

Interim Report 2016

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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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PRINCIPAL OFFICE IN HONG KONG

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PRINCIPAL BANKERS

HSBC

Hang Seng Bank

Industrial and Commercial Bank of
China (Asia)

Bank of China (Hong Kong)

Bank of East Asia

Chiyu Banking

Chong Hing Bank

Barclays Bank

Bank Morgan Stanley

UBS

Bank Julius Baer

Credit Suisse AG

United Overseas Bank

LEGAL ADVISERS

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18th Floor, United Centre,
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Hong Kong

AUDITOR

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

SHARE REGISTRAR IN BERMUDA

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Limited
The Belvedere Building,
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Pembroke HM08,
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Financial Highlights

(in HK\$ million, except otherwise indicated)	Six months ended 30th September		
	2016	2015	Change
Consolidated profit and loss account			
Revenue	1,053	735	+43%
Operating profit	1,437	600	+139%
Profit attributable to shareholders of the Company	747	237	+215%
Earnings per share - basic (HK\$)	0.90	0.29	+210%

	30th September 2016	31st March 2016	Change
Consolidated balance sheet			
Total assets	31,586	29,572	+7%
Net assets	21,610	20,730	+4%
Equity attributable to shareholders of the Company	11,264	10,382	+8%
Net debt	7,996	6,753	+18%

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

Revalued total assets	35,885	33,370	+8%
Revalued net assets	26,378	25,037	+5%
Equity attributable to shareholders of the Company	13,440	12,071	+11%
Gearing - net debt to revalued net assets	30%	27%	+3%

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 in operation and excluding the corresponding deferred income tax on Hong Kong properties as Hong Kong tax jurisdiction does not include capital gain tax.

The five (31st March 2016: four) hotel properties in operation in Hong Kong and Canada were revalued by Vigers Appraisal & Consulting Limited and Burgess Cawley Sullivan & Associates Limited respectively, independent professional valuers, on an open market value basis as at 30th September 2016 and 31st March 2016.

Management Discussion and Analysis



Queen's Gate in Shanghai

RESULTS

The Group's revenue for the six months amounted to HK\$1,053 million (2015: HK\$735 million), its profit attributable to shareholders increased from HK\$237 million of interim period last year to HK\$747 million of current period. The increase in profit is mainly due to increase in income from and mark-to-market valuation

gain of its financial investment, together with increase in net fair value surplus from revaluation of investment properties.

The Group carried out its property sales, development and leasing operation through Asia Standard International, its 51.5% owned listed subsidiary.



Queen's Gate in Shanghai

PROPERTIES SALES, DEVELOPMENT AND LEASING

SALES

The Group's 50% joint venture development in Shanghai commenced presale in July 2015 and has contracted about RMB2.4 billion up to this interim period, for about two-third of the saleable area. The Group will recognise the associated profit in the second half of the financial year.

DEVELOPMENT

Superstructure construction of a residential joint venture re-development at Perkins Road, Jardine's Lookout in Hong Kong is in progress.

The commercial and residential development at Hung Shui Kiu, Yuen Long is currently undergoing land exchange application. Approval for a development scheme under Town Planning Board was obtained. Another residential development at the Lam Tei station nearby is in the process of land exchange application with the government. These two projects will provide approximately 590,000 sq. ft. of developable GFA.

During the period, foundation construction just started for a luxurious residential development at Po Shan Road, mid-level. We own 40% of this development.

Resettlement of the residents and site clearance for the 50% joint venture project at Tongzhou in Beijing is currently in progress. Structural and foundation design for this 2,360,000 sq. ft. construction floor area commercial and residential development is ongoing and construction will start once site clearance completes.

We are pending response from Macau government regarding the development status of the Group's site in Seac Pai Van, Macau. Further details are given in the Notes to the Interim Financial Information relating to "Properties held for development for sale".

The hotel subsidiary group's acquisition of the land and buildings located in the West End area of downtown Vancouver as mentioned in last annual report was completed during this interim period. This is a joint venture redevelopment project of a high-end residential complex for sale, currently application for re-zoning of the land is in process.

Management Discussion and Analysis



The newly opened **Empire Prestige** and the adjacent **Empire Hotel Causeway Bay**



Empire Prestige - lobby

LEASING

The Group continued the renovation and upgrade programme of the Asia Orient Tower in Wanchai during the period. Larger floor plate users have been planned in our tenant mix.

Increased rental income is recorded from Asia Standard Tower in Central while that generated from Goldmark in Causeway Bay maintains at a similar level compared to the previous period. Overall attributable rental income for the two periods is similar at approximately HK\$88 million.

The investment properties of the Group together with that of an associated company have generated a net attributable revaluation gain of HK\$301 million (2015: HK\$73 million).

HOTEL

During the period, Asia Standard International acquired additional shares in the separately listed hotel subsidiary company and currently holds 82.7% interests in that subsidiary group. The parent group Asia Orient holds another 3% directly.

During the interim period, overnight stay visitors to Hong Kong decreased 1% to approximately 13 million, compared to interim period last year. Strong Hong Kong Dollars, hostile and unfriendly treatment of mainland tourists and further relaxed visa policies of other tourists destinations all contributed to the decrease. Hotel rooms supply is approximately 74,000 rooms, similar to that at end March 2016.

Revenue arising from the hotel and travel segment amounted to HK\$262 million (2015: HK\$261 million). Average room rates of the 3 Hong Kong hotels dropped by 2% while average occupancies were approximately 96% for both interim periods. As a result, contribution to segment results before depreciation decreased from HK\$85 million to HK\$80 million.

The opening of the adjacent new hotel in Causeway Bay, the Empire Prestige, in September 2016 adds 94 rooms to the fleet. Superstructure work of the other new hotel in Tsimshatsui is in progress, adding another 90 rooms to the portfolio upon completion in 2017.

Management Discussion and Analysis

FINANCIAL INVESTMENTS

At 30th September 2016, the Group's financial investment portfolio amounted to HK\$9,753 million (31st March 2016: HK\$8,071 million), of which HK\$8,550 million (31st March 2016: HK\$7,085 million) were held by the two listed subsidiary groups. The investment portfolio comprise 84% by listed debt securities (mostly were issued by PRC-based real estate companies), and 15% by listed equity securities (of which approximately 76% were issued by major banks) and 1% unlisted funds and securities. They are denominated in different currencies with 86% in United States dollar, 6% in Hong Kong dollar, 4% in Renminbi, 3% in Sterling and 1% in Euro.

The portfolio increase was due to a further investment of HK\$1,313 million and a mark-to-market valuation gain of HK\$369 million, comprising HK\$385 million gain from debt securities and HK\$16 million loss from equity securities. The debt securities of the PRC-based real estate companies continue to benefit from the monetary easing

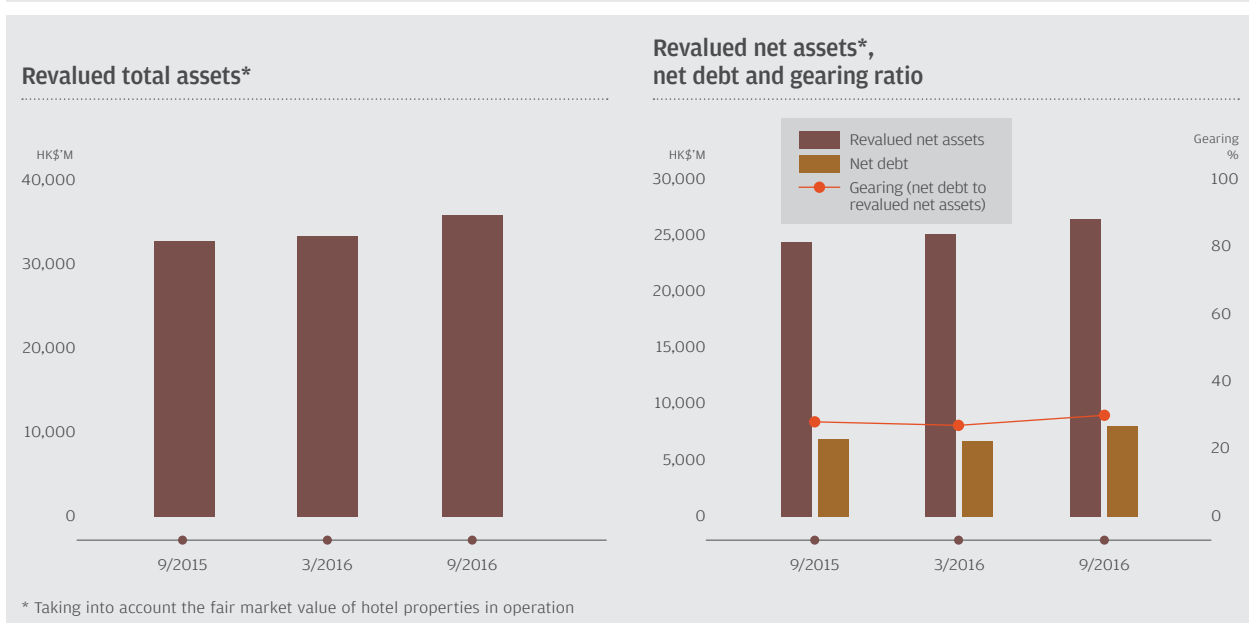
and booming of the property market during the period, while the loss on equity securities in the British markets exceed the gain derived from the US/HK markets.

Interest and dividend income for the period from these investments amounted to HK\$699 million (2015: HK\$390 million). The increase is mostly due to a special one-time recognition of coupon income of debt securities from a PRC issuer.

At 30th September 2016, an approximate value of HK\$1,160 million (31st March 2016: HK\$1,340 million) of these investments were pledged to banks as collateral for credit facilities granted to the Group.

FINANCIAL REVIEW

The financing and treasury activities of our three listed groups are independently administered. At 30th September 2016, the Group had over HK\$5.8 billion cash and undrawn banking facilities.



Management Discussion and Analysis

At 30th September 2016, the Group's total assets amounted to approximately HK\$31.6 billion (31st March 2016: HK\$29.6 billion). Net assets were HK\$21.6 billion (31st March 2016: HK\$20.7 billion). Adopting market value of hotel properties in operation, the revalued total assets and revalued net assets of the Group would be HK\$35.9 billion (31st March 2016: HK\$33.4 billion) and HK\$26.4 billion (31st March 2016: HK\$25.0 billion), an increase of 8% and 5% respectively when compared to end of last financial year.

Net debt at 30th September 2016 was HK\$7,996 million (31st March 2016: HK\$6,753 million), of which HK\$147 million (31st March 2016: HK\$78 million) was attributable to the parent group. The increase is mainly from draw down of a syndicated bank loan for working capital purpose. The Group's gearing, calculated as net debt to revalued net assets, was approximately 30% (31st March 2016: 27%). 60% of the debts are secured and 88% of the debts are at floating rates. As at 30th September 2016, RMB500 million cross currency swap contracts were held to hedge the repayment of the Renminbi medium term notes. Total interest cost increased as a result of increased borrowings but net finance cost is less than the comparative period due to a larger net exchange loss on foreign currency borrowings last year.

Currently the maturities of our debts are spreading over a long period of up to 10 years. Revolving loans account for 7% and term loans secured by financial assets repayable between one to five years account for 4%. Term loans secured by property assets account for 51% with 10% repayable within 1 year, 33% repayable between one to five years and 8% repayable after five years. The remaining 38% comprise unsecured term loans and medium term notes. As at 30th September 2016, the Group had net current assets of HK\$9.4 billion (31st March 2016: HK\$8.2 billion).

About 86% of the Group's borrowings are in Hong Kong dollar, 7% in United States Dollar, 6% in Renminbi, and the remaining 1% in other currencies.

At 30th September 2016, an approximate HK\$17.5 billion (31st March 2016: HK\$18.0 billion) book value of property assets were pledged to banks as collateral for credit facilities granted to the Group. HK\$1,118 million guarantee (31st March 2016: HK\$881 million) was provided to financial institutions against outstanding bank loans of joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

At 30th September 2016, the Group employed approximately 630 (31st March 2016: 600) employees. Their remuneration packages, commensurate with job nature and experience level, include basic salary, annual bonus, retirement and other benefits.

FUTURE PROSPECTS

Recently escalated punitive stamp duty measures, low mortgage ratio and therefore high equity entry requirement added with an imminent US interest rate hike all are suppressing demand in residential segment. Luxury houses and apartments are less affected. Demand for commercial properties are still actively pursued. Retail rentals are however dropping.

Hotel performance is still declining due to reduced mainland tourist traffic, weaker currencies and relaxing visa policies in other tourist destinations.

Equity securities market continues to be volatile, affected by locality specific events.

We are expecting an improving rental performance upon gradual completion of the upgrading renovation works in our Wanchai office building.

With a changing administration in the largest economy in the world comes with changing policies affecting both financial and monetary landscape which may result in a more volatile interest rate environment. Management holds a cautious stance towards the performance of the group.

Condensed Consolidated Profit and Loss Account – Unaudited

	<i>Note</i>	Six months ended 30th September	
		2016 HK\$'000	2015 HK\$'000
Revenue	5	1,052,527	735,140
Cost of sales		(158,871)	(138,593)
Gross profit		893,656	596,547
Selling and administrative expenses		(129,513)	(107,512)
Depreciation		(83,197)	(82,394)
Net investment gain	6	429,924	84,639
Fair value gain of investment properties		326,129	108,905
Operating profit		1,436,999	600,185
Net finance costs	8	(113,273)	(116,195)
Share of profits less losses of			
Joint ventures		(749)	(5,921)
Associated companies		(13,699)	(25,352)
Profit before income tax		1,309,278	452,717
Income tax credit/(expense)	9	3,623	(4,297)
Profit for the period		1,312,901	448,420
Attributable to:			
Shareholders of the Company		747,025	237,353
Non-controlling interests		565,876	211,067
		1,312,901	448,420
Earnings per share (HK\$)			
Basic	11	0.90	0.29
Diluted	11	0.90	0.29

Condensed Consolidated Statement of Comprehensive Income – Unaudited

	Six months ended 30th September	
	2016 HK\$'000	2015 HK\$'000
Profit for the period	1,312,901	448,420
Other comprehensive income/(charge)		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Net fair value gain/(loss) on available-for-sale investments	26,900	(25,254)
Cash flow hedges		
- fair value (loss)/gain	(11,516)	321
- transfer to finance costs	19,290	15,959
Currency translation differences	(2,204)	(7,408)
Share of currency translation differences of joint ventures	(42,904)	(36,633)
	(10,434)	(53,015)
Total comprehensive income for the period	1,302,467	395,405
Attributable to:		
Shareholders of the Company	740,374	214,269
Non-controlling interests	562,093	181,136
	1,302,467	395,405

Condensed Consolidated Balance Sheet – Unaudited

		30th September 2016 HK\$'000	31st March 2016 HK\$'000
	<i>Note</i>		
Non-current assets			
Investment properties	<i>12</i>	7,840,725	7,497,849
Property, plant and equipment	<i>13</i>	7,287,669	7,277,441
Property held for development for sale	<i>14</i>	798,743	798,743
Joint ventures and associated companies		3,389,635	3,414,545
Loan receivables		305,745	294,704
Available-for-sale investments		200,097	170,896
Financial assets at fair value through profit or loss	<i>16</i>	273,060	240,601
Deferred income tax assets		43,151	33,755
		20,138,825	19,728,534
Current assets			
Properties under development for sale		1,062,310	1,037,210
Completed properties held for sale		3,710	3,710
Hotel and restaurant inventories		15,390	15,342
Trade and other receivables	<i>15</i>	437,089	339,384
Income tax recoverable		13,926	11,550
Financial assets at fair value through profit or loss	<i>16</i>	9,280,148	7,659,283
Bank balances and cash		634,251	776,514
		11,446,824	9,842,993
Current liabilities			
Trade and other payables	<i>17</i>	175,064	200,369
Dividend payables		49,707	-
Amount due to a joint venture		58,070	62,403
Amount due to an associated company		224,400	224,400
Income tax payable		14,825	14,632
Borrowings	<i>18</i>	1,541,780	1,121,813
		2,063,846	1,623,617
Net current assets		9,382,978	8,219,376

Condensed Consolidated Balance Sheet - Unaudited

		30th September 2016 HK\$'000	31st March 2016 HK\$'000
	<i>Note</i>		
Non-current liabilities			
Long term borrowings	18	6,173,834	5,471,214
Medium term notes	19	914,430	936,894
Derivative financial instruments		59,630	48,115
Deferred income tax liabilities		763,686	761,902
		7,911,580	7,218,125
<hr style="border-top: 1px dashed black;"/>			
Net assets		21,610,223	20,729,785
Equity			
Share capital	20	82,882	82,882
Reserves	21	11,180,765	10,299,198
Equity attributable to shareholders of the Company		11,263,647	10,382,080
Non-controlling interests		10,346,576	10,347,705
		21,610,223	20,729,785

Condensed Consolidated Statement of Cash Flows – Unaudited

	Six months ended 30th September	
	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities		
Net cash used in operation	(656,230)	(532,476)
Net income tax paid	(6,171)	(6,457)
Net interest paid	(97,071)	(87,282)
Interest received from bank deposit and other receivables	2,843	2,925
Net cash used in operating activities	(756,629)	(623,290)
Cash flows from investing activities		
Addition to investment properties	(22,182)	(4,100)
Addition to property, plant and equipment	(81,790)	(86,420)
Proceeds from disposal of property, plant and equipment	-	2,100
Acquisition of interest in a subsidiary	(372,378)	-
Increase in investments in joint ventures	(1,775)	(470,074)
Loan to a joint venture partner	-	(280,000)
Advance to joint ventures and associated companies	(44,900)	(72,627)
Dividend received from an associated company	9,900	-
Net cash used in investing activities	(513,125)	(911,121)
Cash flows from financing activities		
Drawdown of long term borrowings	1,550,000	315,600
Repayment of long term borrowings	(530,301)	(164,289)
Net increase in short term borrowings	92,096	439,069
Net proceeds from medium term notes	-	245,528
Net cash generated from financing activities	1,111,795	835,908
Net decrease in cash and cash equivalents	(157,959)	(698,503)
Cash and cash equivalents at the beginning of the period	751,324	1,244,153
Changes in exchange rates	(927)	(1,287)
Cash and cash equivalents at the end of the period	592,438	544,363
Analysis of the balances of cash and cash equivalents		
Bank balances and cash (excluding restricted bank balances)	592,438	544,363

Condensed Consolidated Statement of Changes in Equity – Unaudited

	Equity attributable to shareholders of the Company			Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000		
At 31st March 2015	81,139	9,742,256	9,823,395	10,078,615	19,902,010
Net fair value loss on available-for-sale investments	-	(9,719)	(9,719)	(15,535)	(25,254)
Cash flow hedges					
- fair value gain	-	165	165	156	321
- transfer to finance costs	-	8,176	8,176	7,783	15,959
Currency translation differences	-	(21,706)	(21,706)	(22,335)	(44,041)
Profit for the period	-	237,353	237,353	211,067	448,420
Total comprehensive income for the period	-	214,269	214,269	181,136	395,405
Share options granted by a subsidiary	-	29	29	27	56
Dividends paid	-	(32,456)	(32,456)	(55,524)	(87,980)
Total transactions with owners	-	(32,427)	(32,427)	(55,497)	(87,924)
At 30th September 2015	81,139	9,924,098	10,005,237	10,204,254	20,209,491
At 31st March 2016	82,882	10,299,198	10,382,080	10,347,705	20,729,785
Net fair value gain on available-for-sale investments	-	12,327	12,327	14,573	26,900
Cash flow hedges					
- fair value loss	-	(5,934)	(5,934)	(5,582)	(11,516)
- transfer to finance costs	-	9,940	9,940	9,350	19,290
Currency translation differences	-	(22,984)	(22,984)	(22,124)	(45,108)
Profit for the period	-	747,025	747,025	565,876	1,312,901
Total comprehensive income for the period	-	740,374	740,374	562,093	1,302,467
Share options granted by a subsidiary	-	29	29	27	56
Increase in shareholding in a subsidiary	-	166,029	166,029	(538,407)	(372,378)
Dividends payable	-	(24,865)	(24,865)	(24,842)	(49,707)
Total transactions with owners	-	141,193	141,193	(563,222)	(422,029)
At 30th September 2016	82,882	11,180,765	11,263,647	10,346,576	21,610,223

Notes to the Interim Financial Information

1 GENERAL INFORMATION

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, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, which was renamed as 30th Floor, MassMutual Tower, 33 Lockhart Road, Wanchai, Hong Kong on 1st November 2016.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2016 (“Interim Financial Information”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and should be read in conjunction with the annual financial statements for the year ended 31st March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

The accounting policies and methods of computation used in the preparation of this Interim Financial Information are consistent with those used in the annual financial statements for the year ended 31st March 2016.

There are no other amended standards or interpretations relevant to the Group for this interim period that could be expected to have a material impact on the Group.

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. There have been no changes in the overall risk management since the year ended 31st March 2016.

The Interim Financial Information does not include financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31st March 2016.

Notes to the Interim Financial Information

3 FINANCIAL RISK MANAGEMENT (Continued)

(II) FAIR VALUE ESTIMATION

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

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

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

	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
At 30th September 2016			
Assets			
Financial assets at fair value through profit or loss	1,290,834	8,262,374	9,553,208
Available-for-sale investments	171,933	28,164	200,097
	1,462,767	8,290,538	9,753,305
Liabilities			
Derivative financial instruments	-	59,630	59,630
At 31st March 2016			
Assets			
Financial assets at fair value through profit or loss	1,253,116	6,646,768	7,899,884
Available-for-sale investments	143,587	27,309	170,896
	1,396,703	6,674,077	8,070,780
Liabilities			
Derivative financial instruments	-	48,115	48,115

3 FINANCIAL RISK MANAGEMENT (Continued)

(II) FAIR VALUE ESTIMATION (Continued)

During the six months ended 30th September 2016, there was no transfer between level 1 and level 2 fair value measurements and there was no change in valuation technique.

- Financial instruments in level 1
The fair value of financial instruments traded in active markets (such as 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.
- Financial instruments in level 2
The fair value of financial instruments that are not traded in an active market (over-the-counter derivatives) is determined by using latest available transaction price or valuation techniques. 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 have a significant risk of causing a material adjustment to 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 30th September 2016, the Group had investment properties with fair value of HK\$7,840,725,000 (31st March 2016: HK\$7,497,849,000). 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:

Notes to the Interim Financial Information

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(A) ESTIMATE OF FAIR VALUE OF INVESTMENT PROPERTIES (Continued)

- (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;
- (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; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(B) IMPAIRMENT OF PROPERTY HELD FOR DEVELOPMENT FOR SALE

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") situated in Seac Pai Van, Coloane, Macau. As at 30th September 2016, the carrying amount of the Property amounts to HK\$799 million (31st March 2016: HK\$799 million) and is included under non-current assets (note 14). The land concession was granted for a term of 25 years from 7th December 1990, for industrial use, and is renewable, under certain conditions, for further terms until 19th December 2049. The land concession period ended on 7th December 2015, and the Group has applied for extension of the concession but there is no reply from the Macau government. Up to date, there is no declaration of the lease expiry in the Official Gazette of Macau or written notice to the concessionaire. As at 30th September 2016, the concessionaire continues to be the registered owner of the land.

The land is included by Macau government in a published list in which non-development of those land is not attributable to the concessionaires. After taking into consideration the legal advice from external lawyers, as detailed in note 14, the Directors are of the opinion that no provision for the Property is necessary as at 30th September 2016.

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. The Group is organised into four main operating segments, comprising property sales, property leasing, hotel and travel and financial investments. Segment assets consist primarily of property, plant and equipment, investment properties, loan receivables, available-for-sale investments, other non-current assets, hotel inventories, properties, trade and other receivables and financial assets at fair value through profit or loss. Segment liabilities comprise mainly borrowings.

Notes to the Interim Financial Information

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
Six months ended 30th September 2016						
Gross income	-	70,618	337,336	2,091,888	21,244	2,521,086
Segment revenue	-	70,618	261,897	698,768	21,244	1,052,527
Contribution to segment results	(919)	55,225	79,734	698,227	14,000	846,267
Depreciation	-	-	(79,572)	-	(3,625)	(83,197)
Net investment gain	-	-	-	429,924	-	429,924
Fair value gain of investment properties	-	326,129	-	-	-	326,129
Share of profits less losses of						
Joint ventures	(2,974)	-	-	-	2,225	(749)
Associated companies	-	(13,670)	-	-	(29)	(13,699)
Segment results	(3,893)	367,684	162	1,128,151	12,571	1,504,675
Unallocated corporate expenses						(82,124)
Net finance costs						(113,273)
Profit before income tax						1,309,278
Six months ended 30th September 2015						
Gross income	-	70,976	354,103	1,021,428	13,286	1,459,793
Segment revenue	-	70,976	260,711	390,167	13,286	735,140
Contribution to segment results	(235)	66,115	84,610	389,630	7,779	547,899
Depreciation	-	-	(78,923)	-	(3,471)	(82,394)
Net investment gain	-	-	-	84,639	-	84,639
Fair value gain of investment properties	-	108,905	-	-	-	108,905
Share of profits less losses of						
Joint ventures	(2,766)	-	-	-	(3,155)	(5,921)
Associated companies	-	(25,260)	-	-	(92)	(25,352)
Segment results	(3,001)	149,760	5,687	474,269	1,061	627,776
Unallocated corporate expenses						(58,864)
Net finance costs						(116,195)
Profit before income tax						452,717

Notes:

- (a) Management regards gross income of travel operation as gross sales proceeds from the sales of air-ticket, hotel reservation arrangement and incentive travel tours.
- (b) 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 Interim Financial Information

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	
At 30th September 2016							
Assets	3,808,659	9,310,610	7,317,748	9,978,648	580,088	589,896	31,585,649
Assets include: Joint ventures and associated companies	1,943,630	1,439,027	-	-	3,333	3,645	3,389,635
Addition to non-current assets for the six months ended 30th September 2016*	-	22,182	77,442	-	12,114	-	111,738
Liabilities							
Borrowings	1,653,687	963,806	1,802,535	1,577,096	280,000	1,438,490	7,715,614
Other unallocated liabilities							2,259,812
							9,975,426
At 31st March 2016							
Assets	3,787,160	8,990,528	7,200,720	8,240,210	554,117	798,792	29,571,527
Assets include: Joint ventures and associated companies	1,947,231	1,462,596	-	-	1,043	3,675	3,414,545
Addition to non-current assets for the six months ended 30th September 2015*	470,074	4,100	88,094	-	5,189	-	567,457
Liabilities							
Borrowings	1,650,996	973,499	1,694,789	1,295,801	280,000	697,942	6,593,027
Other unallocated liabilities							2,248,715
							8,841,742

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

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (Continued)

	Six months ended 30th September	
	2016 HK\$'000	2015 HK\$'000
Revenue		
Hong Kong	313,901	310,510
Overseas	738,626	424,630
	1,052,527	735,140

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
	Non-current assets*	
Hong Kong	17,637,689	17,287,638
Overseas	1,679,083	1,700,940
	19,316,772	18,988,578

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

Notes to the Interim Financial Information

6 NET INVESTMENT GAIN

	Six months ended 30th September	
	2016 HK\$'000	2015 HK\$'000
Financial assets at fair value through profit or loss		
- net unrealised gain from market price movements	400,073	47,618
- net unrealised exchange (loss)/gain	(58,331)	6,647
- net realised gain (note)	88,182	30,374
	429,924	84,639
Note:		
Net realised gain on financial assets at fair value through profit or loss		
Gross consideration	1,403,119	631,262
Cost of investments	(1,232,830)	(571,120)
Total gain	170,289	60,142
Less: net unrealised gain recognised in prior years	(82,107)	(29,768)
Net realised gain recognised in current period	88,182	30,374

Notes to the Interim Financial Information

6 NET INVESTMENT GAIN (Continued)

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

During the period, the Group derecognised/disposed of 6 debt securities and 6 equity securities. Listed below were the securities that contributed to the majority of realised gain:

	Category	Coupon rate	Principal amount	Realised (loss)/gain HK\$'000	% to realised gain
Kaisa Group Holdings Ltd ("Kaisa")	Debt	6.875%	RMB103,000,000	(1,074)	-1%
Kaisa	Debt	8.875%	US\$85,220,000	40,316	46%
Kaisa	Debt	9%	US\$40,500,000	21,642	24%
Kaisa	Debt	10.25%	US\$19,675,000	10,678	12%
Kaisa	Debt	12.875%	US\$44,800,000	16,569	19%
Others				51	-
				88,182	100%

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 rated "NR" by Moody's Investors Service ("Moody's") and Standard & Poor's Financial Services ("S&P") and were listed on the Singapore Stock Exchange ("SGX-ST"). The above Kaisa notes plus accrued interest were derecognised at its fair value of HK\$1,344,218,000 and exchanged into new high yield notes upon the completion of the debt restructuring scheme undertaken by Kaisa in July 2016.

Others comprised 1 listed debt security and 6 equity securities, and the realised gain/loss contributed from each of them was less than HK\$2 million.

The unrealised gain/(loss) for the period was generated from the fair value changes of the financial assets at fair value through profit or loss that comprised 60 securities as at 30th September 2016. Please refer to note 16 for the details.

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

	Six months ended 30th September	
	2016 HK\$'000	2015 HK\$'000
Equity securities	(44,102)	(174,933)
Debt securities	384,654	228,982
Unlisted fund	1,190	216
	341,742	54,265

Notes to the Interim Financial Information

7 INCOME AND EXPENSES BY NATURE

	Six months ended 30th September	
	2016 HK\$'000	2015 HK\$'000
Income		
Interest income		
- Listed investments	657,750	361,412
- Unlisted investments	1,200	-
- Loan receivables	13,213	2,728
- Bank deposits	826	1,174
Dividend income		
- Listed investments	21,234	18,941
Expenses		
Cost of properties and goods sold	10,783	9,160
Employee benefit expense, including Director's emoluments (note (a))	114,538	101,985
Loss on disposal of properties, plant and equipment	64	8
Operating lease rental expense for land and buildings	451	571
Note:		
(a) Employee benefit expense		
Wages and salaries	111,301	98,900
Share option expense	56	56
Retirement benefit costs	3,181	3,029
	114,538	101,985

Notes to the Interim Financial Information

8 NET FINANCE COSTS

	Six months ended 30th September	
	2016 HK\$'000	2015 HK\$'000
Interest expenses		
Long term bank loans	(81,977)	(66,824)
Short term bank loans and overdrafts	(1,199)	(1,569)
Medium term notes	(25,966)	(26,334)
Interest income from hedging derivative financial instruments	1,642	2,694
Interest capitalised under properties under development	20,095	19,362
	(87,405)	(72,671)
Other incidental borrowing costs	(20,708)	(11,742)
Net foreign exchange gain/(loss) on borrowings	14,130	(15,823)
Fair value loss on derivative financial instruments		
Cash flow hedge, transfer from reserve	(19,290)	(15,959)
	(113,273)	(116,195)

9 INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30th September	
	2016 HK\$'000	2015 HK\$'000
Current income tax expense		
Hong Kong profits tax	(4,141)	(5,813)
Overseas profits tax	(1,198)	(1,227)
Over-provision in prior years	1,351	1,825
	(3,988)	(5,215)
Deferred income tax credit	7,611	918
	3,623	(4,297)

Hong Kong profits tax is provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period. Income tax on overseas profits has been calculated on the estimated assessable profit for the period at the tax rates prevailing in the countries in which the Group operates.

Notes to the Interim Financial Information

10 DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2016 (2015: Nil).

11 EARNINGS PER SHARE

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

	Six months ended 30th September	
	2016 HK\$'000	2015 HK\$'000
Profit attributable to shareholders of the Company for calculation of basic earnings per share	747,025	237,353
Effect of dilutive profit:		
A portion of share options of the subsidiaries assumed to be exercised	(543)	-
Profit attributable to shareholders of the Company for calculation of diluted earnings per share	746,482	237,353
	Number of shares	
Weighted average number of shares for calculation of basic earnings per share	828,816,111	811,389,757
Effect of dilutive potential shares:		
A portion of share options of the Company assumed to be exercised	2,964,329	7,637,696
Weighted average number of shares for calculation of diluted earnings per share	831,780,440	819,027,453

Diluted earnings per share for the six months ended 30th September 2015 did not assume the exercise of the outstanding portion of share options of Asia Standard International Group Limited and Asia Standard Hotel Group Limited since their exercise would have no dilutive effect.

Notes to the Interim Financial Information

12 INVESTMENT PROPERTIES

Investment properties were revalued by Prudential Surveyors International Limited, independent professional valuers, on an open market value basis as at 30th September 2016 and 31st March 2016. All of the fair value measurements of the Group's investment properties were categorised as level 3 of the fair value hierarchy. There were no transfers into or out of level 3 during the period.

13 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	(688)	-	(4,221)	-	(76)	(4,985)
Additions	-	28,518	48,696	8,948	3,393	89,555
Net transferred from/(to) investment properties	-	3,299	-	(167)	-	3,132
Disposals	-	-	(108)	-	(171)	(279)
At 30th September 2016	215,062	6,261,320	2,419,747	129,502	125,927	9,151,558
Accumulated depreciation						
At 31st March 2016	-	786,918	944,008	12,849	42,919	1,786,694
Currency translation differences	-	-	(3,433)	-	(51)	(3,484)
Charge for the period	-	42,516	33,639	992	6,050	83,197
Transferred to investment properties	-	(1,558)	-	(745)	-	(2,303)
Disposals	-	-	(107)	-	(108)	(215)
At 30th September 2016	-	827,876	974,107	13,096	48,810	1,863,889
Net book value						
At 30th September 2016	215,062	5,433,444	1,445,640	116,406	77,117	7,287,669
At 31st March 2016	215,750	5,442,585	1,431,372	107,872	79,862	7,277,441

Notes to the Interim Financial Information

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

Supplementary information with hotel properties in operation at valuation:

According to the Group's accounting policies, the carrying amount of the five (31st March 2016: four) hotel properties in operation in Hong Kong and Canada were HK\$6,171,403,000 (31st March 2016: HK\$5,858,894,000).

The aggregate open market value, on a highest and best use basis, of the five (31st March 2016: four) hotel properties in Hong Kong and Canada based on valuations conducted by Vigers Appraisal & Consulting Limited ("Vigers") and Burgess Cawley Sullivan & Associates Limited ("BCS") respectively, independent professional valuers, amounted to HK\$10,470,685,000 (31st March 2016: HK\$9,658,292,000), is regarded as level 3 hierarchy for disclosure purpose under HKFRS 13.

The hotel properties portfolio in Hong Kong comprised four (31st March 2016: three) 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 valuation for the current period has taken into account the development potential on the unused allowable gross floor area of Empire Hotel Hong Kong. The direct comparison method was also used as a check on the valuation arrived at from the DCF method. For the hotel property in Canada, BCS 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.

14 PROPERTY HELD FOR DEVELOPMENT FOR SALE

The amount represents a 100% interest, acquired by the Group in 2010, in a piece of land (the "Land") situated in Seac Pai Van, Coloane, Macau. 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 their decision and the concessionaire has accepted to change the district to residential use. Since then, despite repeated request, the Macau government has not issued the new master zoning plan of the district and so the Land has not been developed. During this period, the Group has engaged professional architects and liaised with the Land, Public Works and Transport Bureau of the Macau government in various occasions to prepare the development plans. The Land is included by Macau government in a published list in which non-development of those land is not attributable to the concessionaires.

Notes to the Interim Financial Information

14 PROPERTY HELD FOR DEVELOPMENT FOR SALE (Continued)

In October 2015, the Group submitted to the Macau government a request for extension or renewal of the land concession, no reply was received from the Macau government. The land concession period ended on 7th December 2015. Up to date, no declaration of the lease expiry has been published in the Official Gazette of Macau or notified to the registered owner, a wholly owned subsidiary of the Group. As such, the subsidiary remains the registered owner of the Land as at 30th September 2016.

The Group has sought advice from legal experts. They considered that the Group has strong grounds to challenge the legitimacy if Macau government reclaims the land without compensation. They also advise that the Group would have a reasonable likelihood of success in recovering damages and loss of profits should that arises.

Considering the above, the Directors are of the opinion that no provision is required for this property as at 30th September 2016.

15 TRADE AND OTHER RECEIVABLES

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

Trade receivables of the Group amounted to HK\$53,255,000 (31st March 2016: HK\$48,329,000). The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluation of customers are performed periodically.

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

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
0 month to 6 months	49,569	45,087
7 months to 12 months	472	2
More than 12 months	3,214	3,240
	53,255	48,329

Notes to the Interim Financial Information

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
Equity securities		
- Listed in Europe	349,914	484,775
- Listed in the USA	588,445	521,265
- Listed in Hong Kong	79,415	6,475
	1,017,774	1,012,515
Debt securities		
- Listed in Singapore	7,587,061	6,060,546
- Listed in Hong Kong	531,252	498,171
- Listed in Europe	81,348	79,630
- Unlisted	53,103	-
	8,252,764	6,638,347
Unlisted fund	9,610	8,421
Total amount included in current assets	9,280,148	7,659,283
Equity securities included in non-current assets		
- Listed in Hong Kong	273,060	240,601
	9,553,208	7,899,884

Notes to the Interim Financial Information

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

Financial assets at fair value through profit or loss are denominated in the following currencies:

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
United States dollar	8,295,996	6,531,749
Renminbi	420,372	556,653
Hong Kong dollar	405,578	247,076
Sterling	349,914	484,776
Euro	81,348	79,630
	9,553,208	7,899,884

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

EQUITY SECURITIES

As at 30th September 2016, the Group held 14 (31st March 2016: 7) listed equity securities. The summary of equity securities portfolio of financial assets at fair value through profit or loss as at 30th September 2016 and 31st March 2016 and their corresponding unrealised gain/(loss) and dividend income for the six months ended 30th September 2016 and 2015 are as follows:

	Market value				Unrealised gain/(loss) for the six months ended 30th September		Dividend income for the six months ended 30th September	
	30th September 2016 HK\$'000	% of the portfolio	31st March 2016 HK\$'000	% of the portfolio	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
	Citigroup Inc. ("Citigroup")	586,187	6%	518,173	7%	68,014	(23,979)	1,825
Royal Bank of Scotland ("RBS")	184,761	2%	255,834	4%	(71,073)	(22,266)	-	-
Lloyds Banking Group ("Lloyds")	165,152	2%	228,940	2%	(63,788)	(5,499)	9,371	5,387
MGM China ("MGM")	273,060	3%	240,601	3%	32,459	(114,215)	4,301	8,135
Others	81,674	1%	9,568	-	(9,714)	(8,974)		
	1,290,834		1,253,116		(44,102)	(174,933)		

Notes to the Interim Financial Information

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

EQUITY SECURITIES (Continued)

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 30th September 2016, a total of 1,600,325 shares representing 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 the London Stock Exchange (stock code: RBS) with a “BBB-” rated by S&P. As at 30th September 2016, a total of 10,307,629 shares representing 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 the London Stock Exchange (stock code: LN) with a “BBB+” rated by S&P. As at 30th September 2016, a total of 30,200,000 shares representing 0.03% shareholding of RBS was held by the Group.

MGM is a company principally engaged in development and operation of casino game and related hotel and resort facilities in Macau, and its shares are listed on the HKEX (stock code: 2282). As at 30th September 2016, a total of 20,286,800 shares representing 0.5% shareholding of MGM was held by the Group.

DEBT SECURITIES

As at 30th September 2016, the Group held 45 (31st March 2016: 45) debt securities, 19 of them are listed in Singapore, 3 in Hong Kong, 22 in Europe and 1 is unlisted. Approximately 98% (31st March 2016: 98%) of the mark to market valuation comprising 22 (31st March 2016: 23) 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 of financial assets at fair value through profit or loss as at 30th September 2016 and 31st March 2016 and their corresponding unrealised gain and interest income for the six months ended 30th September 2016 and 2015 are as follows:

	As at 30th September 2016			As at 31st March 2016		
	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	7,561,008	217,029	7,778,017	6,047,471	168,654	6,216,125
Investment cost	7,533,954	94,133	7,628,087	6,272,721	43,877	6,316,598
Market value	8,118,313	134,451	8,252,764	6,558,717	79,630	6,638,347
Coupon	5.61% to 13.875%	3% to 6%	3% to 13.875%	6.875% to 13.875%	3% to 6%	3% to 13.875%
Maturity	Jan 2017 - Feb 2021	Dec 2017 - Feb 2042 & 1 perpetual	Jan 2017 - Feb 2042 & 1 perpetual	Apr 2016 - Aug 2020	Feb 2023 - Feb 2042 & 1 perpetual	Apr 2016 - Feb 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 Interim Financial Information

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

DEBT SECURITIES (Continued)

	For the six months ended 30th September					
	2016			2015		
	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	655,857	3,093	658,950	354,658	6,754	361,412
Unrealised gain	380,091	4,563	384,654	159,086	69,896	228,982

As at 30th September 2016, the 45 (31st March 2016: 45) debt securities of financial assets at fair value through profit or loss gave rise to a net unrealised fair value gain of HK\$384.7 million for the six month period ended 30th September 2016 (2015: HK\$229.0 million). A total of 41 (2015: 37) debt securities have recorded unrealised fair value gain, with the remaining 4 (2015: 8) debt securities that recorded unrealised fair value losses.

As at 30th September 2016, the mark to market valuation of the largest single debt security within the Group's financial assets at fair value through profit or loss represents approximately 2.2% (31st March 2016: 2.2%) of the Group's revalued total assets, and the mark to market valuation of the five largest debt securities held represents approximately 10.1% (31st March 2016: 8.9%). The remaining 40 debt securities represent 12.9% of the Group's revalued total asset, with each of them less than 1.5%.

The five largest debt securities held at 30th September 2016 are as follows:

	Market value				Unrealised gain/(loss) for the six months ended 30th September		Dividend income for the six months ended 30th September	
	30th September 2016 HK\$'000	% of the portfolio	31st March 2016 HK\$'000	% of the portfolio	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
	Wuzhou 13.75% notes	801,353	8%	732,270	10%	69,082	(9,355)	56,297
Xinyuan 13.25% notes	756,370	8%	735,013	10%	21,356	24,488	47,179	44,804
Xinyuan 13% notes	739,850	8%	694,033	9%	45,816	29,275	44,184	41,228
Hydoo 13.75% notes	696,987	7%	198,114	3%	10,891	-	14,840	-
Evergrande 12% notes	626,272	7%	608,826	8%	17,448	4,794	33,510	21,440

"Wuzhou 13.75% notes", issued by Wuzhou International Holdings Limited ("Wuzhou") and carries fixed coupon rate of 13.75% per annum. It is denominated in United States dollar ("US\$") and matures on 26th September 2018. The notes are rated "Caa2" by Moody's and listed on the SGX-ST. Wuzhou is principally involved in property development, property investment and the provision of property management services in the PRC. Its shares are listed on the HKEX (stock code: 1369).

Notes to the Interim Financial Information

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

“Xinyuan 13.25% notes”, issued by Xinyuan Real Estate Company Limited (“Xinyuan”) and carries fixed coupon rate of 13.25% per annum. It is denominated in US\$ and matures on 3rd May 2018. The notes are rated “B-” by S&P and listed on the SGX-ST. Xinyuan is principally involved in property development, property investment and the provision of property management services in the PRC and recently active in property development in the New York. Its shares are listed on the New York Stock Exchange (stock code: XIN).

“Xinyuan 13% notes”, issued by Xinyuan and carries fixed coupon rate of 13% per annum. It is denominated in US\$ and matures on 6th June 2019. The notes are rated “B-” by S&P and listed on the SGX-ST.

“Hydoo 13.75% notes”, issued by Hydoo International Holdings Limited (“Hydoo”) and carries fixed coupon rate of 13.75% per annum. It is denominated in US\$ and matures on 15th December 2018. The notes are rated “B-” by S&P and listed on the SGX-ST. Hydoo is principally engaged in development, sale and operation of commercial trade and logistic centers and residential properties in the PRC. Its shares are listed on the HKEX (stock code: 1396).

“Evergrande 12% notes”, issued by China Evergrande Group (“Evergrande”) and carries fixed rate of 12% per annum. It is denominated in US\$ and matures on 17th February 2020. The notes are rated “CCC+” by S&P and listed on the SGX-ST. Evergrande, previously known as Evergrande Real Estate Group Limited is principally engaged in property development, property investment, property management, property construction, hotel operations, finance business, internet business, health industry business and fast consuming product business in the PRC. Its shares are listed on the HKEX (stock code: 3333).

17 TRADE AND OTHER PAYABLES

Trade and other payables of the Group include trade payables, rental and management fee deposits, retentions payable of construction costs, interest payable and various accruals. Trade payables of the Group amounted to HK\$16,740,000 (31st March 2016: HK\$22,484,000).

An aging analysis of trade payables is as follows:

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
0 day to 60 days	15,857	21,783
61 days to 120 days	353	157
More than 120 days	530	544
	16,740	22,484

Notes to the Interim Financial Information

18 BORROWINGS

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
Current liabilities		
Short term bank loans		
Secured	373,304	456,020
Unsecured	180,000	-
	553,304	456,020
Current portion of long term bank loans	977,726	650,571
Portion of long term bank loans with a repayment on demand clause	10,750	15,222
	1,541,780	1,121,813
Non-current liabilities		
Long term bank loans		
Secured	4,269,909	4,338,341
Unsecured	1,903,925	1,132,873
	6,173,834	5,471,214
	7,715,614	6,593,027

The maturities of the long term bank loans, based on the scheduled repayment dates set out in the loan agreements and ignoring the effect of any repayment on demand clause, are as follows:

Repayable within one year	977,726	650,571
Repayable between one and two years	1,012,577	1,411,466
Repayable between two and five years	4,462,007	3,247,972
Repayable after five years	710,000	826,998
	7,162,310	6,137,007
Current portion included in current liabilities	(977,726)	(650,571)
	6,184,584	5,486,436

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

Notes to the Interim Financial Information

19 MEDIUM TERM NOTES

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
RMB495 million (31st March 2016: RMB500 million) at coupon of 6.5% per annum due April 2018	574,793	599,808
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
	924,793	949,808
Less: deferred issue expenses	(10,363)	(12,914)
	914,430	936,894

The carrying amounts approximate their fair values.

20 SHARE CAPITAL

Shares of HK\$0.1 each	Number of shares	Amount HK\$'000
Authorised:		
At 31st March 2016 and 30th September 2016	3,000,000,000	300,000
Issued and fully paid:		
At 31st March 2016 and 30th September 2016	828,816,111	82,882

Notes to the Interim Financial Information

21 RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Hedging reserve HK\$'000	Available for-sale investments reserve HK\$'000	Currency translation 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
Net fair value gain on available-for-sale investments	-	-	-	-	-	12,327	-	-	12,327
Cash flow hedges									
- fair value loss	-	-	-	-	(5,934)	-	-	-	(5,934)
- transfer to finance costs	-	-	-	-	9,940	-	-	-	9,940
Currency translation differences	-	-	-	-	-	-	(22,984)	-	(22,984)
Profit for the period	-	-	-	-	-	-	-	747,025	747,025
Share options granted by a subsidiary	-	-	-	29	-	-	-	-	29
Increase in shareholding of a subsidiary	-	-	-	-	-	-	-	166,029	166,029
2016 final dividend	-	-	-	-	-	-	-	(24,865)	(24,865)
At 30th September 2016	2,236,885	398,021	60,257	16,112	(6,501)	(24,222)	(47,629)	8,547,842	11,180,765

22 CAPITAL COMMITMENTS

Capital commitments at the balance sheet date are as follows:

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
Contracted but not provided for		
Investment properties	18,697	39,244
Property, plant and equipment	161,547	399,681
Joint ventures	133,519	137,956
	313,763	576,881

Notes to the Interim Financial Information

23 FINANCIAL GUARANTEES

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
Guarantees for the bank loans of joint ventures	1,117,956	881,036

24 RELATED PARTY TRANSACTIONS

During the period, no significant transactions have been entered into except for interest income of HK\$21,729,000 (2015: HK\$5,835,000) from joint ventures and dividend income of HK\$9,900,000 (2015: Nil) from an associated company.

No transactions have been entered into with the directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being key management personnel compensation) (2015: Nil).

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

As at 30th September 2016, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO") which (a) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

I. LONG POSITIONS IN SHARES

(a) The Company

Director	Number of shares held			Total	Percentage of shares in issue (%)
	Personal interest	Corporate interest	Family interest		
Poon Jing	269,194,664	142,871,744	5,233,013	417,299,421	50.34
Fung Siu To, Clement	15,191,190	-	-	15,191,190	1.83
Poon Hai	10,275,862	-	-	10,275,862	1.23

(b) Associated corporations

Director	Associated corporation	Number of shares held			Total	Percentage of shares in issue (%)
		Personal interest	Corporate interest			
Poon Jing	Asia Standard International Group Limited ("Asia Standard")	1,281,858	669,441,675 (Notes)	670,723,533	51.62	
	Asia Standard Hotel Group Limited ("Asia Standard Hotel")	50,830	1,346,158,049 (Notes)	1,346,208,879	85.72	
Fung Siu To, Clement	Mark Honour Limited	9	-	9	0.01	

Notes:

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

Other Information

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

II. LONG POSITIONS IN UNDERLYING SHARES

Interests in share options

(a) *The Company*

Director	Outstanding as at 1st April 2016 and 30th September 2016
Fung Siu To, Clement (Note 1)	2,126,301
Lun Pui Kan (Note 1)	2,126,301
Kwan Po Lam, Phileas (Note 1)	2,126,301
Poon Hai (Note 2)	3,500,000
Poon Yeung, Roderick (Note 2)	3,500,000

Notes:

- Options were granted under 2002 Share Option Scheme (as described under the heading "Share option schemes") on 29th March 2007 and exercisable during the period from 29th March 2007 to 28th March 2017 at an exercise price of HK\$1.4315 (as adjusted) per share.
- Options were granted under 2014 Share Option Scheme (as described under the heading "Share option schemes") on 11th December 2015 and exercisable during the period from 11th December 2015 to 10th December 2025 at an exercise price of HK\$1.42 per share.
- During the period, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

(b) *Associated corporations*

- Asia Standard

Director	Outstanding as at 1st April 2016 and 30th September 2016
Poon Hai (Note 1)	3,500,000
Poon Yeung, Roderick (Note 1)	3,500,000

Notes:

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

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

II. LONG POSITIONS IN UNDERLYING SHARES (Continued)

Interests in share options (Continued)

(b) Associated corporations (Continued)

- Asia Standard Hotel

Director	Date of grant	Exercise price (HK\$)	Exercise period	Outstanding as at 1st April 2016 and 30th September 2016
Fung Siu To, Clement	29th March 2007	1.296	29th March 2007 to 28th March 2017	8,000,000
Lun Pui Kan	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	8,000,000
Kwan Po Lam, Phileas	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	8,000,000
Poon Hai	11th December 2015	1.030	11th December 2015 to 10th December 2025	4,800,000
Poon Yeung, Roderick	11th December 2015	1.030	11th December 2015 to 10th December 2025	4,800,000

Notes:

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

Save as disclosed above, as at 30th September 2016, 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.

Other Information

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

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th September 2016, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Shareholder	Capacity	Number of shares held	Percentage (%)
Heston Holdings Limited ("Heston") (Note 1)	Beneficial owner	49,616,193	5.98
Teddington Holdings Limited ("Teddington") (Note 1)	Beneficial owner	59,646,626	7.19
Dalton Investments LLC ("Dalton") (Note 2)	Investment manager	165,906,485	20.01
Clearwater Insurance Company ("Clearwater Insurance") (Note 2)	Trustee	48,341,035	5.83
Daswani Rajkumar Murlidhar	Beneficial owner	53,173,014	6.41

Notes:

- Mr. Poon Jing, his family interest and the companies wholly owned by him namely Teddington, Heston and Full Speed Investments Limited together hold 417,299,421 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".
- Dalton is the investment manager for Clearwater Insurance. The interest of Clearwater Insurance in the shares duplicates the interest of Dalton disclosed above.

Save as disclosed above, as at 30th September 2016, 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.

SHARE OPTION SCHEMES

THE COMPANY

The share option scheme of the Company adopted by the Company on 11th November 2002 (the “2002 Share Option Scheme”) was expired on the tenth anniversary of such adoption date. Following the expiry of 2002 Share Option Scheme, no further share option can be granted thereunder but all outstanding share options granted under 2002 Share Option Scheme and yet to be exercised shall remain valid and exercisable. As at 30th September 2016, there were 36,147,116 share options granted under 2002 Share Option Scheme outstanding. Movements of share options granted under 2002 Share Option Scheme during the period are as follows:

Grantee	Outstanding as at 1st April 2016 and 30th September 2016
Directors (Note 1)	6,378,903
Directors of a subsidiary (Note 1)	5,595,529
Employees of subsidiaries (Note 1)	24,172,684
	36,147,116

Notes:

- These share options were granted on 29th March 2007 and exercisable during the period from 29th March 2007 to 28th March 2017 at an exercise price of HK\$1.4315 (as adjusted) per share.
- During the period, no option was exercised, cancelled or lapsed.

The Company adopted a share option scheme on 29th August 2014 (the “2014 Share Option Scheme”). As at 30th September 2016, there were 7,000,000 share options granted under 2014 Share Option Scheme outstanding. Movements of share options granted under 2014 Share Option Scheme during the period are as follows:

Grantee	Outstanding as at 1st April 2016 and 30th September 2016
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 period, no option was granted, exercised, cancelled or lapsed.

Other Information

SHARE OPTION SCHEMES (Continued)

SUBSIDIARIES

- Asia Standard

The share option scheme of Asia Standard adopted by Asia Standard on 27th August 2004 (the "2004 Asia Standard Share Option Scheme") was expired on the tenth anniversary of such adoption date. Following the expiry of 2004 Asia Standard Share Option Scheme, no further share option can be granted thereunder but all outstanding share options granted under 2004 Asia Standard Share Option Scheme and yet to be exercised shall remain valid and exercisable. As at 30th September 2016, there were 1,000,000 share options granted under 2004 Asia Standard Share Option Scheme outstanding. Movements of share options granted under 2004 Asia Standard Share Option Scheme during the period are as follows:

Grantee	Outstanding as at 1st April 2016 and 30th September 2016
Other employee (Note 1)	1,000,000

Notes:

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

Asia Standard adopted a share option scheme on 29th August 2014 (the "2014 Asia Standard Share Option Scheme"). As at 30th September 2016, there were 7,000,000 share options granted under 2014 Asia Standard Share Option Scheme outstanding. Movements of share options granted under 2014 Asia Standard Share Option Scheme during the period are as follows:

Grantee	Outstanding as at 1st April 2016 and 30th September 2016
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 period, no option was granted, exercised, cancelled or lapsed.

SHARE OPTION SCHEMES (Continued)

SUBSIDIARIES (Continued)

- Asia Standard Hotel

The share option scheme of Asia Standard Hotel adopted by Asia Standard Hotel on 28th August 2006 (the “2006 Asia Standard Hotel Share Option Scheme”) was expired on the tenth anniversary of such adoption date. Following the expiry of 2006 Asia Standard Hotel Share Option Scheme, no further share option can be granted thereunder but all outstanding share options granted under 2006 Asia Standard Hotel Share Option Scheme and yet to be exercised shall remain valid and exercisable. As at 30th September 2016, there were 88,599,999 share options granted under 2006 Asia Standard Hotel Share Option Scheme outstanding. Movements of the share options granted under 2006 Asia Standard Hotel Share Option Scheme during the period are as follows:

Grantee	Date of grant	Exercise price (HK\$)	Exercise period	Outstanding as at 1st April 2016 and 30th September 2016
Directors	29th March 2007	1.296	29th March 2007 to 28th March 2017	8,000,000
	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	16,000,000
	11th December 2015	1.030	11th December 2015 to 10th December 2025	9,600,000
Directors of a subsidiary	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	16,000,000
Employees	29th March 2007	1.296	29th March 2007 to 28th March 2017	8,000,000
	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	30,999,999
				88,599,999

Note:

During the period, no option was granted, exercised, cancelled or lapsed.

Asia Standard Hotel adopted a new share option scheme on 8th September 2016 (the “2016 Asia Standard Hotel Share Option Scheme”). No share option has been granted under 2016 Asia Standard Hotel Share Option Scheme since its adoption.

Other Information

INTERIM DIVIDEND

The Board of Directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30th September 2016 (2015: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code and has made specific enquiry of all directors regarding any non-compliance with the Model Code during the period, and they all confirmed that they have fully complied with the required standard as set out in the Model Code throughout the period ended 30th September 2016.

CHANGE IN DIRECTORS’ INFORMATION

Change in the information of the Directors of the Company, since the disclosure made in 2016 annual report of the Company, that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

- Mr. Wong Chi Keung, an independent non-executive director of the Company, was appointed as an independent non-executive director and the chairman of audit committee of Heng Xin China Holdings Limited, a company listed on the Stock Exchange, with effect from 17th October 2016.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE CODE

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

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

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30th September 2016.

On behalf of the Board

Asia Orient Holdings Limited

Fung Siu To, Clement

Chairman

Hong Kong, 28th November 2016

