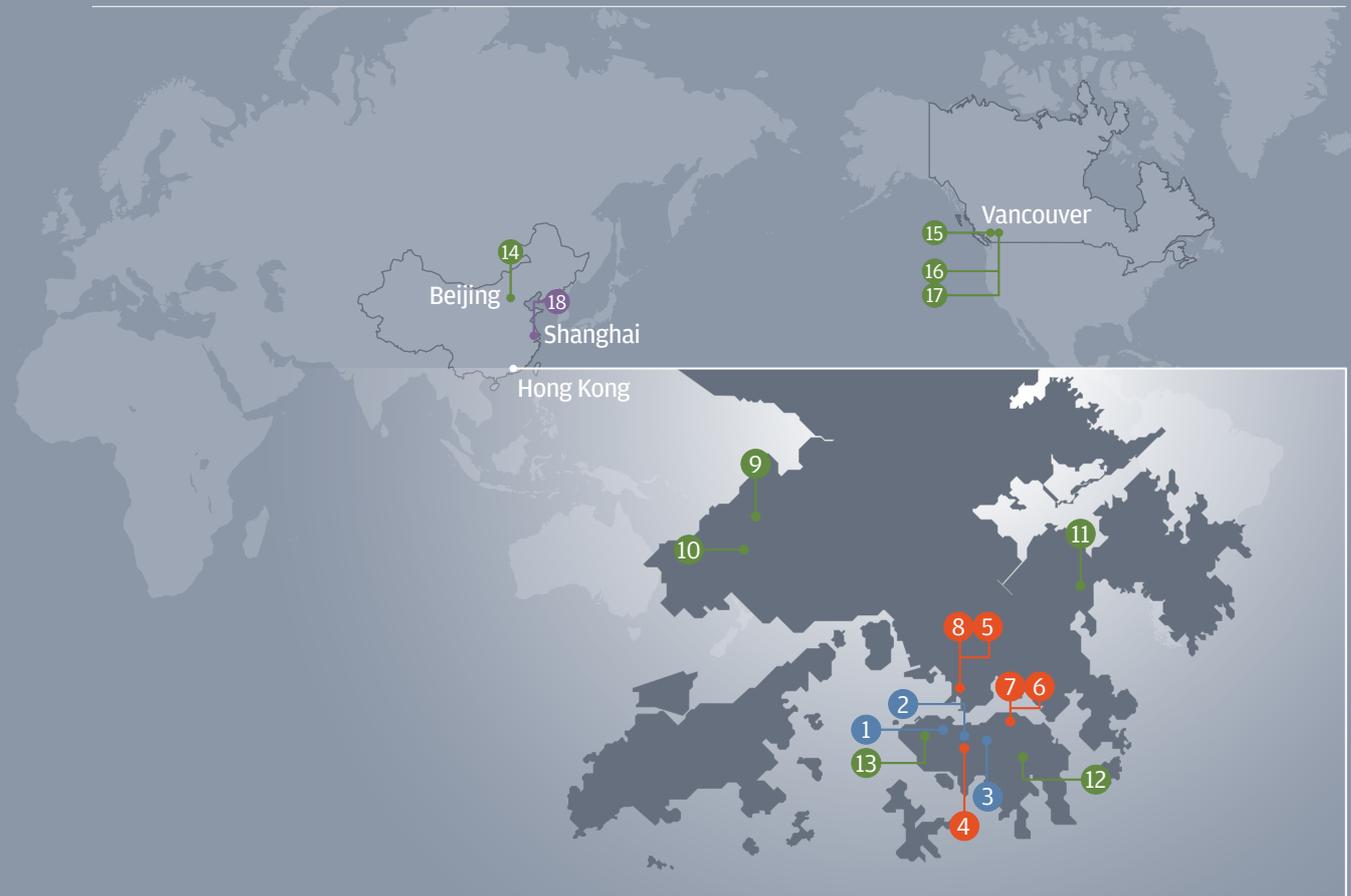
Hotel performance has regained momentum during the financial year. With the completion of more infrastructure projects, we are expecting the continuous gradual increase of visitors' arrivals and remain positive over the long-term prospects of our hospitality industry.

Financial market continues to be volatile, especially amongst 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 remains cautious in the rapidly changing environment and is affirmative with the Group's performance.

Principal Properties

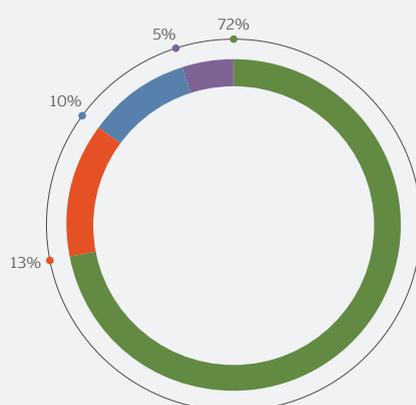


- Properties under development for sale
- Hotel properties
- Investment properties
- Completed property held for sale

Principal Properties

As at 31st March 2018

Type of principal properties (by area)



Attributable GFA (sq. ft.)

Properties under development for sale	1,410,000
Hotel properties	265,000
Investment properties	192,000
Completed property held for sale	89,000
Total	1,956,000

		Group's interest	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type
I INVESTMENT PROPERTIES					
01	Asia Standard Tower 59-65 Queen's Road Central, Hong Kong.	51.8%	7,800	133,000	Commercial
02	MassMutual Tower 33 Lockhart Road, Wanchai, Hong Kong.	51.8%	12,600	202,000	Commercial
03	Goldmark 502 Hennessy Road, Causeway Bay, Hong Kong.	17.1%	6,300	106,000	Commercial
II HOTEL PROPERTIES					
04	Empire Hotel Hong Kong 33 Hennessy Road, Wanchai, Hong Kong.	45.9%	10,600	184,000 (363 rooms)	Hotel
05	Empire Hotel Kowloon 62 Kimberley Road, Tsimshatsui, Kowloon.	45.9%	11,400	220,000 (343 rooms)	Hotel
06	Empire Hotel Causeway Bay 8 Wing Hing Street, Causeway Bay, Hong Kong.	45.9%	6,200	108,000 (280 rooms)	Hotel
07	Empire Prestige Causeway Bay 8A, Wing Hing Street, Causeway Bay, Hong Kong	45.9%	2,000	31,000 (94 rooms)	Hotel
08	Empire Prestige Tsim Sha Tsui (expect opening in the third quarter of 2018) 8, Kimberley Street, Tsim Sha Tsui, Kowloon	45.9%	2,800	34,000 (90 rooms)	Hotel

Principal Properties

As at 31st March 2018

		Group's interest	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type	Stage/ Estimated completion year
III PROPERTIES UNDER DEVELOPMENT FOR SALE						
09	Hung Shui Kiu Yuen Long, New Territories.	51.8%	112,000	519,000	R/C	Planning application/2022
10	Lam Tei Tuen Mun, New Territories.	51.8%	18,500	66,500	R	Planning application/2022
11	She Ha Sai Kung, New Territories.	3.9%	620,000	300,000	R	Planning/-
12	47-49 Perkins Road, Jardine's Lookout, Hong Kong	11.0%	23,000	69,000	R	Superstructure/2018
13	Po Shan Road, Hong Kong	20.7%	15,000	81,000	R	Foundation/2020
14	72 Yong Shun Street West, Tongzhou District, Beijing, PRC	25.9%	550,000	2,360,000	R/C	Foundation/2022
15	Landmark on Robson 1400 Robson Street, Vancouver, B.C., Canada	45.9%	41,000	400,000	R/C	Demolition/2023
16	1394 Robson Street, Vancouver, B.C., Canada	45.9%	8,600	75,000	R	Planning/-
17	1444 Alberni Street and 740 Nicola Street Vancouver, B.C., Canada	18.4%	43,230	649,000	R/C	Planning/-
			Group's interest	Approx. gross floor area (sq. ft.)	Type	(sq. ft.)
IV COMPLETED PROPERTIES HELD FOR SALE						
18	Queen's Gate Qingpu District, Shanghai, PRC		25.9%	344,000		Residential
Note:	R: Residential C: Commercial					

Five-year Financial Summary

Year ended 31st March (in HK\$ million)	2018	2017	2016	2015	2014
Group results					
Revenue	1,925	1,862	1,461	1,376	1,323
Gross profit	1,717	1,553	1,183	1,114	978
Net investment (loss)/gain	(118)	966	475	(645)	694
Fair value gain of investment properties	711	671	6	866	213
Other exceptional charge	-	(799)	-	-	-
Net finance costs	(298)	(247)	(211)	(92)	(91)
Share of profits less losses of					
Joint ventures	73	91	(7)	(11)	(3)
Associated companies	29	(42)	(112)	127	75
Profit attributable to shareholders of the Company	814	1,011	550	513	774
Consolidated balance sheet					
Total assets	38,424	31,454	29,572	27,805	25,434
Total liabilities	(14,656)	(9,370)	(8,842)	(7,903)	(6,429)
Non-controlling interests	(11,237)	(10,469)	(10,348)	(10,079)	(9,741)
Equity attributable to shareholders of the Company	12,531	11,615	10,382	9,823	9,264

Supplementary information with hotel properties in operation at valuation:

Revalued total assets	43,367	36,101	33,370	31,605	28,271
Revalued net assets	29,273	27,142	25,037	24,282	22,430
Equity attributable to shareholders of the Company	15,055	13,935	12,071	11,532	10,589

Environmental, Social and Governance Report

REPORTING STANDARD AND SCOPE

This environmental, social and governance report covers the financial year ended 31 March 2018 (the “reporting year”) and addresses all the General Disclosures under each Aspect of the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

ENVIRONMENTAL PROTECTION

A1 EMISSIONS

The Group did not generate significant greenhouse gas emissions as the emissions are indirectly and principally resulting from consuming electricity and gases at the workplace, vehicles and business travels by employees.

The Group did not generate hazardous waste during its business operation, discharge of water and non-hazardous waste were divided into recyclable or non-recyclable waste and handled in an environmentally responsible manner in line with the applicable environmental protection laws and regulations whenever practicable.

During the reporting year, the Group was not subject to any environmental penalty.

A1.1	Emissions	
	- NO _x (i)	74kg
	- SO _x (ii)	0.7kg
	- PM (iii)	3kg
A1.2	Greenhouse gas emissions in total	
	Scope 1 - Direct emission or removal from sources	200 tonnes
	Scope 2 - Energy indirect emissions	14,846 tonnes
	Scope 3 - Other indirect emissions	113 tonnes
A1.4	Total non-hazardous waste produced	
	Construction and demolition waste	7,254 tonnes
	Recycled waste	
	- Paper	27 tonnes
	- Toner/cartridge	439 pieces
	- Cooking oil	3,591 liters

(i) The data includes emission from gaseous fuel consumption and vehicular emissions.

(ii) The data only includes vehicles emissions.

Environmental, Social and Governance Report

A2 USE OF RESOURCES

In the hotel operation, air conditioning and lighting are the main contributors to the Asia Standard Hotel's carbon footprint. In recent years, the Group has stepped up its efforts in environmental initiatives to maximise energy conservation, by promoting efficient use of resources, energy saving and emission.

The design of our hot water system in Empire Hotel in Causeway Bay was divided in three zones for optimal gas supply and energy saving. The air cool chiller system of Empire Hotel Hong Kong and Empire Hotel Kowloon have been replaced by water cool chiller system in 2012 and 2017, respectively, which is environmental friendly and have greater energy efficiency, better controllability, and longer life. Furthermore, air conditioning in Empire Hotel Causeway Bay and Empire Hotel Kowloon has a zone valve whereby electricity supply will be switched off on idle floors for energy preservation purposes. In our Empire Hotel Kowloon, the two latest renovation floors have an individual electric heater supply system and the system can be switched off individually for energy reduction purposes. As regards to the new hotel development at our sites in Causeway Bay and Tsim Sha Tsui, the former has achieved BEAM Plus NB final assessment certification and the latter, the provisional certificates of BEAM Plus NB.

Daily monitoring of energy and fuel consumption to identify areas for energy conservation is in place. Phased replacements of chillers, fan coil units, air handling units, laundry and kitchen equipment, electrical appliances and lighting have been enhanced to more energy-efficient models.

A2.1	Direct and indirect energy consumption	
	Electricity	16,972,408 kWh
	Gas	6,796,752 MJ
A2.2	Water consumption	149,087 m ³

A3 THE ENVIRONMENT AND NATURAL RESOURCES

Property development

As a responsible developer, Asia Standard is conscious of environmental protection issues on the design and construction of our properties. Over the years, the design and construction of our properties has been in line with the green features as laid down in the Joint Practice Note Nos. 1-2 in relation to "Green and Innovative Buildings" issued jointly by the Buildings Department, Lands Department and Planning Department. The objectives of such green features mainly encompass: (a) to maximise the use of recycled/green building material; (b) to minimise the consumption of energy, in particular those non-renewable types; and (c) to reduce construction and demolition waste. For our development projects in Hung Shui Kiu, Yuen Long and Nos. 47-49 Perkins Road, Jardine's Lookout, Hong Kong, a number of green features will be designed by our consultants team and implemented in line with the latest government policy in fostering a quality and sustainably built environment, which will lead to BEAM-Plus Certification after the completion of the project. BEAM-Plus is a comprehensive environmental assessment scheme for buildings recognised by The Hong Kong Green Building Council Limited.

Environmental, Social and Governance Report

Hotel business

Asia Standard Hotel incorporated various environmental initiatives in its hotel operation to minimise waste generation. For instance, water consumption is reduced through our green programme for guestroom linens. We have placed green cards in our guestrooms, informing guests that the hotel will change towels and bedsheets upon request.

To reduce paper consumption, we maximise the use of electronic communications and file storage systems for general office work, guest logs and daily reports and whenever possible we use e-confirmations for guest reservations. In addition, the Group encourages use of recycled paper for printing and copying, double-sided printing and copying, reduce energy consumption by switching off idle lightings, air conditioning and electrical appliances.

The Group's operational activities do not have significant impacts on the environment and natural resources, and the Group shall ensure compliance with all applicable environmental related legislations and regulations.

SOCIAL ASPECT

B1 EMPLOYMENT

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. Employee Handbooks outline terms and conditions of employment, expectations for employees' behaviour and service delivery, employees' rights and benefits. We establish and implement policies that promote a fair and respectful workplace. We provide ongoing training and development opportunities to enhance our employees' career progression.

During the reporting year, there was no circumstance of any event between the Group and its employees which had a significant impact on the Group's business and on which the Group's success depends.

B2 HEALTH AND SAFETY

The Group values the health and wellbeing of staff. In order to provide employees with health coverage, staff are entitled to benefits including medical insurance and other competitive fringe benefits.

Fire hazards pose significant threats, and all our staff are thoroughly briefed on our Fire Safety Guidelines. Newly joined employees also receive comprehensive orientation on the work safety procedures of the Group.

The Group complied with all the relevant laws and regulations that have a significant impact on the Group relating to health and safety during the year ended 31st March 2018.

B3 DEVELOPMENT AND TRAINING

Various training courses are regularly conducted to promote occupational safety, personal and food hygiene, fire and emergency response, first aid and customer serving skills.

In addition, our staff is eligible to apply for Educational Sponsorships to pursue external professional courses.

B4 LABOUR STANDARDS

The Group has complied with all the relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.

B5 SUPPLY CHAIN MANAGEMENT

The Group appreciates the importance of maintaining a good relationship with its suppliers to meet its immediate and long-term business goals. Most of the Group's procurements have undergone a tender process. The Group implements a just and fair tender process to ensure adequate competition and adopts a series of assessment methods in relation to supplier management to ensure the quality of its supplied products and services during performance process.

Hospitality

Asia Standard Hotel works closely with a number of suppliers in providing a range of hospitality goods, including guestroom consumables, tableware, furniture, and foods and beverages. Asia Standard Hotel assures their performance for delivering quality sustainable products and services through supplier approval process and by spot checks on the delivered goods.

To enhance our procurement of environmentally responsible items, we continue to review options to purchase more products from organic and/or sustainably managed sources, environmentally superior products, as well as local or regional companies to reduce the environmental impact of their manufacture and transportation.

Property development

The Group has adopted high standards for all building materials in our premises construction, and will continue to review options to purchase more products from environmentally superior products, as well as local or regional companies to reduce the environmental impact of their manufacture and transportation.

During the reporting year, there was no circumstance of any event between the Group and its suppliers which had a significant impact on the Group's business and on which the Group's success depends.

Environmental, Social and Governance Report

B6 PRODUCT RESPONSIBILITY

Our catering operations adhere to all relevant legislations, including but not limited to nutritional and food allergy labelling. The quality and hygiene of our cuisines are effectively managed under an extensive food safety manual.

Compliance with laws and regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the Group.

During the reporting year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Data privacy

We only collect personal data for operational needs and clearly inform all customers or persons about the intended use of the data and their rights to review and revise their information. All collected personal data is treated as confidential and kept securely, accessible by designated personnel only.

During the reporting year, there were no substantiated complaints received concerning breaches of customer privacy and losses of customer data

B7 ANTI-CORRUPTION

We do not tolerate any form of corruption or malpractice such as bribery, money laundering, extortion and fraud. Expected professional conduct at the workplace is outlined in the employee handbook.

During the reporting year, there were no reported cases of corruption and non-compliance with any rules and regulations as regards anti-corruption such as the Prevention of Bribery Ordinance.

B8 COMMUNITY INVESTMENT

The Group is committed to making a positive contribution to society and communities in Hong Kong and China, a place in which we operate and have grown over the past decade. Focusing our corporate social responsibility and effort on imminent and important social issues, we endeavour to contribute, support and help to provide for those who most need a great place to live, learn and grow.

With the help of our employees, we have organised various events during the year to give back to our community.

Environmental, Social and Governance Report

Caring for society

“The Art of Caring” Community Care Program (the “Program”) was launched in 2009 by Asia Empire Hotels in conjunction with SAHK, a rehabilitation service organisation. Since then, the Program has been giving support to local children and youth with special needs in their education and rehabilitation through the creation of art pieces and a series of educational workshops, learning events and life enriching activities. During 2017/2018, the following activities were organised:

SAHK Angels in the Realm of Empire Glory musical performances at Empire Hotel Kowloon • Tsim Sha Tsui where school bands of three SAHK secondary schools performed festive Christmas music in the hotel lobby on 20th and 21st December 2017.

Visits to the Empire Hotel Hong Kong • Wan Chai were organised on 2nd, 12th and 27th March 2018 for the students of three SAHK secondary schools to learn about some of a hotel’s operations including front desk/reception, housekeeping and restaurant.

In celebration of Mother’s Day in 2018, a handicraft workshop was organised in Empire Hotel Hong Kong • Wan Chai on 10th May when a total of 18 pairs of SAHK pre-school students together with their parents created lovely hand-made floral gift ornaments and enjoyed a wonderful afternoon.

OLE2 Program (Other Learning Experiences x Opportunities for Life Enrichment) giving five about-to graduate secondary school students an opportunity to real-life work experience at hotel industry. They were assigned to Sales and Marketing, Housekeeping and Accounting offices, working as Office Assistants and Trainees for two weeks during May - June 2018.



Art of Love for Mothers: 18 pairs of SAHK pre-school students and their parents joined hands to craft beautiful floral souvenirs using a colourful array of paper and art supplies to celebrate mother’s love on 10 May 2018.

Joining hands with SAHK, Asia Standard Hotel will continue to expand the breadth and depth of “The Art of Caring” Community Care Program enabling more learning opportunities and rehabilitation support for children and youth with special needs.

Charity activities

The Group has during the reporting year made donations of HK\$7,561,000 to a number of charitable organisations, such as Hong Kong Spinal Cord Injury Fund Limited, Yan Chai Hospital, La Salle Foundation Limited, Suicide Prevention Services Limited and Hong Kong Paralympic Committee & Sports Association for the Physically Disabled.

Community Recognition

Asia Standard Hotel has been for a ninth year in a row awarded the Caring Company title 2017/18 by The Hong Kong Council of Social Service in recognition of its contribution to the community. This recognition signifies a solid testimonial and a renewed impetus for the Group on its commitment to making positive contribution to society and communities.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to sustaining its corporate governance standards by emphasising transparency, independence, accountability, responsibility and fairness. The Company exercises corporate governance through the board of directors (the “Board”) and various committees.

BOARD OF DIRECTORS

The Board consists of six Executive Directors and three Independent Non-executive Directors. The posts of Chairman and Chief Executive are separate and are not held by the same individual. The Chairman, Mr. Fung Siu To, Clement, is responsible for overseeing the functioning of the Board and the strategies and policies of the Group. The Chief Executive and the Managing Director, Mr. Poon Jing, is responsible for managing the Group’s business. The biographical details and relationship of the Directors are disclosed in the biography of Directors set out in the Directors and Senior Management section.

According to the Bye-Laws of the Company (the “Bye-Laws”), at every annual general meeting of the Company, one-third of the Directors (other than the Chairman and the Managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding one-third, shall retire from office by rotation. Pursuant to the Appendix 14 (the “Code”) of the Rules Governing the Listing of Securities (the “Listing Rules”) On The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Chairman and the Managing Director shall also retire at the annual general meeting every three years. A retiring Director shall be eligible for re-election at the meeting. The Independent Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the Bye-Laws and the Code.

The Board meets quarterly and is responsible for the formulation and reviewing of long-term business directions and strategies, monitoring the operations and financial performance of the Group and performing corporate governance functions set out in the Code. It also considers and approves future strategic plans and budgets for the Group. The management is delegated with the authority to make decisions and responsible for daily operations of the Group under the leadership of the Chief Executive. The management provides explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put forward to the Board for approval. The Chief Executive, working with the other Executive Directors and the head of each division, is responsible for managing the business of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for operations of the Group. All Executive Directors have made full and active contributions to the affairs of the Board.

During the year, the Board has reviewed the Company’s policies and practices on corporate governance, and reviewed and monitored the training and continuous professional development of directors and senior management. The Board has also reviewed and ensured compliance of the relevant legal and regulatory requirements, the code of conducts, the Code and the disclosure in the Corporate Governance Report.

The Directors are responsible for selecting and consistently applying appropriate accounting policies and preparing financial statements which give a true and fair view. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis.

The Board acknowledges that it is its responsibility to prepare the financial statements and to present a balanced, clear and comprehensive assessment to annual and interim reports, other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

During the year, the Board held four meetings. The Directors of the Board and the attendance of each Director at the Board meetings and the general meeting of the Company held during the year are as follows:

Director	Title	Number of meetings attended/ Number of meetings held	
		Board meeting	General meeting
Fung Siu To, Clement	Chairman	4/4	1/1
Poon Jing	Managing Director and Chief Executive	4/4	0/1
Poon Hai	Executive Director	4/4	0/1
Poon Yeung, Roderick	Executive Director	4/4	0/1
Lun Pui Kan	Executive Director	4/4	1/1
Kwan Po Lam, Phileas	Executive Director	4/4	0/1
Cheung Kwok Wah	Independent Non-executive Director	4/4	1/1
Hung Yat Ming	Independent Non-executive Director	4/4	1/1
Wong Chi Keung	Independent Non-executive Director	4/4	1/1

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In assessing the composition of the Board, the Company will seek to achieve board diversity through the consideration of a number of factors and measurable criteria, including gender, age, cultural and education background, industry experience, qualifications, skills, knowledge, and professional ethics. All Board appointments will be based on meritocracy and the candidates will be considered against objective criteria of their potential contributions to the Board and the Company, having due regard for the benefits of diversity on the Board.

During the year, no new director was appointed. If new directors are required to be appointed to the Board, the Board will elect the appropriate candidates by considering gender, age, cultural and education background, industry experience, qualifications, skills, knowledge, and professional ethics of the candidates.

REMUNERATION COMMITTEE

Mr. Wong Chi Keung, an Independent Non-executive Director of the Company is the Chairman of the Remuneration Committee. The Remuneration Committee currently comprises the Chairman of the Company, Mr. Fung Siu To, Clement, and two Independent Non-executive Directors, Mr. Hung Yat Ming and Mr. Wong Chi Keung. The terms of reference were revised and adopted by the Board in compliance with the Code. The duties of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure of the Directors and senior management, approving the remuneration, determining the remuneration packages of all Executive Directors and senior management and approving the compensation to all Directors and senior management on termination or dismissal. The remuneration packages including basic salary, annual bonus, retirement and other benefit such as share options are commensurate with their job nature and experience level. No director may be involved in any decisions as to his own remuneration or other benefit. The Group's remuneration policy seeks to provide a fair market remuneration so as to attract, retain and motivate high quality staff. The remuneration is determined with reference to his duties and responsibility, remuneration benchmark in the industry and prevailing market conditions. During the year, the Remuneration Committee held one meeting, which all members had attended, to review, discuss and approve the remuneration packages of the Directors and senior management.

AUDIT COMMITTEE

The Audit Committee currently comprises all the Independent Non-executive Directors, Mr. Hung Yat Ming (as the Chairman), Mr. Cheung Kwok Wah and Mr. Wong Chi Keung. The terms of reference were revised and adopted by the Board in compliance with the Code. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process, risk management and internal controls and review of the published financial statements. The Audit Committee meets at least twice a year. During the year, the Audit Committee met twice to review the Company's annual and interim financial statements and the recommendation by the auditor on enhancement of risk management and internal control. All the members had attended the meetings held during the year. The Audit Committee has reviewed the annual financial statements for the year ended 31st March 2018.

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 Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year, and they all confirmed that they have fully complied with the required standard set out in the Model Code throughout the year ended 31st March 2018.

CORPORATE GOVERNANCE CODE

During the year, the Company has complied with the code provisions of the Code, except the following deviations:

1. Code Provision A.4.1 of the 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; and
2. Code Provision A.5.1 of the 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, 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has its risk management structure and allocated responsibilities in order to achieve the Group's business objectives:

RISK MANAGEMENT

The Board has the overall responsibilities of establishing, maintaining and operating sound and effective risk management and internal control systems. The Audit Committee, acting on behalf of the Board, reviews the effectiveness of the Company's risk management and internal control systems on an on-going basis and reports to the Board. The management is responsible for designing, implementing and monitoring of the Group's risk management framework and internal control system. The internal audit function facilitates improvement in the risk management process by assessing the effectiveness of the internal control system and reports audit results together with the results of the periodic compliance checking to the Audit Committee on an ongoing basis.

Corporate Governance Report

INTERNAL CONTROL

The Group's internal control system comprises a well-established organisational structure, comprehensive budgeting, reporting, policies and procedures, aiming to identify and manage risks that could adversely hinder the achievement of business objectives of the Group, provide reasonable, but not absolute, assurance against failure in operational system, material error, loss or fraud to the Group. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and internal audits are carried out for an independent appraisal of the adequacy and effectiveness of the systems and the compliance with applicable laws and regulations.

A discussion on the principal risks and uncertainties encountered by the Group are set out on pages 40 to 41 in Report of the Directors.

Unauthorised access and use of inside information are strictly prohibited. Any potential inside information identified by senior management will be assessed, and where appropriate, will be escalated for the attention of the Board to resolve on further actions. The Board assesses the likely impact of any unexpected and significant event and decides whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance.

EFFECTIVENESS OF THE COMPANY'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

For the financial year under review, two Audit Committee meetings with senior management and Group's external auditors were held. The Audit Committee has not identified any significant control failings or weaknesses and it concurred with the management's confirmation. The Board is of the view that the system of risk management and internal control in place for the financial year under review and up to the date of issuance of the annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders, customers and employees, and the Group's assets.

AUDITOR'S REMUNERATION

PricewaterhouseCoopers has been appointed as the auditor of the Company by the shareholders at the annual general meeting. The services provided by PricewaterhouseCoopers include audit, taxation related and other services. A statement by PricewaterhouseCoopers about their reporting responsibilities as the auditor of the Company is included in the Independent Auditor's Report on pages 50 to 51 of this annual report.

An amount of HK\$9,849,000 (2017: HK\$8,987,000) was charged to the financial statements of the Group for their audit services. Taxation services, review on interim results, services on capital market transaction and other services provided by PricewaterhouseCoopers to the Group amounted to HK\$2,225,000 (2017: HK\$2,726,000).

SHAREHOLDERS' RIGHTS

Subject to the applicable laws and regulations, the Listing Rules and the Bye-Laws as amended from time to time, shareholders ("Shareholders") of the Company may put forward proposals at an annual general meeting (an "AGM") of the Company and convene general meetings of the Company.

(I) PROCEDURE FOR SHAREHOLDER TO MAKE PROPOSALS AT SHAREHOLDERS' MEETING

The number of Shareholders required to move a resolution at an AGM or to circulate any statement by written request (the "Requisitionists") shall be:

- i. any number of Shareholders representing not less than one-twentieth (1/20) of the total voting rights of all the Shareholders having a right to vote at the AGM or the relevant general meeting; or
- ii. not less than one hundred (100) Shareholders.

The written request (the "Requisition") must state the resolution to be moved at the AGM or the statement of not more than one thousand (1,000) words in relation to any particular resolution being proposed or business to be dealt with in the relevant general meeting of the Company (as the case may be), and signed by all the Requisitionists in one or more document in like form.

A copy of the Requisition, or two or more copies which between them contain the signatures of all the Requisitionists, shall be lodged at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and a copy thereof at the principal office of the Company in Hong Kong at 30/F., MassMutual Tower, 33 Lockhart Road, Wanchai, Hong Kong, for the attention of the Company Secretary (i) not less than six (6) weeks before the AGM in the case of a Requisition requiring notice of a resolution, unless an AGM is called for a date six weeks or less after the deposit of the Requisition, in which case the Requisition will be deemed to have been properly deposited; or (ii) not less than one (1) week before the relevant general meeting in the case of any other Requisition.

The Requisitionists must deposit a sum which is reasonably sufficient to meet the Company's expenses in giving effect to the Requisition.

(II) PROCEDURE FOR SHAREHOLDER TO CONVENE SPECIAL GENERAL MEETING

Shareholders holding not less than one-tenth (1/10) of the paid-up capital of the Company carrying the right of voting at the general meetings of the Company (the “SGM Requisitionists”) may require the Board to convene a special general meeting of the Company (“SGM”) by depositing a written requisition (the “SGM Requisition”) at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda and a copy thereof at the principal office of the Company in Hong Kong at 30/F., MassMutual Tower, 33 Lockhart Road, Wanchai, Hong Kong for the attention of the Company Secretary.

The SGM Requisition must state the objects of the SGM and be signed by the SGM Requisitionists and may consist of one or more documents in like form, each signed by one or more of the SGM Requisitionists.

Upon receipt of the SGM Requisition, the Directors shall forthwith proceed duly to convene the SGM, and such SGM shall be held within two months after the deposit of the SGM Requisition.

Where, within twenty-one (21) days of the lodging of the SGM Requisition, the Directors do not proceed duly to convene the SGM, the SGM Requisitionists, or any of them representing more than one-half (1/2) of the total voting rights of all of them, may themselves convene the SGM, provided that any SGM so convened shall be held within three (3) months from the date of deposit of the SGM Requisition. The SGM Requisitionists shall convene a SGM in the same manner, as nearly as possible, as that in which SGMs are to be convened by Directors. Under the Bye-Laws and pursuant to the requirements of the Listing Rules, a notice specifying the time and place and the general nature of the proposed business to be transacted at the SGM shall be given to all Shareholders entitled to attend the SGM for consideration in the following manner:

- i. notice of not less than twenty-one (21) clear days or ten (10) clear business days, whichever is longer, if a special resolution is to be passed at the SGM; and
- ii. notice of not less than fourteen (14) clear days or ten (10) clear business days, whichever is the longer, in all other cases, provided that a SGM may be called by a shorter notice if it is so agreed by a majority in number of the Shareholders having the right to attend and vote at the SGM, being a majority together holding not less than 95% in nominal value of the issued shares of the Company giving such right.

PROFESSIONAL DEVELOPMENT

Every newly appointed Director will receive briefing and professional development so as to ensure that he has appropriate understanding of the Group’s business and of his duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

The Company also provides regular updates and presentation on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, the Company has been encouraging the Directors to enroll in professional development courses and seminars relating to the Listing Rules, Companies Ordinance and corporate governance practices organised by professional bodies or chambers in Hong Kong.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. A summary of training received by Directors according to the records provided by the Directors are as follows:

Directors	Type of training
Fung Siu To, Clement	B
Poon Jing	B
Poon Hai	B
Poon Yeung, Roderick	B
Lun Pui Kan	B
Kwan Po Lam, Phileas	B
Hung Yat Ming	A, B
Cheung Kwok Wah	A, B
Wong Chi Keung	A, B

A: Attending seminar(s)/training session(s)/conference(s)/forum(s) relevant to directors' profession and/or duties and/or other relevant topics

B: Reading materials in relation to corporate governance, regulatory development and other relevant topics

INVESTOR RELATIONSHIP

The Group aims to provide its shareholders and investors with high level of transparency. During the year, the Executive Directors had various meetings with local and institutional investors and analysts. The Board is committed to providing clear and full performance information of the Group to shareholders and the public through the publication of interim and annual reports, announcements, circulars and press releases.

The Company has also maintained a website at <http://www.asiaorient.com.hk> which enables shareholders, investors and public to access to the information of the Company on a timely basis.

PROCEDURE FOR RAISING ENQUIRIES

Shareholders may at any time send their enquires and concerns to the Board in writing to the principal office of the Company in Hong Kong or by e-mail to aoinfo@asiastandard.com for the attention of the Company Secretary.

CONSTITUTIONAL DOCUMENTS

There was no change in the Bye-Laws during the year.

Directors and Senior Management

EXECUTIVE DIRECTORS

FUNG SIU TO, CLEMENT

Aged 69, is the Chairman and a member of the Remuneration Committee of the Company. He is also the Chairman, an executive director and a member of the remuneration committee of the listed subsidiary, Asia Standard International Group Limited (“Asia Standard”), and an executive director of the listed subsidiary, Asia Standard Hotel Group Limited (“Asia Standard Hotel”). Mr. Fung is also a director of certain subsidiaries of the Company. Mr. Fung is a holder of a Bachelor of Applied Science (Civil Engineering) degree and is also a fellow member of the Hong Kong Institution of Engineers. He joined the Company and its subsidiaries (together the “Group”) in 1988 and has over 35 years of experience in project management and construction. He is the uncle of Mr. Poon Hai and Mr. Poon Yeung, Roderick, both of them are Executive Directors of the Company. He is also the brother-in-law of Mr. Poon Jing and Dr. Lim Yin Cheng, the Managing Director of the Company and the Deputy Chairman of Asia Standard Hotel respectively.

POON JING

Aged 63, is the Chief Executive and Managing Director of the Company. He is also the Chief Executive, Managing Director and an executive director of Asia Standard, and the Chairman and an executive director of Asia Standard Hotel. Mr. Poon is also a director of certain subsidiaries of the Company. He is the founder of the Group. He is the father of Mr. Poon Hai and Mr. Poon Yeung, Roderick, both of them are Executive Directors of the Company. He is also the brother-in-law of Mr. Fung Siu To, Clement and Dr. Lim Yin Cheng, the Chairman of the Company and the Deputy Chairman of Asia Standard Hotel respectively.

POON HAI

Aged 32, is an Executive Director of the Company. He is also an executive director and a member of the remuneration committee of Asia Standard, and an executive director of Asia Standard Hotel. Mr. Poon is also a director of certain subsidiaries of the Company. Mr. Poon holds a Bachelor of Commerce degree from the University of British Columbia. He is responsible for the business development and the project management of the Group. He is the son of Mr. Poon Jing and the brother of Mr. Poon Yeung, Roderick, the Managing Director and an Executive Director of the Company respectively. He is also the nephew of Mr. Fung Siu To, Clement and Dr. Lim Yin Cheng, the Chairman of the Company and the Deputy Chairman of Asia Standard Hotel respectively. He joined the Group in 2009.

POON YEUNG, RODERICK

Aged 29, is an Executive Director of the Company, Asia Standard and Asia Standard Hotel. Mr. Poon is also a director of certain subsidiaries of the Company. Mr. Poon holds a Bachelor of Commerce degree with a major in real estate from the University of British Columbia. He is responsible for the Group’s project management, investment and business development. He is the son of Mr. Poon Jing and the brother of Mr. Poon Hai, the Managing Director and an Executive Director of the Company respectively. He is also the nephew of Mr. Fung Siu To, Clement and Dr. Lim Yin Cheng, the Chairman of the Company and the Deputy Chairman of Asia Standard Hotel respectively. He joined the Group in 2012.

LUN PUI KAN

Aged 54, is the Finance Director of the Company and Asia Standard. Mr. Lun is also a director of certain subsidiaries of the Company. Mr. Lun has over 30 years of experience in accounting and finance. He is a holder of a Bachelor of Science (Engineering) degree and is an associate member of The Hong Kong Institute of Certified Public Accountants (“HKICPA”) and a fellow member of The Association of Chartered Certified Accountants (“ACCA”). He joined the Group in 1994.

KWAN PO LAM, PHILEAS

Aged 59, is an Executive Director of the Company and Asia Standard. Mr. Kwan is also a director of certain subsidiaries of the Company. Mr. Kwan is a holder of a Bachelor of Business Administration degree. He joined the Group in 1986 and is responsible for property sales and leasing. He has over 30 years of experience in property sales, leasing and real estate management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHEUNG KWOK WAH

Aged 61, is an Independent Non-executive Director and a member of the Audit Committee of the Company. Mr. Cheung has over 25 years of experience in the finance field, during which he held various senior management positions with many public listed companies. He is a solicitor of Hong Kong, and is now the Chief Business Development Officer of Future Bright Holdings Limited. He joined the Group in June 1996.

HUNG YAT MING

Aged 66, is an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Hung graduated from The University of Hong Kong with a Bachelor degree in Mathematics and obtained a post-graduate diploma in Accountancy from University of Strathclyde, Scotland. He has over 30 years of experience in audit, accounting and financial management in several firms in Sydney and Hong Kong and is a financial controller of a Hong Kong listed company. He is a member of The Institute of Chartered Accountants of Scotland and HKICPA. Mr. Hung is also an independent non-executive director, the chairman of the audit committee and remuneration committee of Asia Standard Hotel. He is also an independent non-executive director of Hong Kong Life Sciences and Technologies Group Limited, a company listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He joined the Group in September 2004.

WONG CHI KEUNG

Aged 63, is an Independent Non-executive Director, a member of the Audit Committee and the Chairman of Remuneration Committee of the Company. Mr. Wong holds a Master degree in Business Administration from The University of Adelaide in Australia. He is a fellow member of HKICPA, ACCA and CPA Australia; an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management and advising on securities for CASDAQ International Capital Market (HK) Company Limited under the Securities and Futures Ordinance (the "SFO").

Mr. Wong was an executive director, the Deputy General Manager, Group Financial Controller and Company Secretary of Yuexiu Property Company Limited (formerly known as Guangzhou Investment Company Limited) which is a company listed on the Stock Exchange for over ten years. He is an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of Asia Standard. He is also an independent non-executive director and a member of audit committee of Century City International Holdings Limited, China Ting Group Holdings Limited, Fortunet e-Commerce Group Limited, Golden Eagle Retail Group Limited, Nickel Resources International Holdings Company Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited, TPV Technology Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are listed on the Stock Exchange. Mr. Wong has over 40 years of experience in finance, accounting and management. He joined the Group in 2004.

On 23rd May 2018, Mr. Wong ceased to act as an independent non-executive director of China Shanshui Cement Group Limited, a company listed on the Stock Exchange.

Directors and Senior Management

SENIOR MANAGEMENT

LIM YIN CHENG

Aged 73, is the Deputy Chairman, Chief Executive, an executive director and a member of the remuneration committee of Asia Standard Hotel. Dr. Lim is also a director of certain subsidiaries of the Company. Dr. Lim is a holder of a Bachelor of Science (Chemical Engineering) and Doctor of Philosophy degrees. He has over 35 years of experience in engineering, project management and administration. He joined the Group in 1992. He is the uncle of Mr. Poon Hai and Mr. Poon Yeung, Roderick, both of them are Executive Directors of the Company. He is also the brother-in-law of Mr. Poon Jing and Mr. Fung Siu To, Clement, the Managing Director and the Chairman of the Company respectively.

NG SIEW SENG, RICHARD

Aged 66, is the Group General Manager of Asia Standard Hotel. Mr. Ng is also a director of a subsidiary of Asia Standard Hotel. Mr. Ng is responsible for the development and management of the hotel group's hospitality operations. With over 4 decades' extensive experience in hotel and travel industry for both local and overseas markets, Mr. Ng has held senior marketing and operational positions in a number of major international chain hotels and travel agents in Hong Kong and Macau. He joined Asia Standard Hotel Group in September 2007.

WOO WEI CHUN, JOSEPH

Aged 54, is an executive director and the Group Financial Controller of Asia Standard Hotel. Mr. Woo is also a director of certain subsidiaries of Asia Standard Hotel. Mr. Woo is qualified as a U.S. Certified Public Accountant (Illinois) and is an associate member of HKICPA. He holds a Bachelor degree in Accounting with Computing and a Master degree in Business Administration. Mr. Woo has over 25 years of experience in accounting and finance. He joined Asia Standard Hotel Group in 2006.

WONG HOI YAN

Aged 45, is the General Manager of Project Management Division of Asia Standard. Ms. Wong holds a Bachelor of Arts degree in Architectural Studies and Master of Architecture from The University of Hong Kong and Master of Science degree in Project Management from The Hong Kong Polytechnic University. She is a Registered Architect in Hong Kong, a Member of The Hong Kong Institute of Architects and an Authorised Person under the Buildings Ordinance. She is also a BEAM Pro under the Hong Kong Green Building Council. Ms. Wong is responsible for property development and project management. She has over 20 years of experience in project planning and management. She joined Asia Standard in March 2014.

Note:

Messrs. Poon Jing, Fung Siu To, Clement, Poon Hai, Poon Yeung, Roderick and Lun Pui Kan are directors of Teddington Holdings Limited and Heston Holdings Limited. Both companies have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st March 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 37 to the financial statements.

The activities of the Group are mainly based in Hong Kong. Analysis of the Group's gross income and contribution to operating results by principal activities are set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 59.

The Company did not pay an interim dividend for the year ended 31st March 2018 (2017: Nil).

The Board recommends the payment of a final dividend of HK2.4 cents per share (2017: HK2.4 cents per share), totaling HK\$20,181,000 (2017: HK\$20,181,000) for the year ended 31st March 2018.

FINANCIAL SUMMARY

A five-year financial summary of the results and of the assets and liabilities of the Group is set out on page 17.

EQUITY LINKED AGREEMENTS

Save as disclosed in the sections "Share Option Schemes" on pages 42 to 48 and "Convertible Notes" on page 48, no equity linked agreements were entered into during the year or subsisted at the end of the year.

SHARES ISSUED IN THE YEAR

Details of the shares of the Company issued in the year ended 31st March 2018 are set out in note 29 to the financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties of the Group are set out on pages 14 to 16.

Report of the Directors

DONATIONS

During the year, the Group made charitable and other donations of HK\$7,561,000 (2017: HK\$8,552,000).

DIRECTORS

The Directors of the Company during the year and at the date of this report were:

Mr. Fung Siu To, Clement

Mr. Poon Jing

Mr. Poon Hai

Mr. Poon Yeung, Roderick

Mr. Lun Pui Kan

Mr. Kwan Po Lam, Phileas

Mr. Cheung Kwok Wah

Mr. Hung Yat Ming

Mr. Wong Chi Keung

Messrs. Kwan Po Lam, Phileas and Cheung Kwok Wah will retire from office by rotation in accordance with the Bye-Laws of the Company (the “Bye-Laws”) and Mr. Poon Jing will retire to comply with Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set out on pages 32 to 34.

DIRECTORS’ MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

No transactions, arrangement and contracts of significance in relation to the Company’s business to which the Company or its subsidiaries was a party and in which a Director of the Company and his connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISIONS

Subject to the Bermuda Companies Act 1981, the Bye-Laws and other relevant statutes, the Directors for the time being acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he shall or may incur or sustain in the execution of his office. The Company has arranged appropriate Directors' and Officers' Liability Insurance Coverage for the Directors and Officers of the Group.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the share option schemes of the Company as disclosed on pages 42 to 48, and that of subsidiaries, Asia Standard International Group Limited ("Asia Standard") and Asia Standard Hotel Group Limited ("Asia Standard Hotel"), at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31st March 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 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 Listing Rules on the Stock Exchange were as follows:

(I) LONG POSITIONS IN SHARES

(a) The Company

Director	Number of shares held			Total	Percentage of shares in issue (%)
	Personal interest	Corporate interest	Family interest		
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

Report of the Directors

(I) LONG POSITIONS IN SHARES (Continued)

(b) Associated corporations

Director	Associated corporations	Number of shares held			Percentage of shares in issue (%)
		Personal interest	Corporate interest	Total	
Poon Jing	Asia Standard	1,308,884	683,556,392 (Notes)	684,865,276	51.89
Poon Jing	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 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 2017 and 31st March 2018
Poon Hai (Note 1)	3,500,000
Poon Yeung, Roderick (Note 1)	3,500,000

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 year, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

(II) LONG POSITIONS IN UNDERLYING SHARES (Continued)**INTERESTS IN SHARE OPTIONS (Continued)***(b) Associated corporations*

- Asia Standard

Director	Outstanding as at 1st April 2017 and 31st March 2018
Poon Hai (Note 1)	3,500,000
Poon Yeung, Roderick (Note 1)	3,500,000

Notes:

1. 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.
2. During the year, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

- Asia Standard Hotel

Director	Date of grant	Exercise price (adjusted) (HK\$)	Exercise period	Outstanding as at 1st April 2017	Lapsed during the year	Outstanding as at 31st March 2018
Lun Pui Kan	2nd April 2007	0.433	2nd April 2007 to 1st April 2017	24,000,000	(24,000,000)	-
Kwan Po Lam, Phileas	2nd April 2007	0.433	2nd April 2007 to 1st April 2017	24,000,000	(24,000,000)	-
Poon Hai	11th December 2015	0.343	11th December 2015 to 10th December 2025	14,400,000	-	14,400,000
Poon Yeung, Roderick	11th December 2015	0.343	11th December 2015 to 10th December 2025	14,400,000	-	14,400,000

Notes:

1. Options were granted under 2006 Asia Standard Hotel Share Option Scheme (as described under the heading "Share Option Schemes").
2. Save as disclosed above, during the year, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

Report of the Directors

(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 (the "ASH Convertible Notes") held by the Company and its subsidiaries which are convertible into 2,692,316,098 shares of Asia Standard Hotel. The ASH Convertible Notes are redeemable at the redemption value of HK\$0.453 per note. Please refer to the section "Convertible Notes" on page 48 for details of the ASH Convertible Notes issued by Asia Standard Hotel.

Save as disclosed above, as at 31st March 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 31st March 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 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 31st March 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.

Report of the Directors

SHARE OPTION SCHEMES

THE COMPANY

Share option scheme adopted on 29th August 2014 (the “2014 Share Option Scheme”)

The 2014 Share Option Scheme was adopted on 29th August 2014. Under 2014 Share Option Scheme, the board of Directors of the Company may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiaries or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, acknowledge the contributions of, motivate and maintain relationship with the eligible participants.

The total number of shares available for issue upon exercise of all options to be granted under 2014 Share Option Scheme must not exceed 76,476,084 shares, representing about 9.09% of the shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under 2014 Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under 2014 Share Option Scheme or any other share option scheme within any 12 months period, must not exceed 1% of the shares in issue from time to time.

Under 2014 Share Option Scheme, there was no requirement for a grantee to hold the option for a certain period before exercising the option unless otherwise determined by the Directors. The exercise period should be any period determined by the board of Directors but in any event the exercise period should not be later than 10 years from the date of grant. The grantee has to accept an option within 21 days from the date of offer by making a non-refundable payment of HK\$1 to the Company.

The subscription price shall be at the discretion of the board of Directors provided that it shall be not less than the highest of (i) the closing price of a share on the relevant date of grant; (ii) the average of the closing prices of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The 2014 Share Option Scheme is effective for 10 years from 29th August 2014.

The following table discloses details of the Company’s options granted under 2014 Share Option Scheme held by employees (including Directors):

Grantee	Outstanding as at 1st April 2017 and 31st March 2018
Directors (Note 1)	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 year, no option was granted, exercised, cancelled or lapsed.

ASSOCIATED CORPORATIONS

- **Asia Standard Share Option Scheme adopted on 27th August 2004 (the “2004 Asia Standard Share Option Scheme”)**

The 2004 Asia Standard Share Option Scheme was adopted on 27th August 2004. Under 2004 Asia Standard Share Option Scheme, the board of Directors of Asia Standard may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to Asia Standard, its subsidiaries or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, acknowledge the contributions of, motivate and maintain relationship with the eligible participants.

The total number of shares available for issue upon exercise of all options granted under 2004 Asia Standard Share Option Scheme must not exceed 71,851,459 shares, representing about 5.44% of the Asia Standard's shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under 2004 Asia Standard Share Option Scheme and any other share option scheme must not exceed 30% of the Asia Standard's shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under 2004 Asia Standard Share Option Scheme or any other share option scheme within any 12 months period, must not exceed 1% of the Asia Standard's shares in issue from time to time.

Under 2004 Asia Standard Share Option Scheme, there was no requirement for a grantee to hold the Asia Standard option for a certain period before exercising Asia Standard option unless otherwise determined by the Directors of Asia Standard. The exercise period should be any period determined by the board of Directors of Asia Standard but in any event the exercise period should not be later than 10 years from the date of grant. The grantee has to accept an option within 21 days from the date of offer by making a non-refundable payment of HK\$1 to Asia Standard.

The subscription price shall be at the discretion of the board of Directors of Asia Standard provided that it shall be not less than the highest of (i) the closing price of a share on the relevant date of grant; (ii) the average of the closing prices of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The 2004 Asia Standard Share Option Scheme was effective for 10 years from 27th August 2004 and 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.

Report of the Directors

The following table discloses details of Asia Standard options granted under 2004 Asia Standard Share Option Scheme held by employees (including Directors):

Grantee	Outstanding as at 1st April 2017 and 31st March 2018
Other employee	1,000,000

Notes:

1. These 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.
2. During the year, no option was granted, exercised, cancelled or lapsed.

Share option scheme adopted on 29th August 2014 (the “2014 Asia Standard Share Option Scheme”)

The 2014 Asia Standard Share Option Scheme was adopted on 29th August 2014. Under 2014 Asia Standard Share Option Scheme, the board of Directors of Asia Standard may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to Asia Standard, its subsidiaries or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, acknowledge the contributions of, motivate and maintain relationship with the eligible participants.

The total number of shares available for issue upon exercise of all options to be granted under 2014 Asia Standard Share Option Scheme must not exceed 125,482,152 shares, representing about 9.50% of the Asia Standard’s shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under 2014 Asia Standard Share Option Scheme and any other share option scheme must not exceed 30% of the Asia Standard’s shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under 2014 Asia Standard Share Option Scheme or any other share option scheme within any 12 months period, must not exceed 1% of the Asia Standard’s shares in issue from time to time.

Under 2014 Asia Standard Share Option Scheme, there was no requirement for a grantee to hold the Asia Standard option for a certain period before exercising the Asia Standard option unless otherwise determined by the Directors of Asia Standard. The exercise period should be any period determined by the board of Directors of Asia Standard but in any event the exercise period should not be later than 10 years from the date of grant. The grantee has to accept an option within 21 days from the date of offer by making a non-refundable payment of HK\$1 to Asia Standard.

The subscription price shall be at the discretion of the board of Directors of Asia Standard provided that it shall be not less than the highest of (i) the closing price of a share on the relevant date of grant; (ii) the average of the closing prices of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The 2014 Asia Standard Share Option Scheme is effective for 10 years from 29th August 2014.

The following table discloses details of Asia Standard options granted under 2014 Asia Standard Share Option Scheme held by employees (including Directors):

Grantee	Outstanding as at 1st April 2017 and 31st March 2018
Directors (Note 1)	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 year, no option was granted, exercised, cancelled or lapsed.

Asia Standard Hotel Share option scheme adopted on 28th August 2006 (the “2006 Asia Standard Hotel Share Option Scheme”)

The 2006 Asia Standard Hotel Share Option Scheme was adopted on 28th August 2006. Under 2006 Asia Standard Hotel Share Option Scheme, the board of Directors of Asia Standard Hotel may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to Asia Standard Hotel, its subsidiaries or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, recognise and acknowledge the contributions of, motivate and maintain an ongoing relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Asia Standard Hotel Group.

Report of the Directors

The total number of shares available for issue upon exercise of all options granted under 2006 Asia Standard Hotel Share Option Scheme must not exceed 125,088,061 shares, representing about 6.19% of the Asia Standard Hotel's shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under 2006 Asia Standard Hotel Share Option Scheme and any other share option scheme must not exceed 30% of the Asia Standard Hotel's shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under 2006 Asia Standard Hotel Share Option Scheme or any other share option scheme within any 12 months period, must not exceed 1% of the Asia Standard Hotel's shares in issue from time to time.

Under 2006 Asia Standard Hotel Share Option Scheme, there was no requirement for a grantee to hold the Asia Standard Hotel option for a certain period before exercising the Asia Standard Hotel option unless otherwise determined by the Directors of Asia Standard Hotel. The exercise period should be any period determined by the board of Directors of Asia Standard Hotel but in any event the exercise period should not be later than 10 years from the date of grant. The grantee has to accept an option within 21 days from the date of offer by making a non-refundable payment of HK\$1 to Asia Standard Hotel.

The subscription price shall be at the discretion of the board of Directors of Asia Standard Hotel provided that it shall be not less than the highest of (i) the closing price of a share on the relevant date of grant; (ii) the average of the closing prices of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The 2006 Asia Standard Hotel Share Option Scheme was effective for 10 years from 28th August 2006 and 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.

The following table discloses details of Asia Standard Hotel options granted under 2006 Asia Standard Hotel Share Option Scheme held by employees (including Directors):

Grantee	Date of grant	Exercise price (adjusted) (HK\$)	Exercise period	Outstanding as at 1st April 2017	Lapsed during the year	Outstanding as at 31st March 2018
Directors	2nd April 2007	0.433	2nd April 2007 to 1st April 2017	48,000,000	(48,000,000)	-
	11th December 2015	0.343	11th December 2015 to 10th December 2025	28,800,000	-	28,800,000
Directors of a subsidiary	2nd April 2007	0.433	2nd April 2007 to 1st April 2017	48,000,000	(48,000,000)	-
Employees	2nd April 2007	0.433	2nd April 2007 to 1st April 2017	92,999,997	(92,999,997)	-
				217,799,997	(188,999,997)	28,800,000

Note:

Save as disclosed above, during the year, no option was granted, exercised, cancelled or lapsed.

Share option scheme adopted on 8th September 2016 (the “2016 Asia Standard Hotel Share Option Scheme”)

The 2016 Asia Standard Hotel Share Option Scheme was adopted on 8th September 2016. Under 2016 Asia Standard Hotel Share Option Scheme, the board of Directors of Asia Standard Hotel may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to Asia Standard Hotel, its subsidiaries or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, recognise and acknowledge the contributions of, motivate and maintain an ongoing relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Asia Standard Hotel Group.

Report of the Directors

The total number of shares available for issue upon exercise of all options to be granted under 2016 Asia Standard Hotel Share Option Scheme must not exceed, in aggregate, exceed 10% of the issued ordinary shares of Asia Standard Hotel as at the date of adoption of the 2016 Asia Standard Hotel Share Option Scheme or the date of shareholders' approval of a refreshment of such limit in a general meeting of Asia Standard Hotel (the "Scheme Limit"). The Scheme Limit was refreshed pursuant to an ordinary resolution passed by the shareholders at the annual general meeting of Asia Standard Hotel held on 30 August 2017 and the Scheme Limit as refreshed is 201,804,047 shares, representing about 10% of the Asia Standard Hotel's shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under 2016 Asia Standard Hotel Share Option Scheme and any other share option scheme must not exceed 30% of the Asia Standard's shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under 2016 Asia Standard Hotel Share Option Scheme or any other share option scheme within any 12 months period, must not exceed 1% of the Asia Standard Hotel's shares in issue from time to time.

Under 2016 Asia Standard Hotel Share Option Scheme, there was no requirement for a grantee to hold the Asia Standard Hotel option for a certain period before exercising the Asia Standard Hotel option unless otherwise determined by the Directors of Asia Standard Hotel. The exercise period should be any period determined by the board of Directors of Asia Standard Hotel but in any event the exercise period should not be later than 10 years from the date of grant. The grantee has to accept an option within 21 days from the date of offer by making a non-refundable payment of HK\$1 to Asia Standard Hotel.

The subscription price shall be at the discretion of the board of Directors of Asia Standard Hotel provided that it shall be not less than the highest of (i) the closing price of a share on the relevant date of grant; (ii) the average of the closing prices of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The 2016 Asia Standard Hotel Share Option Scheme is effective for 10 years from 8th September 2016. No share option has been granted since the adoption of 2016 Asia Standard Hotel Share Option Scheme.

CONVERTIBLE NOTES

On 23rd February 2017, Asia Standard Hotel issued a total of 2,693,204,266 ASH Convertible Notes with principal amount of HK\$1,220 million (a redemption value of HK\$0.453 per note) which bears interest at 0.1% per annum and have dividend entitlement in order to fulfill the public float requirement under the Listing Rules. The ASH Convertible Notes were unsecured and redeemable. Where a final dividend on the shares has not been declared and paid in any particular year, the 0.1% coupon will be deferred until the next dividend payment (if previously unpaid) and the accumulated deferred coupon would be paid on maturity date.

Each noteholder has the option to convert the ASH Convertible Notes into fully paid ordinary share of Asia Standard Hotel on a one to one basis (subject to adjustment to certain corporate actions) at any time from the first business day immediately following the date of issue of the ASH Convertible Notes up to and including the date falling on the 10th business day prior to the thirtieth anniversary of the date of issue of the ASH Convertible Notes. Unless previously converted, the ASH Convertible Notes will be redeemed on the thirtieth anniversary of the date of issue of the ASH Convertible Notes at redemption price equal to 100% of the principal amount.

During the year, no ASH Convertible Notes (2017: 84,256 ASH Convertible Notes) were converted into ordinary shares of Asia Standard Hotel (2017: 84,256 Asia Standard Hotel's shares).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, 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 year.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda in respect of the Company's share capital.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

BUSINESS REVIEW

A fair review of business of the Group, particulars of important events affecting the Group that have occurred since the end of the financial year, if any, an analysis using financial key performance indicators and indication of likely future development of the Group are set out in the section "Management Discussion and Analysis" on pages 8 to 13. Discussion on environmental policies and performance of the Group is set out in the section "Environmental, Social and Governance Report" on pages 18 to 23.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with laws and regulations. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group.

The Group has been allocating resources to ensure ongoing compliance with rules and regulations and any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

Report of the Directors

PRINCIPAL RISKS AND UNCERTAINTIES

The Group believes that the factors described below represent the principal risks and uncertainties which may potentially affect its business, financial conditions, operations, and future prospect of the business. It does not represent that the factors described below are exhaustive.

Risks pertaining to property sales & leasing

The Group's property sales may be influenced by fluctuations of supply and demand in the real estate market, government policies to curb surging property prices such as double and special stamp duty dampen the demand, lowering the mortgage ratio raise the hurdle of financing and hence adversely affect demand. Demand is also sensitive to changes in interest rates.

Economic slowdown would hit retail market and cast downward pressure on property rental and occupancies.

Risks pertaining to hotel and travel operations

The Group's hotel and travel agency business may be significantly affected by factors outside our control such as government regulation, changes in market conditions, competition in the industry, excess hotel supply or reduced international or local demand for hotel rooms and associated services, foreign exchange fluctuations, the interest rate environment, and other natural and social factors which may affect the level of global travel and business activity.

As four of the Group's hotels are located in Hong Kong, the revenue from this business is sensitive to changes in the tourism industry in Hong Kong, which is greatly influenced by the attractiveness of Hong Kong as a destination for tourists, business travellers and conferences, particular for those from the PRC which comprised over 67% of the total overnight visitor arrivals to Hong Kong, and is the major source of business for our hotels.

The Group reviews and optimises its asset portfolio to ensure that it is sufficiently cost effective and efficient. The risk of adverse economic conditions is managed by ensuring proper monitoring of the business performance, and constant assessment of economic conditions and the appropriateness of the prevailing investment and business strategy.

Risks pertaining to hotel or property developments

The Group engages external contractors to provide various services, including the construction of hotel expansions, hotel and property development projects. Completion of these projects is subject to the performance of external contractors, including the pre-agreed schedule for completion. Any delay in obtaining or failure to obtain the relevant government approvals or permits also affects completion. Furthermore, the government may re-enter the land if we fail to comply with the land grant conditions.

Risks pertaining to financing

The Group requires funding to support the operations, working capital, and capital expenditure requirements of its hotels in operations, and of any property development in the future. The overall level and pace of future development of the Group may be impacted by factors such as the availability of capital, increase in costs of funding and currency fluctuation.

The Group maintains an open and proactive relationship with the banking community, arranging different terms of loan facilities from different sources with different tenures and ensures continuous assessment of counterparty risks.

Risks pertaining to financial investments

The Group's financial performance is exposed to financial and capital market risks, including changes in interest rates, foreign exchange rates, credit spreads, equity prices, the performance of the economy in general and other factors outside our control. For further details of such risks and relevant management policies, please refer to note 3 to the Financial Statements from pages 86 to 94.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group appreciates the importance of maintaining a good relationship with its customers to meet its immediate and long-term business goals. The Group values the feedback from customers through daily communication, and address customers' concern in a timely manner.

During the year ended 31st March 2018, there is no circumstance of any event between the Group and its customers which will have a significant impact on the Group's business and on which the Group's success depends. The account of key relationships with employees and suppliers on which the Group's success depends are set out in the section "Environmental, Social and Governance Report" on pages 18 to 23.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the Group's purchases and sales for the year attributable to major suppliers and customers were as follows:

Percentage of purchases attributable to the Group's largest supplier	40.0%
Percentage of purchases attributable to the Group's five largest suppliers	61.4%
Percentage of sales attributable to the Group's largest customer	26.5%
Percentage of sales attributable to the Group's five largest customers	45.6%

None of the Directors, their associates or shareholders, which to the knowledge of the Directors, held any interests in the share capital of the suppliers or customers noted above.

Report of the Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Confirmation of independence pursuant to the independence guidelines under the Listing Rules has been received from each of the Independent Non-executive Directors of the Company and the Company considers all existing Independent Non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the latest practicable date prior to the issuance of this report.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Fung Siu To, Clement

Chairman

Hong Kong, 28th June 2018

Independent Auditor's Report

To the Shareholders of Asia Orient Holdings Limited

(incorporated in Bermuda with limited liability)

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of Asia Orient Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 152, which comprise:

- the consolidated balance sheet as at 31st March 2018;
- the consolidated profit and loss account for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties
- Recoverability of properties under development for sale and impairment of property held for development for sale

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties</p> <p><i>Refer to notes 4, 15 and 17</i></p> <p>As at 31st March 2018, the Group's investment properties portfolio include investment properties held by subsidiaries and an associated company.</p> <p>Management engaged an independent valuer to estimate the fair value of the Group and an associated company's investment properties as at 31st March 2018 based on the direct comparison method.</p> <p>The key assumptions used in the independent valuation of investment properties requires significant judgement and estimation.</p>	<p>Our audit procedures in relation to key assumptions used in the valuation of investment properties included:</p> <ul style="list-style-type: none"> • Evaluating the independent valuers' competence, capabilities and objectivity; • Obtaining the valuation reports and holding meetings with the independent valuer, together with our own experts in property valuation, to discuss and evaluate the valuation methodology and key assumptions adopted, focusing on market comparables based on recent transacted prices of comparable properties; • Assessing the market comparables used by the independent valuer by benchmarking these against comparable market transactions for similar properties and locations. <p>We found the methodology and key assumptions used in the valuation of investment properties were supported by the available evidence.</p>

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Recoverability of properties under development for sale and impairment of property held for development for sale</p>	<p>Our audit procedures in relation to evaluating management's assessment of recoverability of property development projects included:</p>
<p><i>Refer to notes 4, 7, 17 and 21</i></p>	<ul style="list-style-type: none"> • Comparing the expected future sales prices to current market prices of comparable properties; • Meetings with project managers for major properties under development for sale to understand the progress of development and challenge the assumptions for forecast development costs to complete; • Corroborating the cost estimates provided by management and project managers to latest approved budgets and approved development plans; • Benchmarking estimated construction costs to external industry data; • Performing independent legal title searches and site visits of major projects; • In respect of the Macau Project, we inspected correspondence with the Macau Government and relevant departments and obtained the Group's external legal counsel opinion. We also held discussions with the Group's external legal counsel to understand the Declaration of Expiry process and their legal interpretation of this matter, the merits of the judicial appeal and any further actions that might be undertaken by the Group to claim for compensation and for damages.
<p>The Group has a number of properties under development for sale and property held for development for sale ("property development projects") held by subsidiaries and joint ventures.</p>	<p>We found management's assessment of recoverability of property under development for sale and impairment provision were supported by the available evidence.</p>
<p>Management assessed the recoverability of properties under development for sale based on estimates of the net realisable values of the underlying properties for each project. This involved the estimation of construction costs to be incurred to complete the properties under development based on existing plans and forecast of future sales.</p>	
<p>The estimation of net realisable values depends on key assumptions that require significant management judgement, including selling price per square feet and budgeted costs of construction.</p>	
<p>The property held for development for sale represents a piece of land in Macau ("Macau Project"). As further set out in note 7, the provisional 25 year lease has expired in December 2015. In February 2017, the Macau Government issued a Declaration of Expiry of Land Concession based on Article 48 of the Land Law ("Declared Expiry"). The Group lodged a judicial appeal against the Declared Expiry in March 2017 which is pending a decision by the Second Instance Court of Macau. Based on an assessment of the available facts and circumstances, the Group considered a full impairment provision should be made against the Macau Project as at 31st March 2018. We focused on the impairment assessment as it involved significant judgement.</p>	

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Liao Weining.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28th June 2018

Consolidated Profit and Loss Account

For the year ended 31st March 2018

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
Revenue	5	1,924,720	1,861,549
Cost of sales		(322,701)	(308,928)
Gross profit		1,602,019	1,552,621
Selling and administrative expenses		(266,557)	(263,643)
Depreciation		(211,896)	(199,226)
Net investment (loss)/gain	6	(118,162)	966,159
Fair value gain of investment properties		711,195	671,379
Other exceptional charge	7	-	(798,743)
Operating profit		1,716,599	1,928,547
Net finance costs	11	(297,776)	(246,791)
Share of profits less losses of			
Joint ventures		73,198	90,744
Associated companies		29,204	(41,507)
Profit before income tax		1,521,225	1,730,993
Income tax (expense)/credit	12	(22,453)	3,465
Profit for the year		1,498,772	1,734,458
Attributable to:			
Shareholders of the Company		814,381	1,010,889
Non-controlling interests		684,391	723,569
		1,498,772	1,734,458
Earnings per share (HK\$)			
Basic	14	0.97	1.21
Diluted	14	0.96	1.21

Consolidated Statement of Comprehensive Income

For the year ended 31st March 2018

	2018 HK\$'000	2017 HK\$'000
Profit for the year	1,498,772	1,734,458
Other comprehensive income/(charge)		
Items that have been reclassified or may be reclassified subsequently to profit or loss		
Net fair value gain on available-for-sale investments	52,030	48,252
Revaluation gain arising from transfer of property, plant and equipment to investment properties	-	37,955
Cash flow hedges		
- fair value gain/(loss)	37,435	(33,214)
- transfer to finance costs	(27,537)	46,149
Currency translation differences	11,058	(5,611)
Share of currency translation differences of joint ventures	155,887	(84,264)
	228,873	9,267
Total comprehensive income for the year	1,727,645	1,743,725
Attributable to:		
Shareholders of the Company	935,619	1,012,916
Non-controlling interests	792,026	730,809
	1,727,645	1,743,725

Consolidated Balance Sheet

As at 31st March 2018

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Investment properties	<i>15</i>	8,924,567	8,199,737
Property, plant and equipment	<i>16</i>	7,715,692	7,959,906
Joint ventures and associated companies	<i>17</i>	4,790,131	3,599,351
Loan receivables	<i>18</i>	2,054	317,786
Available-for-sale investments	<i>19</i>	333,067	273,001
Financial assets at fair value through profit or loss	<i>20</i>	410,808	328,646
Deferred income tax assets	<i>28</i>	38,688	44,217
		22,215,007	20,722,644
Current assets			
Properties under development for sale	<i>21</i>	932,995	640,739
Completed properties held for sale	<i>21</i>	3,700	3,700
Hotel and restaurant inventories		14,091	15,351
Trade and other receivables	<i>22</i>	560,021	391,668
Loan receivables	<i>18</i>	340,966	-
Income tax recoverable		2,776	5,698
Financial assets at fair value through profit or loss	<i>20</i>	13,357,065	8,936,038
Bank balances and cash	<i>23</i>	997,390	738,373
		16,209,004	10,731,567
Current liabilities			
Trade and other payables	<i>24</i>	327,112	233,419
Amount due to joint ventures	<i>17(a)</i>	61,659	134,311
Amount due to an associated company	<i>17(b)</i>	224,400	224,400
Medium term notes	<i>26</i>	309,696	-
Derivative financial instruments	<i>27</i>	3,522	-
Income tax payable		42,600	12,111
Borrowings	<i>25</i>	2,958,974	1,210,619
		3,927,963	1,814,860
Net current assets		12,281,041	8,916,707

Consolidated Balance Sheet

As at 31st March 2018

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
Non-current liabilities			
Long term borrowings	25	9,644,801	6,083,447
Medium term notes	26	347,291	626,656
Derivative financial instruments	27	-	76,977
Deferred income tax liabilities	28	735,955	768,463
		10,728,047	7,555,543
<hr style="border-top: 1px dashed black;"/>			
Net assets		23,768,001	22,083,808
Equity			
Share capital	29	84,087	84,087
Reserves	30	12,446,722	11,531,284
Equity attributable to shareholders of the Company			
		12,530,809	11,615,371
Non-controlling interests		11,237,192	10,468,437
		23,768,001	22,083,808

Fung Siu To, Clement
Director

Lun Pui Kan
Director

Consolidated Statement of Cash Flows

For the year ended 31st March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities			
Net cash (used in)/from operations	34(a)	(3,636,855)	448,804
Net income tax (paid)/refund		(16,037)	2,895
Interest paid		(282,290)	(222,571)
Interest received from bank deposit and other receivables		14,210	4,810
Net cash (used in)/from operating activities		(3,920,972)	233,938
Cash flows from investing activities			
Purchase of available-for-sale investments		(8,036)	-
Addition to investment properties		(13,635)	(42,538)
Addition to property, plant and equipment		(140,970)	(166,356)
Acquisition of interests in a subsidiary		-	(372,378)
Increase in investments in joint ventures		(684,812)	(1,775)
Advances to associated companies and joint ventures		(320,330)	(156,050)
Dividend received from an associated company		-	9,900
Net cash used in investing activities		(1,167,783)	(729,197)
Net cash used before financing activities		(5,088,755)	(495,259)
Cash flows from financing activities			
Drawdown of long term borrowings		4,472,621	2,342,922
Repayment of long term borrowings		(549,877)	(1,228,542)
Net increase/(decrease) in short term borrowings		1,378,804	(400,067)
Net repurchase of medium term notes		-	(277,669)
Dividends paid		(20,181)	(4,004)
Dividends paid to non-controlling interests		(23,272)	(14,617)
Net cash generated from financing activities		5,258,095	418,023
Net increase/(decrease) in cash and cash equivalents		169,340	(77,236)
Cash and cash equivalents at the beginning of the year		672,040	751,321
Changes in exchange rates		6,057	(2,045)
Cash and cash equivalents at the end of the year		847,437	672,040
Analysis of the balances of cash and cash equivalents			
Bank balances and cash (excluding restricted bank balances)	23	847,437	672,040

Consolidated Statement of Changes in Equity

For the year ended 31st March 2018

	Equity attributable to shareholders of the Company			Non-controlling interests	Total
	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000	HK\$'000	
At 31st March 2016	82,882	10,299,198	10,382,080	10,347,705	20,729,785
Net fair value loss on available-for-sale investments	-	21,604	21,604	26,648	48,252
Revaluation gain arising from transfer of property, plant and equipment to investment property	-	19,657	19,657	18,298	37,955
Cash flow hedges					
- fair value loss	-	(17,201)	(17,201)	(16,013)	(33,214)
- transfer to finance costs	-	23,901	23,901	22,248	46,149
Currency translation differences	-	(45,934)	(45,934)	(43,941)	(89,875)
Profit for the year	-	1,010,889	1,010,889	723,569	1,734,458
Total comprehensive income for the year	-	1,012,916	1,012,916	730,809	1,743,725
Share option expense of a subsidiary	-	54	54	52	106
Issuance of convertible notes of a subsidiary	-	-	-	(19)	(19)
Conversion of convertible notes of a subsidiary	-	-	-	5	5
Net increase in shareholding of subsidiaries	-	223,119	223,119	(595,498)	(372,379)
Dividends paid	1,205	(4,003)	(2,798)	(14,617)	(17,415)
Total transactions with owners	1,205	219,170	220,375	(610,077)	(389,702)
At 31st March 2017	84,087	11,531,284	11,615,371	10,468,437	22,083,808
Net fair value gain on available-for-sale investments	-	30,691	30,691	21,339	52,030
Cash flow hedges					
- fair value gain	-	19,387	19,387	18,048	37,435
- transfer to finance costs	-	(14,262)	(14,262)	(13,275)	(27,537)
Currency translation differences	-	85,422	85,422	81,523	166,945
Profit for the year	-	814,381	814,381	684,391	1,498,772
Total comprehensive income for the year	-	935,619	935,619	792,026	1,727,645
Total transactions with owners					
Dividends paid	-	(20,181)	(20,181)	(23,271)	(43,452)
At 31st March 2018	84,087	12,446,722	12,530,809	11,237,192	23,768,001

Notes to the Financial Statements

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. The address of its registered office is 30th Floor, MassMutual Tower, 33 Lockhart Road, Wanchai, Hong Kong.

2 PRINCIPAL ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, available-for-sale investments, financial assets at fair value through profit or loss and derivative financial instruments, which are carried at fair value, and in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”).

The principal accounting policies applied by the Company and its subsidiaries (collectively, the “Group”) in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

(B) THE ADOPTION OF NEW/REVISED HKFRS

The accounting policies and methods of computation used in the preparation of these annual financial statements are consistent with those used in 2017, except adoption of the following new standard that is effective for the first time for this year which is relevant to the Group’s operation and is mandatory for accounting periods beginning on or after 1st January 2017:

Amendment to HKAS7	Statement of Cash Flows
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Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(B) THE ADOPTION OF NEW/REVISED HKFRS (Continued)

Amendment to HKAS 7, “Statement of Cash Flows” introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities such as drawdowns and repayments of borrowings and other non-cash changes.

The adoption of the above amendment in the current year did not have any significant effect on the annual financial statements or result in any substantial changes in the Group’s significant accounting policies.

The following new/amended standards are relevant to the Group’s operation but not yet effective

Effective for accounting periods beginning on or after:

1st January 2018

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from contracts with customers

1st January 2019

HKFRS 16	Leases
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HKFRS 9

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1st April 2018:

The Group has elected the fair value through other comprehensive income (“FVOCI”) model for all of its existing available-for-sale (“AFS”) equity investments as at 31st March 2018. Under FVOCI model, it would have no change to their fair value measurement method from AFS except for any gains or losses realised on the sale of equity financial assets at FVOCI will no longer be transferred to the consolidated profit and loss account, but instead reclassify from “investment revaluation reserve” (previously named as “available-for-sale investment reserve”) to “revenue reserve”. In addition, there will be no more impairment losses required to be charged to the consolidated profit and loss account for equity FVOCI investments under the new guidance.

Equity investments that are currently classified as fair value through profit or loss (“FVPL”) at 31st March 2018 are continued to be classified as FVPL on 1st April 2018, except for FVPL currently included in non-current assets to be classified as FVOCI on 1st April 2018.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(B) THE ADOPTION OF NEW/REVISED HKFRS (Continued)

HKFRS 9 (Continued)

The majority of the Group's debt investments that are currently classified as FVPL will satisfy the conditions for classification as at FVOCI. Therefore, all unrealised fair value changes of these debt investments would be recognised in other comprehensive income. Any gains or losses realised upon disposal would be recycled to profit and loss.

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 fair value through profit or loss 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 changed.

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.

The new impairment model requires the recognition of impairment provisions 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 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

HKFRS 9 must be applied for financial years commencing on or after 1st April 2018. The Group will generally apply the changes in accounting policies resulting from the adoption of HKFRS 9 retrospectively from 1st April 2018, with certain practical expedients 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 carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 will generally be recognised as an adjustment to the opening balance of revenue reserve (or other component of equity, as appropriate) in the year of adoption.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(B) THE ADOPTION OF NEW/REVISED HKFRS (Continued)

HKFRS 15

Management is currently assessing the effects of applying the new standard on the Group's consolidated financial statements and has identified the following areas that are likely to be affected:

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(B) THE ADOPTION OF NEW/REVISED HKFRS (Continued)

HKFRS 15 (Continued)

Date of adoption by Group

The Group intends to adopt the standard on all uncompleted contracts as at 1st April 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained profits as of 1st April 2018 and that comparatives will not be restated.

The Group estimates the above impact does not have a material overall effect to the Group on 1st April 2018.

HKFRS 16

“Leases” addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 “Leases”, and related interpretations. Some of the commitments maybe covered by the exception for short-term and low-value leases under HKFRS16.

As at the reporting date, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

Date of adoption by Group

The new standard is mandatory for the Group from financial year commencing on 1st April 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(C) BASIS OF CONSOLIDATION

The consolidated financial statements of the Group include the financial statements of the Company and all its subsidiaries made up to 31st March.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the accounting policies adopted by the Group.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions - that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(D) SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(E) JOINT ARRANGEMENTS

Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in other comprehensive income is recognised in the Group's other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and its carrying value and recognises the amount adjacent to "share of profits less losses of joint ventures" in the profit and loss account.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(F) ASSOCIATED COMPANIES

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in other comprehensive income is recognised in the Group's other comprehensive Income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Gain or losses on dilution of equity interest in associated companies are recognised in the profit and loss account.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profits less losses of associated companies" in the profit and loss account.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(G) BALANCES WITH SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

Balances with subsidiaries, joint ventures and associated companies are split into its financial assets/liabilities and equity components at initial recognition. The financial assets/liabilities component is initially stated at fair value and subsequently carried at amortised cost. The equity component is recognised at cost.

(H) GOODWILL

Goodwill represents the excess of the cost of acquisition over the fair values of the Group's share of the net identifiable assets of the acquired subsidiaries, joint ventures and associated companies at the date of acquisition. If the Group's share of the net identifiable assets of the acquired subsidiaries, joint ventures and associated companies at the date of acquisition is more than the cost of acquisition, the excess will be recognised as a gain in the consolidated profit and loss account. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation and translated at closing rate.

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill on acquisitions of joint ventures and associated companies is included in investments in joint ventures and associated companies respectively. Goodwill as intangible asset is tested for impairment at least annually and whenever there is any impairment indication and carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment losses recognised on goodwill are not reversed.

(I) FINANCIAL ASSETS/LIABILITIES

The Group classifies its investments and other financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale investments and derivative financial instruments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss and derivative financial instruments

This category represents financial assets that are either designated in this category at inception by the management or held for trading, i.e. if acquired for the purpose of selling them in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(I) FINANCIAL ASSETS/LIABILITIES (Continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(iii) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss and available-for-sale investments are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are included in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss and available-for-sale investments is recognised in the profit and loss account when the right to receive payment is established. Changes in the fair value of available-for-sale investments are recognised in other comprehensive income. When securities classified as available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the profit and loss account as “net investment gain or loss”.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(I) FINANCIAL ASSETS/LIABILITIES (Continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale investments, a significant or prolonged decline in the fair value of the securities below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss - is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment test of receivables is described in note 2(Q).

Derivatives financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivative financial instruments not applying hedge accounting are recognised immediately in the profit and loss account.

The accounting policy for derivative financial instruments designated as cash flow hedges is described in note 2 (AH).

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables or held-to-maturity investments out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(I) FINANCIAL ASSETS/LIABILITIES (Continued)

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(J) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest become available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold land	Remaining lease term
Hotel and other building in Hong Kong	Shorter of 50 years or the remaining lease period of the land on which the buildings are located
Hotel buildings in overseas	25 years
Other equipment	3 to 10 years

No depreciation is provided for buildings under development.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(J) PROPERTY, PLANT AND EQUIPMENT (Continued)

Freehold land is not amortised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss on disposal of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(K)).

(K) IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life or are not yet available for use and are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(L) INVESTMENT PROPERTIES

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property. Investment property comprises land and buildings. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment properties are measured initially at its cost, including related transaction costs. After initial recognition, investment properties are carried at fair value and are valued at least annually by independent valuers. The valuations are on an open market basis, related to individual properties, and separate values are not attributed to land and buildings. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Investment property that is being redeveloped for continuing use as investment property continues to be measured at fair value. Changes in fair values are recognised in the profit and loss account.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(L) INVESTMENT PROPERTIES (Continued)

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

(M) PROPERTIES HELD FOR DEVELOPMENT FOR SALE

Properties held for development for sale are stated at the lower of cost and net realisable value. Cost comprises leasehold land, construction costs, interest and other direct expenses capitalised during the course of development. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(N) PROPERTIES UNDER DEVELOPMENT FOR SALE

Properties under development for sale are included in current assets and comprise leasehold land, construction costs, interest and other direct costs attributable to such properties and are stated at the lower of cost and net realisable value.

(O) COMPLETED PROPERTIES HELD FOR SALE

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises leasehold land, construction costs, interest and other direct expenses capitalised during the course of development. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(P) HOTEL AND RESTAURANT INVENTORIES

Hotel and restaurant inventories comprise consumables and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(Q) TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within "selling and administrative expenses". When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against "selling and administrative expenses" in the profit and loss account. Trade and other receivables in the balance sheet are stated net of such provision.

(R) TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(S) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

(T) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account or capitalised when applicable (note 2(AA)) over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(U) EMPLOYEE BENEFITS

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits obligations

The Group contributes to several defined contribution retirement schemes which are available to employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group has no further payment obligations once the contributions have been paid. The Group's contributions to these schemes are expensed as incurred.

(iii) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

When the options are exercised, the Company issue new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(V) CURRENT AND DEFERRED INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associated companies and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associated companies, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(W) SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(X) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources, assessing performance of the operating segments and making strategies decisions, is identified as the Board of Directors of the Company.

(Y) REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is recognised as follows:

(i) Properties

Revenue from sales of properties is recognised upon the later of completion of the properties and the sale and purchase contracts, where the risks and rewards of the properties are transferred to the purchasers. Deposits and installments received on properties sold prior to the date of revenue recognition are included under current liabilities.

(ii) Investment properties

Rental income from investment properties is recognised on a straight line basis over the terms of the respective leases.

(iii) Hotel, travel operation and management services businesses

Revenue from hotel and catering operations is recognised upon provision of services.

Revenue from sale of air tickets is recognised as agency commission earned when the tickets are issued.

Revenue from incentive travel tours is recognised as gross when the service is delivered.

Revenue from hotel reservation arrangement is recognised as agency commission earned when the confirmation document is issued.

Management services fee income is recognised when services are rendered.

(iv) Financial investments

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(Z) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which are the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the profit and loss account, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the profit and loss account as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included other comprehensive income.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (c) all resulting currency translation differences are recognized in other comprehensive income.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(Z) FOREIGN CURRENCY TRANSLATION (Continued)

(iii) Group companies (Continued)

On consolidation, exchange currency translation arising from the translation of the net investment in foreign operations, are taken to other comprehensive income. When a foreign operation is sold, all of the differences accumulated in equity are reclassified to the profit and loss account as part of the gain or loss on disposal.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(AA) BORROWING COSTS

Borrowing costs incurred on properties under development that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of the properties under development.

All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

(AB) OPERATING LEASES

Leases in which a significant portion of the risks and rewards of ownership and retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors), are charged in the profit and loss account on a straight-line basis over the period of the lease.

(AC) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(AD) RELATED PARTIES

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, joint ventures and associated companies and key management (including close members of their families), where the individual, company or group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

(AE) DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

(AF) SCRIP DIVIDEND

Where the Company pays its dividends in the form of shares or gives the shareholders the options to receive a dividend in either cash or ordinary shares (referred to as scrip dividend), the shares issued are recognised at fair value.

(AG) FINANCIAL GUARANTEE (INSURANCE CONTRACTS)

The Company assesses at each balance sheet date the liabilities under its financial guarantee contracts using current estimates of future cash flows. Changes in carrying amount of these liabilities are recognised in the profit and loss account.

The Company accounts for its financial guarantee contracts in respect of guarantees provided to its subsidiaries and joint ventures in accordance with HKFRS 4, "Insurance Contracts".

(AH) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(AH) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account within “net finance costs”.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account.

3 FINANCIAL RISK MANAGEMENT

(I) FINANCIAL RISK FACTORS

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group’s overall risk management seeks to minimise potential adverse effects on the Group’s financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Group’s operations are mainly in Hong Kong. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity’s functional currency.

The Group has certain investments in foreign operations including Canada, Macau and Mainland China, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group’s foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates. The Group entered into cross currencies swap contracts to reduce the foreign currency exposure of its Renminbi denominated medium term notes.

3 FINANCIAL RISK MANAGEMENT (Continued)

(I) FINANCIAL RISK FACTORS (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Currency risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

The Group is also exposed to foreign currency risk with respect to financial assets at fair value through profit or loss, derivative financial instruments, bank balances and borrowings which are denominated in United States dollars, Sterling pounds, Euros, Renminbi and Japanese Yen.

At 31st March 2018, the Group's entities with functional currency of Hong Kong dollar had United States dollars net monetary assets of HK\$12,787,073,000 (2017: HK\$8,555,400,000). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to United States dollars, management considers that there is no significant foreign exchange risk with respect to United States dollars.

If the foreign currency had strengthened/weakened by 5%, with all other variables held constant the Group's post tax profit would have the following changes:

	2018			2017		
	Net monetary assets/ (liabilities) Amount HK\$'000	Increase/(decrease) in result attributable to the shareholders of the Company if exchange rate changes by		Net monetary assets/ (liabilities) amount HK\$'000	Increase/(decrease) in result attributable to the shareholders of the Company if exchange rate changes by	
		+5%	-5%		+5%	-5%
		HK\$'000	HK\$'000		HK\$'000	HK\$'000
Sterling	513,757	14,387	(14,387)	439,276	12,415	(12,415)
Renminbi	109,853	2,616	(2,616)	68,907	1,759	(1,759)
Euro	4,484	107	(107)	87,729	2,013	(2,013)
Japanese Yen	(50,366)	(964)	964	(47,378)	(906)	906

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

(I) FINANCIAL RISK FACTORS (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group is exposed to equity and debt securities price risk from the Group's available-for-sale investments, financial assets at fair value through profit or loss and derivative financial instruments. The performance of the Group's investments is closely monitored, together with an assessment of their relevance to the Group's long term strategic plans.

The Group's listed investments in equity and debt securities of other entities (classified as "available-for-sale investments" and "financial assets at fair value through profit or loss") are traded in the Hong Kong Stock Exchange, London Stock Exchange, New York Stock Exchange, Singapore Stock Exchange and Frankfurt Stock Exchange. The price of the Group's unlisted investments are quoted from brokers. Gains and losses arising from changes in fair value of available-for-sale investments and financial assets at fair value through profit or loss are dealt with in other comprehensive income and the profit and loss account respectively.

For every 10% increase/decrease in the prices of financial instruments or underlying assets, with all other variables held constant the Group's post tax profit would have the following changes:

	2018				2017			
	Increase/(decrease) in result attributable to shareholders of the Company if price changes by +10%		Increase/(decrease) in available-for-sale investments reserve of the Company if price changes by -10%		Increase/(decrease) in result attributable to shareholders of the Company if price changes by +10%		Increase/(decrease) in available-for-sale investments reserve of the Company if price changes by -10%	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss	778,614	(778,614)	-	-	522,480	(522,480)	-	-
Available-for-sale investments	-	(349)	18,776	(18,427)	-	-	15,293	(15,293)

(iii) Cash flow interest risk

Other than bank balances and deposits, financial investments with fixed coupons, mortgage loans receivable, loans receivable and advances to joint ventures (collectively "Interest Bearing Assets"), the Group has no other significant interest bearing assets. The Group's interest rate risk also arises from borrowings ("Interest Bearing Liabilities").

3 FINANCIAL RISK MANAGEMENT (Continued)

(I) FINANCIAL RISK FACTORS (Continued)

(a) Market risk (Continued)

(iii) Cash flow interest risk (Continued)

Interest Bearing Assets are mostly at fixed rates. Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk. The Group manages this risk by limited use of floating-to-fixed interest rate swaps.

At 31st March 2018, with all other variables held constant, if the interest rate had increased/decreased by 10 basis point, the Group's post tax profit attributable to shareholders of the Company would have been HK\$5,132,000 (2017: HK\$2,806,000) lower/higher.

(b) Credit risk

The credit risk of the Group mainly arises from bank balances and cash (note 23), financial assets at fair value through profit or loss (note 20), derivative financial instruments (note 27), as well as credit exposures to loan receivables and trade and other receivables.

Sales of properties are made to customers with appropriate mortgage arrangements. Other sales are either made in cash, via major credit cards or to customers with appropriate credit history.

The Group has limited its credit exposure by restricting their selection of financial institutions. Trade and other receivables, loan receivables and debt securities are assessed based on the credit quality of the debtors, taking into account their financial position, past experience and other factors. Individual risk limits are set by management and the utilisation of credit limits is regularly monitored. The exposure to these credit risks are monitored on an ongoing basis.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group closely monitors its liquidity through maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and compliance of financial covenants of borrowings. The Group maintains flexibility in funding by keeping committed credit lines available and maintaining a reasonable level of marketable securities to meet any unexpected and material cash requirements in the course of ordinary business and to provide contingency liquidity support. At 31st March 2018, the unutilised credit facilities available to the Group amounted to HK\$5,610,000,000 (2017: HK\$7,100,000,000).

The relevant maturity groupings on the contractual undiscounted cash flows based on the remaining period at the balance sheet date to the contractual maturity date of the Group's and the Company's financial liabilities are analysed in the financial statements.

The tables below analyse the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual face value without applying discounted cash flow model based on the earliest date on which the Group is required to pay.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

(I) FINANCIAL RISK FACTORS (Continued)

(c) Liquidity risk (Continued)

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates.

Total

	On demand HK\$'000	Within 1 year HK\$'000	Between 1 to 5 years HK\$'000	After 5 years HK\$'000	Total undiscounted cash flows HK\$'000
At 31st March 2018					
Non-derivative					
Trade and other payables	-	327,112	-	-	327,112
Amount due to joint ventures	-	61,659	-	-	61,659
Amount due to an associated company	-	224,400	-	-	224,400
Borrowings	1,520,303	1,764,746	9,324,611	955,347	13,565,007
Medium term notes	-	322,848	365,517	-	688,365
	1,520,303	2,700,765	9,690,128	955,347	14,866,543
Derivative					
Cross currency swap					
- Inflow	-	(621,223)	-	-	(621,223)
- Outflow	-	632,481	-	-	632,481
	1,520,303	2,712,023	9,690,128	955,347	14,877,801
At 31st March 2017					
Non-derivative					
Trade and other payables	-	233,419	-	-	233,419
Amount due to joint ventures	-	134,311	-	-	134,311
Amount due to an associated company	-	224,400	-	-	224,400
Borrowings	145,211	1,061,262	5,942,622	718,164	7,867,259
Medium term notes	-	31,342	679,986	-	711,328
	145,211	1,684,734	6,622,608	718,164	9,170,717
Derivative					
Cross currency swap					
- Inflow	-	(36,647)	(583,679)	-	(620,326)
- Outflow	-	34,494	644,990	-	679,484
	145,211	1,682,581	6,683,919	718,164	9,229,875

3 FINANCIAL RISK MANAGEMENT (Continued)

(I) FINANCIAL RISK FACTORS (Continued)

(c) Liquidity risk (Continued)

The table that follows summarizes the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Within 1 year HK\$'000	Between 1 to 5 years HK\$'000	After 5 years HK\$'000	Total undiscounted cash flow HK\$'000
31st March 2018	2,664	77,032	-	79,696
31st March 2017	8,485	6,364	72,922	87,771

(II) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio against revalued net assets (note 3(II)(a)). Revalued net assets are prepared having taken into account the fair value of hotel properties, net of relevant deferred income taxes, in addition to the net assets shown in the consolidated balance sheet prepared in accordance with HKFRS. According to the Group's accounting policies, no properties other than investment properties are to be carried at valuation. Details of the valuation of the hotel properties in operation, prepared for readers' information only, are set out in note 16(a) to the financial statements.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

(II) CAPITAL RISK MANAGEMENT (Continued)

The gearing ratio against Revalued net assets is calculated as net debt divided by Revalued net assets. Net debt is calculated as total borrowings (including current and non-current as shown in the consolidated balance sheet), convertible bonds and medium term notes less bank balances and cash.

The gearing ratios at 31st March 2018 and 2017 were as follows:

	2018 HK\$'000	2017 HK\$'000
Borrowings (note 25)	12,603,775	7,294,066
Medium term notes (note 26)	656,987	626,656
Less: bank balances and cash (note 23)	(997,390)	(738,373)
Net debt	12,263,372	7,182,349
Revalued net assets (note (a))	29,272,798	27,142,027
Gearing ratio against revalued net assets	42%	26%

Notes:

- (a) "Revalued net assets" and "Revalued total assets" are not a measure of financial performance under generally accepted accounting principles in Hong Kong. The Revalued net assets measures and Revalued total assets measures used by the Group may not be comparable to other similarly titled measures of other companies and should not necessarily be construed as an alternative to net assets and total assets as determined in accordance with HKFRS.

(III) 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).

3 FINANCIAL RISK MANAGEMENT (Continued)

(III) FAIR VALUE ESTIMATION (Continued)

The following table presents the Group's financial instruments that are measured at fair value at 31st March.

	Level 1 HK\$'000	Level 2 HK\$'000
2018		
Assets		
Financial assets at fair value through profit or loss	1,971,269	11,796,603
Available-for-sale investments	255,546	39,945
	2,226,815	11,836,548
Liabilities		
Derivative financial instruments	-	3,522
There were no transfers between levels 1 and 2 during the year.		
2017		
Assets		
Financial assets at fair value through profit or loss	1,586,492	7,678,192
Available-for-sale investments	192,933	80,068
	1,779,425	7,758,260
Liabilities		
Derivative financial instruments	-	76,977

3 FINANCIAL RISK MANAGEMENT (Continued)

(III) FAIR VALUE ESTIMATION (Continued)

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. These instruments are included in level 1.

(ii) 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/offer spreads. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are set out below.

(A) ESTIMATE OF FAIR VALUE OF INVESTMENT PROPERTIES

At 31st March 2018, the Group had investment properties with fair value of HK\$8,924,567,000 (2017: HK\$8,199,737,000). The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the amount is determined within a range of reasonable fair value estimates. Information from a variety of sources are considered in making the judgement:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; and
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

The Group assessed the fair value of its investment properties based on valuation determined by independent and professional qualified valuers.

Detail of the judgement and assumptions have been disclosed in note 15.

(B) RECOVERABILITY OF PROPERTIES UNDER DEVELOPMENT FOR SALE AND IMPAIRMENT OF PROPERTY HELD FOR DEVELOPMENT FOR SALE

The Group assesses the carrying amounts of properties under development and properties held for sale according to their estimated net realisable value based on the realisability of these properties, taking into account construction costs to completion based on the existing development plans and the estimation of selling prices of the properties of comparable locations and conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be fully realised. The assessment requires the use of significant estimates.

The Group's property held for development for sale is stated at lower of cost and net realisable value. The amount represents a 100% interest in a piece of land ("Property" or "Land") situated in Seac Pai Van, Coloane, Macau.

Notes to the Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(B) RECOVERABILITY OF PROPERTIES UNDER DEVELOPMENT FOR SALE AND IMPAIRMENT OF PROPERTY HELD FOR DEVELOPMENT FOR SALE (Continued)

In February 2017, Macau government has officially declared expiry of the land concession and reclaimed the land. An appeal against such declaration of expiry was lodged in March 2017 before the Macau Second Instance Court. The case is now pending at the court.

Since the land concession was officially declared as expired, full provision for the Property was made. The Directors will review the provision from time to time according to the development of the circumstances surrounding this case. Further details are described in note 7.

(C) IMPAIRMENT OF TRADE AND OTHER RECEIVABLES AND LOAN RECEIVABLES

The identification of impairment of receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed. The policy for provision for impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis and by management judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables.

(D) INCOME TAXES

The Group is subject to income taxes in Hong Kong and other jurisdictions. Judgement is required in certain provision for income taxes for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

Recognition of deferred income tax assets (note 28), which principally relate to tax losses, depends on the management's expectations of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

(E) FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments (note 27) that are not traded in active markets are determined by using 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 or trading activities, the availability of prices and the size of bid/offer spreads. Where valuation techniques are used to determine fair values, they are periodically reviewed. To the extent practical, models use only observable data, however areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the fair values of derivative financial instruments.

Notes to the Financial Statements

5 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.

Segment assets consist primarily of property, plant and equipment, investment properties, loan receivables, available-for-sale investments, other non-current assets, hotel inventories, properties under development/held for sale, trade and other receivables and financial assets at fair value through profit or loss. Segment liabilities comprise mainly borrowings.

	Property sales HK\$'000	Property leasing HK\$'000	Hotel and travel HK\$'000	Financial investments HK\$'000	Others HK\$'000	Total HK\$'000
2018						
Gross income	-	191,497	633,979	6,843,267	113,162	7,781,905
Segment revenue	-	191,497	529,960	1,090,101	113,162	1,924,720
Contribution to segment results	(11,897)	159,592	203,441	1,087,933	59,398	1,498,467
Depreciation	(3,125)	-	(196,555)	-	(12,216)	(211,896)
Net investment loss	-	-	-	(118,162)	-	(118,162)
Fair value gain of investment properties	-	711,195	-	-	-	711,195
Share of profits less losses of						
Joint ventures	66,282	-	-	-	6,916	73,198
Associated companies	-	29,255	-	-	(51)	29,204
Segment results	51,260	900,042	6,886	969,771	54,047	1,982,006
Unallocated corporate expenses						(163,005)
Net finance costs						(297,776)
Profit before income tax						1,521,225

Notes to the Financial Statements

5 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
2017						
Gross income	600	152,120	638,526	4,387,743	106,373	5,285,362
Segment revenue	600	152,120	502,457	1,099,999	106,373	1,861,549
Contribution to segment results	590	120,998	167,917	1,097,823	65,665	1,452,993
Depreciation	-	-	(191,163)	-	(8,063)	(199,226)
Net investment gain	-	-	-	966,159	-	966,159
Fair value gain of investment properties	-	671,379	-	-	-	671,379
Other exceptional charge	(798,743)	-	-	-	-	(798,743)
Share of profits less losses of						
Joint ventures	82,278	-	-	-	8,466	90,744
Associated companies	-	(41,435)	-	-	(72)	(41,507)
Segment results	(715,875)	750,942	(23,246)	2,063,982	65,996	2,141,799
Unallocated corporate expenses						(164,015)
Net finance costs						(246,791)
Profit before income tax						1,730,993

Notes:

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

Notes to the Financial Statements

5 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	
	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*	616,137	127,602	78,406	-	2,297	-	824,442
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
2017							
Assets	2,676,462	9,650,737	7,073,256	9,712,470	778,202	1,563,084	31,454,211
Assets include:							
Joint ventures and associated companies	2,031,758	1,411,262	-	-	152,729	3,602	3,599,351
Addition to non-current assets*	107,934	42,538	46,699	-	24,044	-	221,215
Liabilities							
Borrowings	1,402,964	954,054	1,737,087	1,233,443	280,000	1,686,518	7,294,066
Other unallocated liabilities							2,076,337
							9,370,403

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

Notes to the Financial Statements

5 SEGMENT INFORMATION (Continued)

	2018 HK\$'000	2017 HK\$'000
Revenue		
Hong Kong	726,508	640,761
Overseas	1,198,212	1,220,788
	1,924,720	1,861,549
Non-current assets*		
Hong Kong	18,966,285	18,105,261
Overseas	2,464,105	1,653,733
	21,430,390	19,758,994

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

6 NET INVESTMENT (LOSS)/GAIN

	2018 HK\$'000	2017 HK\$'000
Financial assets at fair value through profit or loss		
- net unrealised (loss)/gain from market price movements	(365,566)	930,946
- net unrealised exchange gain/(loss)	128,431	(50,852)
- net realised gain (note)	83,006	86,065
Fair value gain on derivative financial instrument	35,967	-
	(118,162)	966,159

Notes to the Financial Statements

6 NET INVESTMENT (LOSS)/GAIN (Continued)

	2018 HK\$'000	2017 HK\$'000
Note:		
Net realised gain on financial assets at fair value through profit or loss		
Gross consideration	5,753,166	3,287,744
Cost of investments	(5,010,689)	(3,031,239)
Total gain	742,477	256,505
Less: net unrealised gain recognised in prior years	(659,471)	(170,440)
Net realised gain recognised in current year	83,006	86,065

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

During the year, the Group had disposed of 34 debt securities and 8 equity securities. Listed below are the securities disposed or redeemed that contributed to the majority of realised gain:

	Nominal value	Coupon rate	Realised gain/(loss) in this year HK\$'000
Kaisa Group Holdings Ltd ("Kaisa") series A to E	US\$394,697,500	5.61%-10.46%	28,148
China Evergrande Group ("Evergrande")	US\$72,100,000	12%	23,906
Fantasia Holdings Group Co. Ltd ("Fantasia")	US\$38,500,000	13.75%	(10,480)
Glorious Property Holding Ltd ("Glorious")	US\$60,600,000	13.25%	20,205
The Hellenic Republic Bonds 2023-2042 (total 20 securities)	Euro14,490,000	2%-4.3%	19,097
Others			2,130
			83,006

Notes to the Financial Statements

6 NET INVESTMENT (LOSS)/GAIN (Continued)

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 the Stock Exchange of Hong Kong Limited (“HKEX”) (stock code: 1638). The notes derecognised were not rated and were listed on Singapore Stock Exchange (“SGX-ST”). The above Kaisa notes were derecognised at its fair value and exchanged into new notes in June 2017.

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

Fantasia is principally engaged in the property development, property investment, property agency services, property operation services and hotel operations in the PRC. Its shares are listed on the HKEX (stock code: 1777). The notes derecognised were rated “B3” by Moody’s and were listed on SGX-ST.

Glorious is principally engaged in the development of real estate projects in the PRC. Its shares are listed on the HKEX (stock code: 845). The notes redeemed were rated “Caa3” by Moody’s and listed on SGX-ST.

The Hellenic Republic Bonds are issued by Hellenic Republic at various maturity dates from 2023 to 2042. The notes were rated “B-” by Standard & Poor’s Rating Service (“S&P”) and were listed on Athens Stock Exchange.

The unrealised (loss)/gain for the year was generated from the fair value changes of the financial assets at fair value through profit or loss that comprised 37 (2017: 60) securities as at 31st March 2018. Please refer to note 20 for the details.

Summary of unrealised (loss)/gain for the year ended 31st March:

	2018 HK\$’000	2017 HK\$’000
Equity securities	258,497	254,618
Debt securities	(495,824)	623,652
Unlisted fund	192	1,824
	(237,135)	880,094

7 OTHER EXCEPTIONAL CHARGE

	2018 HK\$'000	2017 HK\$'000
Impairment for property held for development for sale	-	798,743

The amount represents impairment for property held for development for sale which comprised a piece of land (the "Property" or "Land") situated in Seac Pai Van, Coloane, Macau.

The Group acquired 100% interest of the Land in 2010. The land concession was granted for a term of 25 years from 7th December 1990 for industrial use. It is renewable, under certain conditions including the completion of development before the concession expiry date, for further terms until 19th December 2049. In 1993, the Macau government notified the concessionaire of their decision to change the use of the lots situated in the district at issue to residential use, which the concessionaire has accepted. Since then, despite repeated requests, the Macau government has never issued the new master zoning plan of the district and so the Property has not been developed. During this period, the Group has engaged professional architects and liaised with the Lands, Public Works and Transport Bureau of the Macau government in various occasions to prepare the development plans.

In October 2015, the Group submitted to the Macau government a request for extension or renewal of the land concession. However, no reply was received from the Macau government before the land concession period ended on 7th December 2015. The Land is included by the Macau government in a published list in which the responsibility of the non-development of the lands is not attributable to the concessionaires. In February 2017, the declaration of expiry of the land concession was published in the official Gazette of Macau, and notification letter was received by the Group, according to which the Land was to be reclaimed by the Macau government.

In March 2017, the Group filed an appeal to the Second Instance Court of Macau against the Macau government's decision to declare the expiry of the land concession. The case is now pending at the court. Our legal representative is of the view that the Group has strong legal grounds to challenge the decision of the Macau SAR.

As Macau government has officially declared expiry of the concession and reclaimed the land, full provision for the Property was made.

Notes to the Financial Statements

8 INCOME AND EXPENSES BY NATURE

	2018 HK\$'000	2017 HK\$'000
Income		
Net rental income (note)	159,592	120,998
Interest income		
Listed investments	1,022,813	1,048,029
Loan receivables	36,509	25,685
Bank deposits	2,943	2,477
Dividend income		
Listed investments	41,327	31,382
Expenses		
Auditor's remuneration		
Audit services	9,849	8,987
Non-audit services	2,225	2,726
Cost of properties and goods sold	76,554	72,463
Employee benefit expense including Director's emoluments (note 9)	230,303	239,695
Loss on disposal of property, plant and equipment	355	198
Operating lease rental expense for land and buildings	2,037	2,439
Note:		
Gross rental income		
Investment properties	190,337	151,490
Properties held for sale	1,610	630
	191,947	152,120
Outgoings	(32,355)	(31,122)
Net rental income	159,592	120,998

9 EMPLOYEE BENEFIT EXPENSE

	2018 HK\$'000	2017 HK\$'000
Wages and salaries	224,327	232,938
Share option expenses	-	107
Retirement benefit costs (note (a))	8,220	6,650
	232,547	239,695
Capitalised under properties under development for sale	(2,244)	-
	230,303	239,695

Staff costs are stated inclusive of Directors' emoluments and are included in cost of sales and administrative expenses.

Notes:

(a) Retirement benefits costs

	2018 HK\$'000	2017 HK\$'000
Gross contributions	6,595	6,565
Termination benefit	1,625	85
	8,220	6,650

The Group participates in various types of defined contribution schemes for employees, namely the Mandatory Provident Fund ("MPF") Scheme and Occupational Retirement Scheme Ordinance ("ORSO") Scheme in Hong Kong, Canada Pension Plan ("CPP") in Canada and retirement plans in Mainland China.

In Hong Kong, the Group participates in several defined contribution schemes under the ORSO which are available to employees joining before 1st December 2000. Under these schemes, contribution of 5% of the employee's monthly salaries are made by the employees and by the Group. The Group's contributions may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also participates in the MPF schemes, which are available to all employees not joining the ORSO schemes in Hong Kong and in the CPP organised by the Canadian Government for all employees in Canada. Monthly contributions to the MPF scheme and CPP are made equal to 5% (2017: 5%) and 4.95% (2017: 4.95%) respectively, or a fixed sum of the employee's relevant income in accordance with the local legislative requirements.

As at 31st March 2018, no forfeiture (2017: Nil) was available to reduce the Group's future contributions to the ORSO Scheme.

Notes to the Financial Statements

9 EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Share options

The Company, Asia Standard International Group Limited (“Asia Standard”) and Asia Standard Hotel Group Limited (“Asia Standard Hotel”), listed subsidiaries, operate share option schemes, whereby options may be granted to employees of the Group, including the Executive Directors, to subscribe for shares of the Company, Asia Standard and Asia Standard Hotel respectively. The consideration to be paid on each grant of option is HK\$1 for the Company, Asia Standard and Asia Standard Hotel respectively.

Company

Details of share options held under the scheme as at 31st March 2018 are as follows:

Date of grant	Exercise price per share	Expiry date	Number of share options Outstanding as at 31st March 2018 and 2017
11th December 2015 Directors	HK\$1.42	10th December 2025	7,000,000

During the year, no share options were granted, exercised, cancelled or lapsed. In 2017, no share options were granted, exercised or cancelled except 36,147,116 share options lapsed

Asia Standard

Details of share options held under the share option scheme of Asia Standard as at 31st March 2018 are as follows:

Date of grant	Exercise price per share	Expiry date	Number of share options Outstanding as at 31st March 2018 and 2017
13th March 2014 Employee	HK\$2.00	12th March 2024	1,000,000
11th December 2015 Directors	HK\$1.38	10th December 2025	7,000,000
			8,000,000

No share options were granted, exercised, cancelled or lapsed for both years

9 EMPLOYEE BENEFIT EXPENSE (Continued)

(b) **Share options** (Continued)

Asia Standard Hotel

Details of share options held under the share option scheme of Asia Standard Hotel as at 31st March 2018 are as follows:

Date of grant	Exercise price per share	Expiry date	Number of share options		
			Outstanding as at 1st April 2017	Lapsed During the year	Outstanding as at 31st March 2018
2nd April 2007	HK\$0.433	1st April 2017			
Directors			48,000,000	(48,000,000)	-
Directors of Asia Standard Hotel			48,000,000	(48,000,000)	-
Employees			92,999,997	(92,999,997)	-
			188,999,997	(188,999,997)	-
11th December 2015					
Directors	HK\$0.343	10th December 2025	28,800,000	-	28,800,000
			217,799,997	(188,999,997)	28,800,000

Save as disclosed above, no share options were granted, exercised, cancelled or lapsed for the year. In 2017, no share options were granted, exercised or cancelled except 48,000,000 share options lapsed.

Notes to the Financial Statements

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amount of emoluments paid and payable to Directors of the Company for the years ended 31st March 2018 and 2017 are set out as below.

Name of Director	Fees	Salaries	Discretionary bonuses	Housing and other allowances	Estimated money value of other benefits	Employer's contribution to retirement benefit scheme	Total emoluments
2018 (in HK\$'000)							
Executive							
Mr. Fung Siu To, Clement	-	1,239	-	1,336	169	42	2,786
Mr. Poon Jing	-	1,303	14,800	11,968	-	18	28,089
Mr. Poon Hai	-	2,760	11,000	-	-	36	13,796
Mr. Poon Yeung, Roderick	-	1,450	10,000	-	-	21	11,471
Mr. Lun Pui Kan	-	1,523	400	1,044	-	127	3,094
Mr. Kwan Po Lam, Phileas	-	2,161	170	-	432	102	2,865
	-	10,436	36,370	14,348	601	346	62,101
Independent Non-executive							
Mr. Cheung Kwok Wah	300	-	-	-	-	-	300
Mr. Hung Yat Ming	350	-	-	-	-	-	350
Mr. Wong Chi Keung	400	-	-	-	-	-	400
	1,050	-	-	-	-	-	1,050
	1,050	10,436	36,370	14,348	601	346	63,151

Notes to the Financial Statements

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS
(Continued)

- (a) The aggregate amount of emoluments paid and payable to Directors of the Company for the years ended 31st March 2018 and 2017 are set out as below. (Continued)

Name of Director	Fees	Salaries	Discretionary bonuses	Housing and other allowances	Estimated money value of other benefits	Employer's contribution to retirement benefit scheme	Total emoluments
2017							
Executive							
Mr. Fung Siu To, Clement	-	1,239	-	1,284	153	42	2,718
Mr. Poon Jing	-	1,303	14,800	11,932	-	18	28,053
Mr. Poon Hai	-	2,760	10,500	-	-	36	13,296
Mr. Poon Yeung, Roderick	-	1,380	9,000	-	-	18	10,398
Mr. Lun Pui Kan	-	1,435	700	1,044	-	123	3,302
Mr. Kwan Po Lam, Phileas	-	2,118	7,500	-	420	93	10,131
	-	10,235	42,500	14,260	573	330	67,898
Independent Non-executive							
Mr. Cheung Kwok Wah	300	-	-	-	-	-	300
Mr. Hung Yat Ming	350	-	-	-	-	-	350
Mr. Wong Chi Keung	400	-	-	-	-	-	400
	1,050	-	-	-	-	-	1,050
	1,050	10,235	42,500	14,260	573	330	68,948

Notes to the Financial Statements

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS
(Continued)

- (a) The aggregate amount of emoluments paid and payable to Directors of the Company for the years ended 31st March 2018 and 2017 are set out as below. (Continued)

Notes:

- (i) Other benefits include insurance premium, staff quarters, holiday passage and fair value of share options, which was determined by using binomial pricing model and credited to share options reserve at the grant of share options.
- (ii) Total emoluments of HK\$63,151,000 (2017: HK\$68,948,000) include HK\$56,451,000 (2017: HK\$62,248,000) paid and payable by subsidiaries of Asia Standard, which in turn include HK\$17,456,000 (2017: HK\$15,819,000) paid and payable by subsidiaries of Asia Standard Hotel.
- (iii) During the year, no emolument was paid or is payable by the Group to any of the above directors or past directors as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).
- (iv) No transactions, arrangement and contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a Director of the Company and his connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: Nil).
- (b) The five highest paid individuals in the Group for the year include five (2017: Five) Directors whose emoluments are already reflected in the analysis presented above.
- (c) Senior management remuneration by band

The emoluments of the senior management fell within the following band:

	Number of individuals	
	2018	2017
HK\$1,000,001 - HK\$2,000,000	1	2
HK\$2,000,001 - HK\$3,000,000	3	2

11 NET FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Interest expense		
Long term bank loans	(247,322)	(170,415)
Short term bank loans and overdrafts	(9,694)	(1,641)
Medium term notes	(33,364)	(47,188)
Interest income from hedging derivative financial instruments	3,573	2,585
Interest capitalised (note)	40,630	31,734
	(246,177)	(184,925)
Other incidental borrowing costs	(42,875)	(47,821)
Net foreign exchange (loss)/gain on borrowings	(36,261)	32,308
Fair value gain/(loss) on derivative financial instrument		
Cash flow hedge, transfer from reserve (note 30)	27,537	(34,012)
Discontinuation of hedging accounting	-	(12,341)
	(297,776)	(246,791)

Note:

Borrowing costs were capitalised at rates ranged from 1.9% to 3.26% (2017: 1.9% to 3.8%) per annum.

Notes to the Financial Statements

12 INCOME TAX (EXPENSE)/CREDIT

	2018 HK\$'000	2017 HK\$'000
Current income tax expense		
Hong Kong profits tax	(45,264)	(8,504)
Overseas profits tax	(6,230)	-
Over provision in prior years	2,062	8,101
	(49,432)	(403)
Deferred income tax credit	26,979	3,868
	(22,453)	3,465

Hong Kong profits tax is provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year. Overseas profits tax has been provided on the estimated assessable profit for the year at the rate prevailing in the countries in which the Group operates (2017: Nil).

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2018 HK\$'000	2017 HK\$'000
Profit before income tax	1,521,225	1,730,993
Share of profits less losses of joint ventures and associated companies	(102,402)	(49,237)
	1,418,823	1,681,756
Calculated at a tax rate of 16.5% (2017: 16.5%)	(234,105)	(277,490)
(Under)/over provision in prior years	(181)	8,101
Effect of different tax rates in other countries	597	1,237
Income not subject to income tax	303,729	427,301
Expenses not deductible for tax purposes	(75,740)	(141,027)
Tax losses not recognised	(18,751)	(10,781)
Recognition of previously unrecognised tax losses	3	409
Utilisation of previously unrecognised tax losses	965	1,313
Others	1,030	(5,598)
Income tax (expense)/credit	(22,453)	3,465

13 DIVIDENDS

	2018 HK\$'000	2017 HK\$'000
Interim, nil (2017: Nil)	-	-
Final, proposed, of HK2.4 cents (2017: HK2.4 cents) per share	20,181	20,181
	20,181	20,181

At a meeting held on 28th June 2018, the Board of Directors has proposed to pay a final dividend of HK2.4 cents (2017: HK2.4 cents) per share for the year ended 31st March 2018. The proposed dividend is not reflected in the financial statements, but will be reflected as an appropriation of revenue reserve in the year ending 31st March 2019.

The amount of HK\$20,181,000 is based on 840,873,996 issued shares as at 28th June 2018.

14 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year is based on the following:

	2018 HK\$'000	2017 HK\$'000
Profit attributable to shareholders of the Company for calculation of basic earnings per share	814,381	1,010,889
Effect of dilutive potential shares: A portion of share options of the subsidiaries assumed to be exercised	(1,585)	(673)
Profit for calculation of diluted earnings per share	812,796	1,010,216

Notes to the Financial Statements

14 EARNINGS PER SHARE (Continued)

	Number of shares	
Weighted average number of shares for calculation of Basic earnings per share	840,873,996	834,035,689
Effect of dilutive potential shares:		
A portion of share options of the Company assumed to be exercised	2,600,602	1,323,892
Weighted average number of shares for calculation of diluted earnings per share	843,474,598	835,359,581

15 INVESTMENT PROPERTIES

	2018 HK\$'000	2017 HK\$'000
At the beginning of the year	8,199,737	7,497,849
Addition	13,635	42,537
Transferred from property, plant and equipment (note 16)	-	92,852
Revaluation gain arising from transfer of property, plant and equipment	-	37,955
Transferred to property, plant and equipment (note 16)	-	(142,835)
Fair value gain	711,195	671,379
At the end of the year	8,924,567	8,199,737

As at 31st March 2018, the aggregate net book value of investment properties pledged as securities for loans amounted to HK\$8,924,567,000 (2017: HK\$8,199,737,000).

All of the fair value measurements of the Group's investment properties were categorised into level 3 of the fair value hierarchy. There were no transfers into or out of level 3 during the year.

15 INVESTMENT PROPERTIES (Continued)

VALUATION TECHNIQUES AND PROCESS

Investment properties were revalued by Prudential Surveyors (Hong Kong) Limited (2017: Prudential Surveyors International Limited), independent professional valuers, on an open market value basis as at 31st March 2018.

Fair value of investment properties is generally derived using the direct comparison method. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration. There are no changes to the valuation techniques during the year.

INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS

	Valuation techniques	Unobservable inputs	Range of unobservable inputs	
			2018	2017
Office	Direct comparison	Adjusted market price (HK\$/square feet)	20,000 - 25,400	17,900 - 23,600
Retail - Ground floor	Direct comparison	Adjusted market price (HK\$/square feet)	43,200 - 136,200	40,600 - 144,300
Retail - Others	Direct comparison	Adjusted market price (HK\$/square feet)	15,200 - 30,500	14,200 - 34,900

Notes to the Financial Statements

16 PROPERTY, PLANT AND EQUIPMENT

	Freehold land of a hotel in Canada HK\$'000	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 2016	215,750	6,229,503	2,375,380	120,721	122,781	9,064,135
Currency translation differences	(1,493)	-	(9,168)	-	(136)	(10,797)
Additions	-	31,681	121,478	14,319	11,199	178,677
Transferred from properties under development for sale	-	521,302	-	135,187	-	656,489
Transferred from investment properties (note 15)	-	129,698	-	13,137	-	142,835
Transferred to investment properties (note 15)	-	(86,461)	-	(9,825)	-	(96,286)
Disposals	-	-	(520)	-	(1,140)	(1,660)
At 31st March 2017	214,257	6,825,723	2,487,170	273,539	132,704	9,933,393
Accumulated depreciation						
At 31st March 2016	-	786,918	944,008	12,849	42,919	1,786,694
Currency translation differences	-	-	(7,446)	-	(91)	(7,537)
Charge for the year	-	87,107	97,292	2,070	12,757	199,226
Transferred to investment properties (note 15)	-	(2,328)	-	(1,106)	-	(3,434)
Disposals	-	-	(516)	-	(946)	(1,462)
At 31st March 2017	-	871,697	1,033,338	13,813	54,639	1,973,487
Net book value						
At 31st March 2017	214,257	5,954,026	1,453,832	259,726	78,065	7,959,906
Cost						
At 31st March 2017	214,257	6,825,723	2,487,170	273,539	132,704	9,933,393
Currency translation differences	2,449	-	13,587	-	268	16,304
Additions	-	10,753	67,321	53,035	49,873	180,982
Transferred to properties under development for sale	(216,706)	-	-	-	-	(216,706)
Disposals	-	-	(395,402)	-	-	(395,402)
At 31st March 2018	-	6,836,476	2,172,676	326,574	182,845	9,518,571
Accumulated depreciation						
At 31st March 2017	-	871,697	1,033,338	13,813	54,639	1,973,487
Currency translation differences	-	-	12,384	-	159	12,543
Charge for the year	-	90,351	101,685	3,178	16,682	211,896
Disposals	-	-	(395,047)	-	-	(395,047)
At 31st March 2018	-	962,048	752,360	16,991	71,480	1,802,879
Net book value						
At 31st March 2018	-	5,874,428	1,420,316	309,583	111,365	7,715,692

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) Total carrying values of hotel properties comprise the following:

	2018 HK\$'000	2017 HK\$'000
Hotel properties		
Hotel buildings	1,420,316	1,453,832
Hotel freehold land	-	214,257
Hotel leasehold land	4,954,863	5,029,778
	6,375,179	6,697,867

Supplementary information with hotel properties in operation at valuation:

The aggregate open market value, on a highest and best use basis, of the four hotel properties in Hong Kong (2017: four hotel properties in Hong Kong and one hotel property in Canada) based on valuations conducted by Vigers Appraisal & Consulting Limited ("Vigers") (2017: Vigers and Altus Group Limited ("Altus") respectively), independent professional valuers, is regarded as level 3 hierarchy for disclosure purpose under HKFRS 13. The four hotel properties in Hong Kong amounted to HK\$10,653,700,000 (2017: HK\$9,713,700,000). The hotel property in Canada for 2017 amounted to HK\$1,012,152,000.

The hotel properties portfolio in Hong Kong comprised four (2017: four) hotels. Vigers used the discounted cash flow ("DCF") method, which is considered the most appropriate valuation approach for assessing the market value of the properties as it would better reflect specific characteristics of the income-producing properties such as occupancies, average room rates, potential income growth and all out-goings, subject to future economic conditions in the markets. The direct comparison method was also used as a check on the valuation arrived at from the DCF method. In 2017, for the hotel property in Canada, Altus used the direct comparison method for assessing the market value of the property taking into account of its re-development potential. This approach directly uses market comparable transactions to determine the market value. Appropriate adjustments are applied to the comparable transactions to adjust for the discrepancies between the property and the comparables.

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

- (b) As at 31st March 2018, the aggregate net book value of property, plant and equipment pledged as security for loans amounted to HK\$7,533,269,000 (2017: HK\$7,810,783,000).
- (c) As at 31st March 2018, the cost of hotel properties under development amounted to HK\$664,375,000 (2017: HK\$618,659,000). The additions during the year amounted to HK\$45,175,000 (2017: HK\$107,934,000).

Notes to the Financial Statements

17 JOINT VENTURES AND ASSOCIATED COMPANIES

	2018 HK\$'000	2017 HK\$'000
Joint ventures	3,344,905	2,183,269
Associated companies	1,445,226	1,416,082
	4,790,131	3,599,351

A. JOINT VENTURES

	2018 HK\$'000	2017 HK\$'000
Share of net assets	2,731,094	1,426,353
Advances to joint ventures	758,575	901,680
Provision for advances to joint ventures	(144,764)	(144,764)
	3,344,905	2,183,269
Amount due to joint ventures included in current liabilities	(61,659)	(134,311)
	3,283,246	2,048,958

17 JOINT VENTURES AND ASSOCIATED COMPANIES (Continued)

A. JOINT VENTURES (Continued)

Advances to joint ventures are made to finance property development projects. The advances to joint ventures are denominated in Hong Kong dollar. As at 31st March 2018, except for an amount of HK\$258,258,000 (2017: HK\$225,984,000) and HK\$196,599,000 (2017: HK\$201,699,000) advance to joint ventures which is bearing interest at 1% (2017: 1%) above The Hong Kong and Shanghai Banking Corporation (“HSBC”) prime rate per annum and 15% (2017: 15%) per annum respectively, the advances to joint ventures are unsecured, interest free and have no fixed terms of repayment. The interest amounted to HK\$41,060,000 (2017: HK\$41,490,000). The carrying amounts of the advances approximate their fair values. The Group has provided financial guarantee for banking facilities granted to certain joint ventures (note 33). There are no contingent liabilities relating to the Group’s interests in joint ventures.

The principal joint ventures are held under Asia Standard and their details are set out in the published consolidated financial statements of Asia Standard.

Set out below are the aggregate information of the Group’s joint ventures that are not individually material:

	2018 HK\$'000	2017 HK\$'000
Profit before income tax	109,144	180,973
Income tax expense	(35,946)	(90,229)
Profit for the year	73,198	90,744
Other comprehensive income/(charge)	155,887	(84,264)
Total comprehensive income for the year	229,085	6,480

There is no joint venture as at 31st March 2018 and 2017, which in the opinion of the Directors, is individually material to the Group.

Notes to the Financial Statements

17 JOINT VENTURES AND ASSOCIATED COMPANIES (Continued)

B. ASSOCIATED COMPANIES

	2018 HK\$'000	2017 HK\$'000
Share of net assets (note (a))	1,444,068	1,414,864
Advances to associated companies	421,985	422,045
Provisions for advances to associated companies	(420,827)	(420,827)
	1,445,226	1,416,082
Amount due to an associated company included in current liabilities	(224,400)	(224,400)
	1,220,826	1,191,682

As at 31st March 2018 and 2017, the shares of an associated company are pledged to secure the loan facilities granted to the Group.

Advances to associated companies are equity in nature and made to finance property development projects. The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment. The advances to associated companies are denominated in Hong Kong dollar.

There are no contingent liabilities relating to the Group's interests in associated companies.

The principal associated companies are held under Asia Standard and their details are set out in the published consolidated financial statements of Asia Standard.

Notes to the Financial Statements

17 JOINT VENTURES AND ASSOCIATED COMPANIES (Continued)

B. ASSOCIATED COMPANIES (Continued)

Aggregate information of the Group's associated companies that are not individually material:

	2018 HK\$'000	2017 HK\$'000
Profit/(loss) before income tax (note (b))	32,346	(37,168)
Income tax expense	(3,142)	(4,338)
Profit/(loss) and total comprehensive charge for the year	29,204	(41,506)

Notes:

- (a) Mainly represented share of net assets of an associated company.
- (b) Mainly represented share of fair value gain arising from the revaluation of an investment property held by an associated company. The investment property was revalued by Prudential Surveyors (Hong Kong) Limited (2017: Prudential Surveyors International Limited), independent professional valuers, on an open market value basis as at 31st March 2018 using the following significant unobservable inputs.

	Valuation techniques	Unobservable inputs	Range of unobservable inputs	
			2018	2017
Office	Direct comparison	Adjusted market price (HK\$/square feet)	13,500 - 20,900	12,700 - 18,600
Retail - Ground floor	Direct comparison	Adjusted market price (HK\$/square feet)	225,400 - 644,800	261,400 - 582,400
Retail - Others	Direct comparison	Adjusted market price (HK\$/square feet)	17,400 - 61,500	16,900 - 58,900

Notes to the Financial Statements

18 LOAN RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Loan to a joint venture partner	340,765	315,523
Mortgage loans receivable	2,255	2,451
Less: current portion included in current assets	(340,966)	(188)
	2,054	317,786

The loan receivables carry interest at rates ranged from HSBC prime rate plus 1.5% to fixed rate 8% (2017: HSBC prime rate plus 1.5% to fixed rate 8%) per annum. The loan receivables are denominated in Hong Kong dollar. The carrying amounts of the loan receivables approximate their fair values.

19 AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK\$'000	2017 HK\$'000
Equity securities		
- Listed in Hong Kong	225,546	192,933
- Unlisted	39,945	32,366
Unlisted fund	67,576	47,702
	333,067	273,001

No impairment provision on available-for-sale investments was made during the year (2017: Nil).

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK\$'000	2017 HK\$'000
Equity securities		
- Listed in Europe	509,394	438,314
- Listed in the USA	851,440	746,906
- Listed in Hong Kong	199,628	72,626
	1,560,462	1,257,846
Debt securities		
- Listed in Singapore	10,792,741	6,889,205
- Listed in Hong Kong	71,539	640,891
- Listed in Europe	867,020	86,562
- Unlisted	54,866	51,290
	11,786,166	7,667,948
Unlisted fund	10,437	10,244
Total amount included in current assets	13,357,065	8,936,038
Equity securities included in non-current assets		
- Listed in Hong Kong	410,808	328,646
	13,767,873	9,264,684

Notes to the Financial Statements

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

Notes:

- (a) As at 31st March 2018, financial assets at fair value through profit or loss equivalent to HK\$2,158,806,000 (2017: HK\$756,287,000) were pledged as security for borrowings.
- (b) Financial assets at fair value through profit or loss are denominated in the following currencies:

	2018 HK\$'000	2017 HK\$'000
United States dollar	12,589,493	8,287,246
Hong Kong dollar	665,302	452,562
Sterling	509,393	438,314
Euro	3,685	86,562
	13,767,873	9,264,684

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

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

EQUITY SECURITIES

As at 31st March 2018, the Group held 19 (2017: 17) listed equity securities. The summary of equity securities portfolio of financial assets at fair value through profit or loss as at 31st March 2018 and 2017 and their corresponding unrealised gain/(loss) and dividend income for the year ended 31st March 2018 and 2017 are as follows:

	Market value		Unrealised gain/(loss) for the year ended 31st March		Dividend income for the year ended 31st March	
	31st March 2018	31st March 2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Citigroup Inc. ("Citigroup")	847,810	743,958	103,852	225,785	11,380	4,606
MGM China ("MGM")	410,808	328,646	82,162	88,045	5,599	4,301
Royal Bank of Scotland ("RBS")	294,104	243,134	50,970	(12,700)	-	-
Lloyds Banking Group ("Lloyds")	215,289	195,179	20,110	(33,762)	9,842	9,371
Orient Overseas (International) Limited ("OOIL")	111,222	-	(3,202)	-	262	-
Others	92,037	75,575	4,604	(12,750)	2,089	1,198
	1,971,270	1,586,492	258,496	254,618	29,172	19,476

Citigroup is a global bank that provides financial services, and its shares are listed on the New York Stock Exchange (stock code: C) with a "BBB+" rated by S&P. As at 31st March 2018, a total of 0.06% shareholding of Citigroup was held by the Group.

RBS is a global bank that provides financial services, and its shares are listed on London Stock Exchange (stock code: RBS) with a "BBB-" rated by S&P. As at 31st March 2018, a total of 0.09% shareholding of RBS was held by the Group.

Lloyds is a global bank that provides financial services, and its shares are listed on London Stock Exchange (stock code: LLOY) with a "BBB+" rated by S&P. As at 31st March 2018, a total of 0.03% shareholding of Lloyds was held by the Group.

Notes to the Financial Statements

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

EQUITY SECURITIES (Continued)

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 Hong Kong Stock Exchange (stock code: 2282). As at 31st March 2018, a total of 0.5% shareholding of MGM was held by the Group.

OOIL is principally engaged in container transport and logistics, and its shares are listed on HKEX (stock code: 316). As at 31st March 2018, a total of 0.25% shareholding of OOIL was held by the Group.

DEBT SECURITIES

As at 31st March 2018, the Group held 18 (2017: 42) debt securities, 12 of them are listed in Singapore, 2 in Hong Kong, 3 in Europe and 1 is unlisted. Approximately 99% (2017: 97%) of the mark to market valuation comprising 15 (2017: 18) 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 assets at fair value through profit or loss as at 31st March 2018 and 2017 and their corresponding unrealised gain and interest income for the year ended 31st March 2018 and 2017 are as follows:

	As at 31st March 2018			As at 31st March 2017		
	Issued by PRC-based real estate companies HK\$'000	Others HK\$'000	Total HK\$'000	Issued by PRC-based real estate companies HK\$'000	Others HK\$'000	Total HK\$'000
Principal amount of notes	12,202,510	65,172	12,267,682	7,248,832	263,555	7,512,387
Investment cost	11,717,046	57,836	11,774,882	6,744,576	147,848	6,892,424
Market value	11,727,617	58,549	11,786,166	7,478,145	189,803	7,667,948
Coupon	8% to 13.75%	6% to 8% -	6% to 13.75%	5.61% to 13.75%	3% to 8%	3% to 13.75%
Maturity	May 2018 - Jan 2025	Sep 2019 - Oct 2042 & 1 perpetual	May 2018 - Oct 2042 & 1 perpetual	Sep 2017 - Dec 2021	Dec 2017 - Oct 2042 & 1 perpetual	Sep 2017 - Oct 2042 & 1 perpetual
Rating	NR to B+	NR to B-	NR to B+	NR to B+	NR to B-	NR to B+

Notes to the Financial Statements

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

DEBT SECURITIES (Continued)

	For the year ended 31st March					
	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	1,015,808	7,005	1,022,813	1,039,910	8,119	1,048,029
Unrealised gain/(loss)	(501,154)	5,330	(495,824)	617,451	6,201	623,652

As at 31st March 2018, the 18 (2017: 42) debt securities of financial assets at fair value through profit or loss gave rise to a net unrealised fair value loss of HK\$497 million (2017: gain of HK\$625 million) for the year ended 31st March 2018. A total of 8 (2017: 40) debt securities have recorded unrealised fair value gain, with the remaining 10 (2017: 2) debt securities that recorded unrealised fair value losses.

As at 31st March 2018, the mark to market valuation of the largest single debt securities within the Group's financial assets at fair value through profit or loss represents approximately 10.0% (2017: 2.8%) of the Group's revalued total assets, and the mark to market valuation of the five largest debt securities held represents approximately 19.66% (2017: 11.6%). The remaining 13 debt securities represent 7.5% of the Group's revalued total assets, with each of them less than 1.6%.

The five largest debt securities held at 31st March 2018, which were all acquired or exchanged during the year, are as follows:

	Market value HK\$'000	% of the debt securities portfolio	Unrealised (loss)/ gain for the year HK\$'000	Interest income for the year HK\$'000
Kaisa 9.375% notes	4,346,824	37%	(296,215)	327,435
Evergrande 8.75% notes	1,249,950	11%	956	81,640
Mingfa 11% notes due 2020	1,106,497	9%	16,793	104,667
Mingfa 11% notes due 2019	954,440	8%	15,818	12,335
Jiayuan 8% notes	863,335	7%	4,105	30,274
	8,521,046	72%	(258,543)	556,351

Notes to the Financial Statements

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
(Continued)**DEBT SECURITIES (Continued)**

“Kaisa 9.375% notes”, issued by Kaisa and carries fixed coupon rate of 9.375% per annum. It is denominated in United States dollar (“US\$”) and matures on 30th June 2024. The notes are listed on the SGX-ST and not rated.

“Evergrande 8.75% notes”, issued by Evergrande and carries fixed coupon rate of 8.75% per annum. It is denominated in US\$ and matures on 28th June 2028. The notes are rated “B-” by S&P and listed on the SGX-ST.

“Mingfa 11% notes due 2020” and “Mingfa 11% notes due 2019”, issued by Mingfa Group (International) Company Limited (“Mingfa”) and carries fixed coupon rate of 11% per annum. It is denominated in US\$ and matures on 18th May 2020 and 16th January 2019 respectively. The notes are listed on the SGX-ST. Mingfa is principally engaged in property development, property investment and hotel operation in the PRC. Its shares are listed on the HKEX (stock code: 846).

“Jiayuan 8% notes”, issued by Jiayuan International Group Limited (“Jiayuan”) and carries fixed coupon rate of 8% per annum. It is denominated in US\$ and matures on 18th October 2018. The notes are listed on the Frankfurt Stock Exchange (“FSE”). Jiayuan is principally engaged in property development and property investment in the PRC. Its shares are listed on the HKEX (stock code: 2768).

21 PROPERTIES UNDER DEVELOPMENT FOR SALE AND COMPLETED PROPERTIES HELD FOR SALE

	2018 HK\$'000	2017 HK\$'000
Properties under development for sale		
Leasehold land	765,050	541,564
Development costs	167,945	99,175
	932,995	640,739
Completed properties held for sale		
Leasehold land	2,970	2,970
Development costs	730	730
	3,700	3,700

Notes to the Financial Statements

21 PROPERTIES UNDER DEVELOPMENT FOR SALE AND COMPLETED PROPERTIES HELD FOR SALE (Continued)

Notes:

- (a) As at 31st March 2018, properties amounting to HK\$563,320,000 (2017: HK\$379,365,000) were pledged to banks to secure certain banking facilities of the Group.
- (b) As at 31st March 2018 and 2017, all the properties under development for sale were not scheduled for completion within twelve months

22 TRADE AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables		
Fully performing	39,770	73,989
Past due but not impaired	32,927	16,648
Impaired and provided for	3,098	2,279
Less: Provision for impairment	(3,098)	(2,279)
Accrued interest and dividend receivable	340,770	173,457
Loan receivables	61,935	56,724
Prepayments	21,008	24,183
Utility and other deposits	27,918	27,029
Other receivables	35,693	19,638
	560,021	391,668

Notes to the Financial Statements

22 TRADE AND OTHER RECEIVABLES (Continued)

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

	2018 HK\$'000	2017 HK\$'000
0 month to 6 months	71,541	89,798
7 months to 12 months	1,126	-
More than 12 months	30	839
	72,697	90,637

The past due but not impaired trade receivables relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2018 HK\$'000	2017 HK\$'000
0 month to 6 months	31,771	15,809
7 months to 12 months	1,126	-
More than 12 months	30	839
	32,927	16,648

Movement on allowance for impairment of trade receivable are as follows:

	2018 HK\$'000	2017 HK\$'000
At the beginning of the year	2,279	-
Provision for impairment	819	2,386
Written off during the year	-	(107)
At the end of the year	3,098	2,279

22 TRADE AND OTHER RECEIVABLES (Continued)

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 evaluations of customers are performed periodically.

The carrying amounts of trade and other receivables approximate their fair values. They are denominated in the following currencies:

	2018 HK\$'000	2017 HK\$'000
Hong Kong dollar	112,501	116,122
United States dollar	335,571	167,087
Renminbi	93,811	96,732
Canadian dollar	18,138	11,300
Others	-	427
	560,021	391,668

Other receivables include unsecured loans to third parties of HK\$61,935,000 (2017: HK\$56,636,000), bearing interest at 10% (2017: 10%) per annum.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Notes to the Financial Statements

23 BANK BALANCES AND CASH

	2018 HK\$'000	2017 HK\$'000
Cash at bank and in hand	315,045	230,754
Short term bank deposits	532,392	441,286
Cash and cash equivalents	847,437	672,040
Restricted bank balances	149,953	66,333
	997,390	738,373

Restricted bank balances mainly included bank balances pledged as security for borrowings and proceeds from pre-sales of property under development that are held in escrow, over which the Group has legal ownership, but is restricted by law as to its availability and intended use,

The carrying amounts of the bank balances and cash are denominated in the following currencies:

	2018 HK\$'000	2017 HK\$'000
Hong Kong dollar	578,289	247,004
United States dollar	280,740	457,267
Renminbi	53,128	11,328
Canadian dollar	79,843	20,676
Sterling	4,364	962
Others	1,026	1,136
	997,390	738,373

24 TRADE AND OTHER PAYABLES

	2018 HK\$'000	2017 HK\$'000
Trade payables	59,215	35,277
Accrual and other payables	143,059	117,403
Deposits received from sale of properties	56,833	-
Building management account surplus	9,594	31,167
Rental and management fee deposits	46,003	38,110
Medium term notes interest payable	12,408	11,462
	327,112	233,419

Aging analysis of trade payables is as follows:

	2018 HK\$'000	2017 HK\$'000
0 month to 6 months	58,403	34,114
7 months to 12 months	343	547
More than 12 months	469	616
	59,215	35,277

The carrying amounts of trade and other payables approximate their fair values. Majority of trade and other payables are denominated in Hong Kong dollar.

Notes to the Financial Statements

25 BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Current liabilities		
Short term bank loans		
Secured	1,064,430	57,440
Unsecured	379,925	-
Current portion of long term bank loans		
Secured	1,194,235	1,020,758
Unsecured	244,461	53,135
Portion of long term bank loans containing a repayment on demand clause	75,923	79,286
	2,958,974	1,210,619
Non-current liabilities		
Long term bank loans		
Secured	4,426,831	3,785,725
Unsecured	5,217,970	2,297,722
	9,644,801	6,083,447
	12,603,775	7,294,066

25 BORROWINGS (Continued)

The maturity 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 follows:

	2018 HK\$'000	2017 HK\$'000
Repayable within one year	1,438,696	1,073,893
Repayable between one and two years	2,597,879	1,280,684
Repayable between two and five years	6,218,845	4,202,049
Repayable after five years	904,000	680,000
	11,159,420	7,236,626
Current portion included in current liabilities	(1,438,696)	(1,073,893)
	9,720,724	6,162,733

The carrying amount of the borrowings are denominated in the following currencies:

	2018 HK\$'000	2017 HK\$'000
Hong Kong dollar	12,084,997	6,770,290
United States dollar	392,425	388,565
Canadian dollar	75,923	87,771
Japanese Yen	50,430	47,440
	12,603,775	7,294,066

The interest rates of the borrowing at the balance sheet date range from 1.68% to 4.09% (2017: from 1.52% to 3.69%) per annum.

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

Notes to the Financial Statements

26 MEDIUM TERM NOTES

	2018 HK\$'000	2017 HK\$'000
Listed in Hong Kong		
RMB250 million (2017:RMB250 million) at coupon of 6.5% per annum due April 2018 (note (a))	309,696	282,734
Unlisted		
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
	659,696	632,734
Less: deferred issue expenses	(2,709)	(6,078)
	656,987	626,656
Included in current liabilities	(309,696)	-
	347,291	626,656

Notes:

- (a) Cross currencies swap contracts of RMB250 million (2017: RMB250 million) United States dollar and Hong Kong dollar were entered into simultaneously to hedge the principal amount repayment and interest payments.
- (b) The carrying amounts of these notes approximate their fair values.

27 DERIVATIVE FINANCIAL INSTRUMENTS

	2018 HK\$'000	2017 HK\$'000
Liability		
Cross currencies swap contracts (cash flow hedges)	-	39,231
Cross currencies swap contracts	3,522	37,746
	3,522	76,977
Included in current liabilities	(3,522)	-
	-	76,977

The principal amounts of the outstanding Renminbi versus United States dollars and Hong Kong dollar swap contracts were RMB500,000,000 (2017: RMB500,000,000).

The Group's derivative financial instruments are settled on gross basis.

The maximum exposure to credit risk at the balance sheet date is the fair value of the derivative assets in the balance sheet.

28 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax jurisdiction. The offset amounts are as follows:

	2018 HK\$'000	2017 HK\$'000
Deferred income tax assets	38,688	44,217
Deferred income tax liabilities	(735,955)	(768,463)
	(697,267)	(724,246)

Notes to the Financial Statements

28 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

DEFERRED INCOME TAX ASSETS

	Accelerated accounting depreciation		Tax loss		Difference in cost base of properties		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	-	20	56,215	38,080	56,264	56,066	112,479	94,166
Recognised in the profit and loss account	8	(20)	(2,602)	18,135	-	198	(2,594)	18,313
At the end of the year	8	-	53,613	56,215	56,264	56,264	109,885	112,479

DEFERRED INCOME TAX LIABILITIES

	Accelerated tax depreciation		Revaluation of properties		Fair value adjustments		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	(88,734)	(81,008)	(640,479)	(652,894)	(107,512)	(88,411)	(836,725)	(822,313)
Recognised in the profit and loss account	(8,079)	(7,726)	12,414	12,415	25,238	(19,101)	29,573	(14,412)
At the end of the year	(96,813)	(88,734)	(628,065)	(640,479)	(82,274)	(107,512)	(807,152)	(836,725)

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$75 million (2017: HK\$76 million) in respect of losses amounting to HK\$451 million (2017: HK\$448 million) that can be carried forward against future taxable income. As at 31st March 2018, the tax losses have no expiry date (2017: Nil).

29 SHARE CAPITAL

Shares of HK\$0.1 each	Number of shares	Amount HK\$'000
Authorised:		
At 31st March 2018 and 2017	3,000,000,000	300,000

	Number of shares		Amount	
	2018	2017	2018 HK\$'000	2017 HK\$'000
Issued and fully paid:				
At the beginning of the year	840,873,996	828,816,111	84,087	82,882
Scrip dividend (note)	-	12,057,885	-	1,205
At the end of the year	840,873,996	840,873,996	84,087	84,087

Note:

In October 2016, 12,057,885 new shares were allotted and issued at HK\$1.89 per share in lieu of cash dividend.

Notes to the Financial Statements

30 RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Hedging reserve HK\$'000	Available-for-sale investments reserve HK\$'000	Currency translation reserve HK\$'000	Property revaluation reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31st March 2016	2,236,885	398,021	60,257	16,083	(10,507)	(36,549)	(24,645)	-	7,659,653	10,299,198
Cash flow hedges										
- fair value loss	-	-	-	-	(17,201)	-	-	-	-	(17,201)
- transfer to finance costs	-	-	-	-	23,901	-	-	-	-	23,901
Net fair value gain on available-for-sale investments	-	-	-	-	-	21,604	-	-	-	21,604
Revaluation gain arising from transfer property, plant and equipment to investment properties	-	-	-	-	-	-	-	19,657	-	19,657
Currency translation differences	-	-	-	-	-	-	(45,934)	-	-	(45,934)
Profit for the year	-	-	-	-	-	-	-	-	1,010,889	1,010,889
Share option expense of a subsidiary	-	-	-	54	-	-	-	-	-	54
Share option lapsed	-	-	-	(10,206)	-	-	-	-	10,206	-
Share option lapsed of a subsidiary	-	-	-	(1,820)	-	-	-	-	1,820	-
2016 final dividend	20,860	-	-	-	-	-	-	-	(24,863)	(4,003)
Net increase in shareholding of subsidiaries	-	-	-	-	-	-	-	-	223,119	223,119
At 31st March 2017	2,257,745	398,021	60,257	4,111	(3,807)	(14,945)	(70,579)	19,657	8,880,824	11,531,284
Representing:										
2017 final dividend proposed	-	-	-	-	-	-	-	-	20,181	20,181
Others	2,257,745	398,021	60,257	4,111	(3,807)	(14,945)	(70,579)	19,657	8,860,643	11,511,103
At 31st March 2017	2,257,745	398,021	60,257	4,111	(3,807)	(14,945)	(70,579)	19,657	8,880,824	11,531,284
At 31st March 2017	2,257,745	398,021	60,257	4,111	(3,807)	(14,945)	(70,579)	19,657	8,880,824	11,531,284
Cash flow hedges										
- fair value gain	-	-	-	-	19,387	-	-	-	-	19,387
- transfer to finance costs	-	-	-	-	(14,262)	-	-	-	-	(14,262)
Net fair value gain on available-for-sale investments	-	-	-	-	-	30,691	-	-	-	30,691
Currency translation differences	-	-	-	-	-	-	85,422	-	-	85,422
Profit for the year	-	-	-	-	-	-	-	-	814,381	814,381
2017 final dividend	-	-	-	-	-	-	-	-	(20,181)	(20,181)
At 31st March 2018	2,257,745	398,021	60,257	4,111	1,318	15,746	14,843	19,657	9,675,024	12,446,722
Representing:										
2018 final dividend proposed	-	-	-	-	-	-	-	-	-	-
Others	2,257,745	398,021	60,257	4,111	1,318	15,746	14,843	19,657	9,675,024	12,446,722
At 31st March 2018	2,257,745	398,021	60,257	4,111	1,318	15,746	14,843	19,657	9,675,024	12,446,722

Notes to the Financial Statements

31 COMMITMENTS

Commitments at the balance sheet date are as follows:

	2018 HK\$'000	2017 HK\$'000
Contracted but not provided for		
Investment properties	7,022	6,678
Property, plant and equipment	29,497	71,965
Contribution to joint ventures	498,064	130,032
	534,583	208,675

32 OPERATING LEASE ARRANGEMENTS

(A) LESSOR

As at 31st March 2018, the future aggregate minimum rental receipts receivable under non-cancellable operating leases were as follows:

	2018 HK\$'000	2017 HK\$'000
In respect of land and buildings:		
Within one year	170,515	130,044
In the second to fifth year inclusive	353,783	250,374
Over five years	126,210	102,283
	650,508	482,701

Notes to the Financial Statements

32 OPERATING LEASE ARRANGEMENTS (Continued)

(B) LESSEE

As at 31st March 2018, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	2018 HK\$'000	2017 HK\$'000
In respect of land and buildings:		
Within one year	4,370	4,730
In the second to fifth year inclusive	1,576	2,534
	5,946	7,264

33 FINANCIAL GUARANTEES

	2018 HK\$'000	2017 HK\$'000
Guarantees for the banking and loan facilities of joint ventures	897,074	1,206,498

34 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(A) RECONCILIATION OF PROFIT BEFORE INCOME TAX TO NET CASH (USED IN)/ FROM OPERATIONS

	2018 HK\$'000	2017 HK\$'000
Profit before income tax	1,521,225	1,730,993
Share of profits less losses of		
Joint ventures	(73,198)	(90,744)
Associated companies	(29,204)	41,507
Depreciation	211,896	199,226
Net investment loss/(gain)	118,162	(966,159)
Fair value loss on derivative financial instruments	-	7,936
Fair value gain of investment properties	(711,195)	(671,379)
Share option expense	-	107
Loss on disposal of property, plant and equipment	355	198
Other exceptional charge	-	798,743
Net foreign exchange loss on borrowings	7,375	1,519
Interest income	(39,452)	(28,154)
Interest expense	247,770	185,126
Operating profit before working capital changes	1,253,734	1,208,919
Decrease in mortgage loans receivable	196	774
Increase in properties under development for sale (excluding interest expense capitalised)	(66,921)	(240,594)
Decrease/(increase) in hotel and restaurant inventories	1,260	(9)
Increase in trade and other receivables	(158,264)	(64,716)
Increase in financial assets at fair value through profit or loss	(4,657,318)	(433,351)
Increase in restricted bank balances	(83,620)	(41,140)
Increase in trade and other payables	74,078	18,921
Net cash (used in)/from operations	(3,636,855)	448,804

Notes to the Financial Statements

34 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS
(Continued)**(B) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	Borrowings	Medium term notes	Total
	HK\$'000	HK\$'000	HK\$'000
At 31st March 2017	7,294,066	626,656	7,920,722
Financing cash flows			
Net drawdown	5,301,548	-	5,301,548
Loan facilities fee paid	(28,297)	-	(28,297)
Non-cash changes			
Amortisation of loan facilities fee and issue expenses	20,933	2,709	23,642
Exchange translation differences	15,525	27,622	43,147
At 31st March 2018	12,603,775	656,987	13,260,762

35 RELATED PARTY TRANSACTIONS

In addition to the related party information shown elsewhere in the financial statements, the following transactions were carried out with related parties:

(A) SALES AND PURCHASE OF GOODS AND SERVICES

	2018 HK\$'000	2017 HK\$'000
Dividend income from an associated company	-	9,900

Notes:

- (a) The details of balances with joint ventures and associated companies are disclosed in notes 17.
- (b) No significant transactions have been entered with the Directors of the Company (being the key management personnel) during the year other than the emoluments paid to them as disclosed in note 10.

(B) KEY MANAGEMENT COMPENSATION

	2018 HK\$'000	2017 HK\$'000
Fee	1,050	1,050
Salaries, allowances and benefits in kind	69,784	75,155
Employer's contribution to retirement benefit scheme	392	436
	71,226	76,641

Key management includes the Company's Directors and four (2017: four) senior management members of the Group. No significant transactions have been entered with the Directors of the Company (being the key management personnel) during the year other than the emoluments paid to them as disclosed in note 9.

Notes to the Financial Statements

36 BALANCE SHEET OF THE COMPANY

As at 31st March 2018

	2018 HK\$'000	2017 HK\$'000
Non-current assets		
Subsidiaries (note (a))	2,931,314	2,931,314
Current assets		
Amount due from subsidiaries	2,760,170	2,697,060
Trade and other receivables	137	136
Bank balances and cash	181	245
	2,760,488	2,697,441
Current liabilities		
Trade and other payables	1,092	1,068
Net current assets	2,759,396	2,696,373
Net assets	5,690,710	5,627,687
Equity		
Share capital	84,087	84,087
Reserves (note (b))	5,606,623	5,543,600
	5,690,710	5,627,687

Fung Siu To, Clement
Director

Lun Pui Kan
Director

36 BALANCE SHEET OF THE COMPANY (Continued)

Notes:

- (a) As at 31st March 2018 and 2017, the shares of certain subsidiaries are pledged to secure loan facilities granted to the Group.

Details of the principal subsidiaries are set out in note 37.

Extracts of published audited financial information of Asia Standard in which the Group has material non-controlling interest is set out in note 38.

- (b) Reserve movement of the Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31st March 2016	2,236,885	1,895,806	13,272	1,298,020	5,443,983
Profit for the year	-	-	-	103,620	103,620
2016 final dividend	20,860	-	-	(24,863)	(4,003)
Share options granted	-	-	(10,206)	10,206	-
At 31st March 2017	2,257,745	1,895,806	3,066	1,386,983	5,543,600
At 31st March 2017	2,257,745	1,895,806	3,066	1,386,983	5,543,600
Profit for the year	-	-	-	83,204	83,204
2017 final dividend	-	-	-	(20,181)	(20,181)
At 31st March 2018	2,257,745	1,895,806	3,066	1,450,006	5,606,623

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is also distributable.

Notes to the Financial Statements

37 PRINCIPAL SUBSIDIARIES

Listed below are the principal subsidiaries which, in the opinion of the Directors, principally affect the results and/or net assets of the Group.

(Unless indicated otherwise, they are indirectly wholly owned by the Company and have their principal place of operations in Hong Kong.)

Name	Principal activity	Issued and fully paid share capital	Group equity interest
<i>Incorporated in the British Virgin Islands</i>			
Asia Orient Holdings (BVI) Limited ¹	Investment holding	US\$100	100%
Impetus Holdings Limited	Investment holding	US\$1	100%
Persian Limited	Investment holding	US\$49,050	100%
Sunrich Holdings Limited	Securities investment	US\$1	100%
¹ Direct subsidiary of the Company			
<i>Incorporated in Hong Kong</i>			
Asia Orient Company Limited	Investment holding	US\$126,729,833	100%
Hitako Limited	Securities investment	HK\$20	100%
Ocean Hand Investments Limited	Investment holding	HK\$2	100%
Pan Bright Investment Limited	Investment holding	HK\$20	100%
Pan Harbour Investment Limited	Investment holding	HK\$2	100%
Pan Inn Investment Limited	Investment holding	HK\$20	100%
Pan Kite Investment Limited	Investment holding	HK\$20	100%
Pan Pearl Investment Limited	Investment holding	HK\$20	100%
Pan Spring Investment Limited	Investment holding	HK\$20	100%
Prosperity Land Cleaning Service Limited	Cleaning services	HK\$200	100%
Prosperity Land Estate Management Limited	Property management	HK\$1,500,150	100%
Union Home Development Limited	Investment holding	HK\$2	100%
<i>Incorporated in Liberia</i>			
Bassindale Limited	Investment holding	US\$500	100%
<i>Incorporated in Bermuda and listed in Hong Kong</i>			
Asia Standard Hotel Group Limited ²	Investment holding	HK\$40,360,809	35.6%
Asia Standard International Group Limited ³	Investment holding	HK\$13,197,822	51.8%

² The Group directly holds 2.35%.

³ The Group directly holds 51.79%.

Their principal subsidiaries are included in their own published consolidated financial statements.

38 EXTRACTS FROM THE PUBLISHED AUDITED FINANCIAL INFORMATION OF ASIA STANDARD

Asia Standard is a principal subsidiary of the Company. It is incorporated in Bermuda and listed in Hong Kong and its subsidiaries are principally engaged in property development and investment, hotel, travel operation and securities investments.

Set out below are the summary of the audited consolidated financial statements of Asia Standard in which 48.2% (2017: 48.2%) were owned by non-controlling interests, that are material to the Group for the year ended 31st March 2018.

The information below is the amount before inter-company eliminations.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2018

	2018 HK\$'000	2017 HK\$'000 (Restated)
Revenue	1,748,891	1,685,718
Cost of sales	(311,254)	(301,978)
Gross profit	1,437,637	1,383,740
Selling and administrative expenses	(255,886)	(252,349)
Depreciation	(127,873)	(120,706)
Net investment (loss)/gain	(69,379)	834,197
Fair value gain of investment properties	719,396	679,366
Other exceptional charge	-	(798,743)
Operating profit	1,703,895	1,725,505
Net finance costs	(282,396)	(242,274)
Share of profits less losses of		
Joint ventures	73,198	90,744
Associated companies	29,204	(41,507)
Profit before income tax	1,523,901	1,532,468
Income tax expense	(30,875)	(3,846)
Profit for the year	1,493,026	1,528,622
Profit allocated to non-controlling interests	684,391	723,569
Dividends paid to non-controlling interests	23,271	14,617
Total comprehensive income for the year	1,710,109	1,526,340
Total comprehensive income allocated to non-controlling interests	792,026	730,809

Notes to the Financial Statements

38 EXTRACTS FROM THE PUBLISHED AUDITED FINANCIAL INFORMATION OF ASIA STANDARD (Continued)

CONSOLIDATED BALANCE SHEET

As at 31st March 2018

	2018 HK\$'000	2017 HK\$'000
Non-current assets		
Investment properties	9,006,185	8,273,154
Property, plant and equipment	4,091,590	4,097,103
Joint ventures and associated companies	4,753,273	3,562,493
Loan receivables	2,054	317,786
Available-for-sale investments	273,575	225,299
Financial assets at fair value through profit or loss	410,808	328,646
Deferred income tax assets	38,128	43,937
	18,575,613	16,848,418
Current assets		
Properties held for development for sale	767,405	629,877
Completed properties held for sale	3,501	3,501
Hotel and restaurant inventories	14,091	15,351
Trade and other receivables	497,662	361,803
Loan receivables	340,966	-
Income tax recoverable	2,776	5,698
Financial assets at fair value through profit or loss	11,366,000	7,631,601
Bank balances and cash	917,399	682,379
	13,909,800	9,330,210

Notes to the Financial Statements

38 EXTRACTS FROM THE PUBLISHED AUDITED FINANCIAL INFORMATION OF ASIA STANDARD (Continued)

CONSOLIDATED BALANCE SHEET (Continued)

As at 31st March 2018

	2018 HK\$'000	2017 HK\$'000
Current liabilities		
Trade and other payables	305,092	196,713
Amount due to a joint venture	61,659	134,311
Amount due to an associated company	224,400	224,400
Income tax payable	33,224	12,078
Derivative financial instruments	3,522	-
Medium term notes	315,868	-
Borrowings	2,634,572	1,210,619
	3,578,337	1,778,121
Net current assets	10,331,463	7,552,089
Non-current liabilities		
Long term borrowings	9,081,222	5,863,550
Medium term notes	347,291	632,253
Convertible notes	6,655	6,266
Derivative financial instruments	-	76,924
Deferred income tax liabilities	107,761	122,787
	9,542,929	6,701,780
Net assets	19,364,147	17,698,727
Supplementary information with hotel properties in operation at valuation		
Revalued total assets	40,833,773	34,466,759
Revalued net assets	27,712,507	25,885,661

Notes to the Financial Statements

38 EXTRACTS FROM THE PUBLISHED AUDITED FINANCIAL INFORMATION OF ASIA STANDARD (Continued)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March 2018

	2018 HK\$'000	2017 HK\$'000
Net cash generated before working capital changes	1,100,687	1,051,540
Change in working capital	(4,397,303)	(727,911)
Net cash (used in)/generated from operating activities	(3,296,616)	323,629
Net cash used in investing activities	(1,167,115)	(728,149)
Net cash generated from financing activities	4,587,501	319,089
Net increase/(decrease) in cash and cash equivalents	123,770	(85,431)
Cash and cash equivalents at the beginning the of year	647,213	734,689
Changes in exchange rates	6,057	(2,045)
Cash and cash equivalents at the end of the year	777,040	647,213

39 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 28th June 2018.

