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ASIA ORIENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 214)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

(In HK\$ million, except otherwise indicated)

	Six months ended		Change
	2019	2018	
Revenue	1,382	1,140	+21%
Operating profit	1,112	1,132	-2%
Profit attributable to shareholders of the Company	422	509	-17%
Earnings per share - basic (HK\$)	0.50	0.61	-18%
	30th September 2019	31st March 2019	Change
Total assets	43,060	43,673	-1%
Net assets	24,734	24,830	-
Equity attributable to shareholders of the Company	13,057	13,097	-
Net debt	15,573	16,390	-5%
Supplementary information with hotel properties in operation at valuation:			
Revalued total assets	49,159	49,694	-1%
Revalued net assets	31,379	31,401	-
Equity attributable to shareholders of the Company	16,104	16,110	-
Gearing – net debt to revalued net assets	50%	52%	-2%

The board of directors (the “Board”) of Asia Orient Holdings Limited (the “Company”) announces that the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30th September 2019 together with the comparative figures for the six months ended 30th September 2018 were as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

For the six months ended 30th September

	Note	2019 HK\$'000	2018 HK\$'000
Sales of goods and services, leasing and other revenue		376,249	401,224
Interest revenue		<u>1,005,538</u>	<u>738,854</u>
Total revenue	2	1,381,787	1,140,078
Cost of sales		<u>(149,603)</u>	<u>(157,434)</u>
Gross profit		1,232,184	982,644
Selling and administrative expenses		(138,045)	(132,580)
Depreciation		(110,907)	(98,483)
Net investment gain/(loss)	3	35,695	(246,629)
Fair value gain of investment properties		<u>93,185</u>	<u>627,176</u>
Operating profit		1,112,112	1,132,128
Net finance costs	5	(322,056)	(245,983)
Share of profits less losses of			
Joint ventures		(1,491)	26,768
Associated companies		<u>(34,998)</u>	<u>48,877</u>
Profit before income tax		753,567	961,790
Income tax expense	6	<u>(7,527)</u>	<u>(12,505)</u>
Profit for the period		<u>746,040</u>	<u>949,285</u>
Attributable to:			
Shareholders of the Company		422,474	509,498
Non-controlling interests		<u>323,566</u>	<u>439,787</u>
		<u>746,040</u>	<u>949,285</u>
Earnings per share (HK\$)			
Basic	7	<u>0.50</u>	<u>0.61</u>
Diluted	7	<u>0.50</u>	<u>0.60</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

For the six months ended 30th September

	2019	2018
	HK\$'000	HK\$'000
Profit for the period	<u>746,040</u>	<u>949,285</u>
Other comprehensive (charge)/income		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Net fair value loss on debt securities at fair value through other comprehensive income	(638,100)	(1,294,431)
Cash flow hedges		
- fair value gain	-	1,796
- transfer to finance costs	-	(3,660)
- realised loss	-	(446)
Currency translation differences	2,262	223
Share of currency translation differences of joint ventures	(84,163)	(152,169)
Items that will not be reclassified to profit or loss:		
Net fair value loss on equity securities at fair value through other comprehensive income		
- net fair value loss	(85,694)	(178,266)
- realised gain	186	-
	<u>(805,509)</u>	<u>(1,626,953)</u>
Total comprehensive charge for the period	<u>(59,469)</u>	<u>(677,668)</u>
Attributable to:		
Shareholders of the Company	(24,503)	(404,902)
Non-controlling interests	<u>(34,966)</u>	<u>(272,766)</u>
	<u>(59,469)</u>	<u>(677,668)</u>

CONDENSED CONSOLIDATED BALANCE SHEET– UNAUDITED

	Note	30th September 2019 HK\$'000	31st March 2019 HK\$'000
Non-current assets			
Investment properties		9,892,764	9,778,075
Property, plant and equipment		7,534,519	7,617,072
Joint ventures and associated companies		5,552,482	5,472,275
Loan receivables		1,327	1,411
Financial investments		545,410	642,508
Deferred income tax assets		73,196	60,731
		23,599,698	23,572,072
Current assets			
Properties under development for sale		1,749,322	1,749,208
Completed properties held for sale		3,680	3,680
Hotel and restaurant inventories		20,718	21,615
Trade and other receivables	9	647,374	555,609
Income tax recoverable		5,015	3,553
Financial investments		16,083,257	16,966,629
Bank balances and cash		951,331	800,303
		19,460,697	20,100,597
Current liabilities			
Trade and other payables	10	237,682	186,568
Contract liabilities		198,712	199,405
Amount due to joint ventures		277,472	199,855
Amount due to an associated company		224,400	224,400
Amount due to non-controlling interests		43,764	39,225
Medium term notes		249,488	99,820
Income tax payable		88,827	70,214
Borrowings		3,408,122	4,361,162
		4,728,467	5,380,649
Net current assets		14,732,230	14,719,948
Non-current liabilities			
Long term borrowings		12,866,517	12,480,033
Medium term notes		-	249,035
Lease liabilities		3,349	-
Deferred income tax liabilities		728,012	732,794
		13,597,878	13,461,862
Net assets		24,734,050	24,830,158
Equity			
Share capital		84,087	84,087
Reserves		12,972,832	13,012,471
Equity attributable to shareholders of the Company		13,056,919	13,096,558
Non-controlling interests		11,677,131	11,733,600
		24,734,050	24,830,158

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2019 (“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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies and methods of computation used in the preparation of this Interim Financial Information are consistent with those used in the annual financial statements for the year ended 31st March 2019, except for the adoption of the following new standard that is effective for the financial year ending 31st March 2020 which is relevant to the Group’s operations and is mandatory for accounting periods beginning on or after 1st January 2019:

HKFRS 16 Leases

The adoption of HKFRS 16 from 1st April 2019 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 16, comparative figures have not been restated.

Effect on adoption of HKFRS 16 are as follows:

	HK\$’000
Operating lease commitments disclosed as at 1st April 2019	<u>6,332</u>
Discounted using the lessee’s incremental borrowing rate of the date of initial application	3,753
Less: short-term leases recognised on a straight-line basis as expense	<u>(1,827)</u>
Lease liability recognised as at 1st April 2019	<u>1,926</u>
Of which are:	
Current – included in trade and other payables	1,098
Non-current – as lease liabilities	<u>828</u>
	<u>1,926</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 Basis of preparation (Continued)

The associated right-of-use assets for leases were measured on a modified retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at amounts equal to the lease liabilities, adjusted by the amounts of any prepaid or accrued lease payments relating to the leases recognised in the financial statements at 31st March 2019.

Upon the adoption of HKFRS 16, the Group reclassified the leasehold land in Hong Kong to right-of-use assets for presentation purpose.

The change in accounting policy affected the following items in the condensed consolidated balance sheet at 1st April 2019:

Condensed consolidated balance sheet (extract)

	Effect of adoption of HKFRS 16			
	As previously reported HK\$'000	Reclassification HK\$'000	Recognition of lease HK\$'000	As adjusted HK\$'000
Assets				
Property, plant and equipment				
Leasehold land in Hong Kong	5,781,934	(5,781,934)	-	-
Right-of-use assets	-	5,781,934	1,926	5,783,860
Liabilities				
Current - trade and other payables	186,568	-	1,098	187,666
Non-current - lease liabilities	-	-	828	828

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- use of a single discount rate for a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months at 1st April 2019 as short-term leases, and
- exclusion of initial direct costs for the measurement of right-of-use assets at the date of initial application

There are no other standards or interpretations effective for financial period beginning on 1st April 2019 that would have a material impact to the Group.

2 Segment information

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

	Property sales HK\$'000	Property leasing HK\$'000	Hotel and travel HK\$'000	Financial Investments HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30th September 2019						
Segment revenue	-	107,278	219,807	1,042,629	12,073	1,381,787
Contribution to segment results	(3,302)	93,624	44,301	1,040,317	7,989	1,182,929
Depreciation	(9,270)	-	(93,461)	-	(8,176)	(110,907)
Net investment gain	-	-	-	35,695	-	35,695
Fair value gain of investment properties	-	93,185	-	-	-	93,185
Share of profits less losses of						
Joint ventures	(1,957)	-	-	-	466	(1,491)
Associated companies	-	(33,704)	-	-	(1,294)	(34,998)
Segment results	(14,529)	153,105	(49,160)	1,076,012	(1,015)	1,164,413
Unallocated corporate expenses						(88,790)
Net finance costs						(322,056)
Profit before income tax						753,567
Six months ended 30th September 2018						
Segment revenue	-	103,555	260,268	761,053	15,202	1,140,078
Contribution to segment results	(13,043)	89,898	81,647	759,284	10,521	928,307
Depreciation	-	-	(87,929)	-	(10,554)	(98,483)
Net investment loss	-	-	-	(246,629)	-	(246,629)
Fair value gain of investment properties	-	627,176	-	-	-	627,176
Share of profits less losses of						
Joint ventures	21,785	-	-	-	4,983	26,768
Associated companies	-	48,961	-	-	(84)	48,877
Segment results	8,742	766,035	(6,282)	512,655	4,866	1,286,016
Unallocated corporate expenses						(78,243)
Net finance costs						(245,983)
Profit before income tax						961,790

2 Segment information (Continued)

	Business segments						Unallocated HK\$'000	Total HK\$'000
	Property sales HK\$'000	Property leasing HK\$'000	Hotel and travel HK\$'000	Financial investments HK\$'000	Others HK\$'000			
At 30th September 2019								
Assets	5,907,781	11,315,127	6,320,867	17,146,500	227,101	2,143,019	43,060,395	
Assets include:								
Joint ventures and associated companies	4,122,521	1,381,026	-	-	46,194	2,741	5,552,482	
Addition to non-current assets for the six months ended 30th September 2019*	12,047	21,504	3,597	-	1,814	15,543	54,505	
Liabilities								
Borrowings	3,185,391	1,025,865	3,588,840	1,831,018	-	6,643,525	16,274,639	
Other unallocated liabilities							2,051,706	
							<u>18,326,345</u>	
At 31st March 2019								
Assets	5,879,004	11,316,795	6,402,363	18,044,330	214,608	1,815,569	43,672,669	
Assets include:								
Joint ventures and associated companies	3,938,947	1,495,579	-	-	34,668	3,081	5,472,275	
Addition to non-current assets for the six months ended 30th September 2018*	204,851	3,546	39,912	-	8,312	-	256,621	
Liabilities								
Borrowings	3,216,658	1,049,841	3,407,533	1,897,949	-	7,269,214	16,841,195	
Other unallocated liabilities							2,001,316	
							<u>18,842,511</u>	

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

2 Segment information (Continued)

	Six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Revenue		
Hong Kong	363,271	384,921
Overseas	<u>1,018,516</u>	<u>755,157</u>
	<u>1,381,787</u>	<u>1,140,078</u>
	30th September 2019 HK\$'000	31st March 2019 HK\$'000
Non-current assets*		
Hong Kong	20,192,881	20,084,470
Overseas	<u>2,786,884</u>	<u>2,782,952</u>
	<u>22,979,765</u>	<u>22,867,422</u>

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

3 Net investment gain/(loss)

	Six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Financial assets at fair value through profit or loss (“FVPL”)		
- net unrealised (loss)/gain from market price movements	(59,945)	22,249
- net unrealised exchange loss	(15,755)	(27,283)
- net realised gain/(loss) (note a)	91,426	(8,284)
Financial assets at fair value through other comprehensive income (“FVOCI”)		
- net unrealised exchange loss	(11,781)	(39,964)
- net realised gain (note b)	18,780	9,381
- changes in expected credit losses and other credit impairment charges	12,970	(204,454)
Derivative financial instruments		
- net realised gain	<u>-</u>	<u>1,726</u>
	<u>35,695</u>	<u>(246,629)</u>

3 Net investment gain/(loss) (Continued)

	Six months ended	
	30th September	
	2019	2018
	HK\$'000	HK\$'000
Notes:		
a. Net realised gain/(loss) on financial assets at FVPL		
Gross consideration	907,892	331,542
Cost of investments	(474,938)	(486,127)
Total gain/(loss)	432,954	(154,585)
(Less)/add: net unrealised (gain)/loss recognised in prior years	(341,528)	146,301
Net realised gain/(loss) recognised in current period	91,426	(8,284)
b. Net realised gain on financial assets at FVOCI		
Gross consideration	2,479,540	541,161
Cost of investments	(2,451,231)	(527,411)
Total gain	28,309	13,750
Transfer from investment revaluation reserve	(9,529)	(4,369)
Net realised gain recognised in current period	18,780	9,381

4 Income and expenses by nature

	Six months ended	
	30th September	
	2019	2018
	HK\$'000	HK\$'000
Income		
Interest income from financial assets at FVPL/FVOCI		
- Listed investments	992,618	701,067
- Unlisted investments	2,345	2,034
Interest income from financial assets that are measured at amortised cost		
- Loan receivables	9,122	9,810
- Bank deposits	1,453	1,335
Dividend income		
- Listed investments	37,455	27,299
Expenses		
Cost of properties and goods sold	3,340	6,009

5 Net finance costs

	Six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Interest expenses		
Long term bank loans	(273,372)	(215,600)
Short term bank loans and overdrafts	(24,064)	(12,790)
Medium term notes	(7,651)	(9,201)
Lease liabilities	(61)	-
Interest income from derivative financial instruments	-	740
Interest capitalised	<u>21,142</u>	<u>13,793</u>
	(284,006)	(223,058)
Other incidental borrowing costs	(38,747)	(23,880)
Net foreign exchange gain/(loss) on borrowings	697	(2,705)
Fair value gain on derivative financial instruments		
Cash flow hedge, transfer from reserve	<u>-</u>	<u>3,660</u>
	<u>(322,056)</u>	<u>(245,983)</u>

6 Income tax expense

	Six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Current income tax expense		
Hong Kong profits tax	(13,321)	(21,700)
Overseas profits tax	-	(1,387)
Under provision in prior years	<u>(8,137)</u>	<u>(102)</u>
	(21,458)	(23,189)
Deferred income tax credit	<u>13,931</u>	<u>10,684</u>
	<u>(7,527)</u>	<u>(12,505)</u>

Hong Kong profits tax is provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the period. Overseas profits tax has been calculated on the estimated assessable profit for the period at the tax rates prevailing in the countries in which the Group operates.

7 Earnings per share

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

	Six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Profit attributable to shareholders of the Company for calculation of basic earnings per share	422,474	509,498
Effect of dilutive potential shares:		
A portion of share options of the subsidiaries assumed to be exercised	<u>(105)</u>	<u>(689)</u>
Profit attributable to shareholders of the Company for calculation of diluted earnings per share	<u>422,369</u>	<u>508,809</u>
	Number of shares	
Weighted average number of shares for calculation of basic earnings per share	840,873,996	840,873,996
Effect of dilutive potential shares:		
A portion of share options of the Company assumed to be exercised	<u>111,573</u>	<u>1,594,889</u>
Weighted average number of shares for calculation of diluted earnings per share	<u>840,985,569</u>	<u>842,468,885</u>

8 Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2019 (2018: Nil).

9 Trade and other receivables

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

Trade receivables of the Group amounted to HK\$40,575,000 (31st March 2019: HK\$58,237,000). 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 2019 HK\$'000	31st March 2019 HK\$'000
0 month to 6 months	37,635	55,677
7 months to 12 months	2,512	1,588
More than 12 months	<u>428</u>	<u>972</u>
	<u>40,575</u>	<u>58,237</u>

10 Trade and other payables

Trade and other payables of the Group include trade payables, rental and management fee deposits, lease liabilities, retentions payable of construction costs, interest payable and various accruals. Trade payables of the Group amounted to HK\$46,738,000 (31st March 2019: HK\$22,744,000).

An aging analysis of trade payables is as follows:

	30th September 2019 HK\$'000	31st March 2019 HK\$'000
0 month to 6 months	46,054	21,950
7 months to 12 months	27	206
More than 12 months	<u>657</u>	<u>588</u>
	<u>46,738</u>	<u>22,744</u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group's revenue for the six months amounted to HK\$1,382 million (2018: HK\$1,140 million), with profit attributable to shareholders of the Company at HK\$422 million (2018: HK\$509 million). The increase in revenue is due to higher investment income through reinvestment of received coupons and further investment in debt securities. This was offset by a much-reduced revaluation surplus from investment properties, resulting in a decrease in profit attributable to shareholders.

Through Asia Standard International group, its 51.8% owned listed subsidiary, the Group continued its main business of property development, sales and leasing operation.

PROPERTIES SALES, DEVELOPMENT AND LEASING

SALES AND DEVELOPMENT

The Group's various development projects in Hong Kong, mainland China and Canada progressed satisfactorily during the period.

Mainland China

In Tongzhou, Beijing, sub-structure works for the residential towers of our 2.3 million sq. ft. GFA joint venture residential and commercial development has been completed shortly after interim period end. Presale for phase I of the residential units commenced in mid-July 2019 and is well received, contracted more than RMB700 million sales up to end of the interim period under review.

In Qingpu, Shanghai, sales of the last phase of Queen's Gate, a high-end joint venture villas and apartments development, also began in mid-July 2019. Up to end of the interim period, close to 55% of the remaining units were sold, contracting about RMB550 million.

Hong Kong

In Jardine's Lookout, the Group continued sales and marketing efforts of its ultra-luxurious joint venture residential development, Dukes Place, comprising 16 elegantly designed units. Fitting out of various show flats and garden villa were completed, that of penthouse is under progress and scheduled to complete by first quarter 2020.

On Po Shan Road, foundation works of another luxurious joint venture residential development had completed and superstructure works will commence shortly.

In Hung Shui Kiu Yuen Long, provisional basic terms of land exchange for the commercial and residential development were concluded, the process is now in the course of land premium negotiation. The development will provide approximately 520,000 sq. ft. of GFA. Another residential development at Lam Tei light-rail station nearby is in the early stage of land exchange application with the government and, the development when completed will provide about 67,000 sq. ft. of GFA.

In Kowloon Bay, the commercial building Octa Tower of approximately 800,000 sq. ft. marketable GFA, is undergoing repositioning. Common areas are being renovated and completion is expected by mid-2020. Sizable corporations are being targeted as anchor tenant.

Canada (development through hotel subsidiary group)

Demolition of our Empire Landmark Hotel is substantially completed, shoring and excavation work will follow shortly, redeveloping the hotel into an approximately 400,000 sq. ft. GFA mixed-use development with two residential towers (“Landmark on Robson”) upon completion. Since the launch of presale in January 2018, the development had achieved a contracted sales of CAD140 million up to 30th September 2019.

Approval for land re-zoning of joint venture redevelopment of another high-end residential complex of approximate 627,000 sq. ft. GFA in Alberni Street, downtown Vancouver was granted in September 2018 during a public hearing. Development permit application was submitted in December 2018 with Urban Design Panel approving the application in April 2019. Prior to Letter was received from local city council in June 2019, and we are expecting the ultimate development and building permits from the local authority.

Another joint venture development that is also located at Alberni Street in downtown Vancouver is in the planning stage for development into premium residential units for sale. The rezoning resubmission package is scheduled to be submitted to the City in early 2020.

LEASING

Leasing income of MassMutual Tower (renamed to YF Life Tower on 1 June 2019), 33 Lockhart Road in Wanchai and Asia Standard Tower in Queen’s Road Central had slightly increased compared to same period last year. Occupancies of both office tower remained high at above 95% for both periods.

Overall leasing income attributable to Asia Standard International increased by 3% from HK\$117 million to HK\$120 million. Net revaluation gain (taking into account our share of revaluation loss (2018: gain) from the investment property owned by an associated company) of HK\$54 million (2018: HK\$669 million) was recorded.

HOTEL

During the period, overnight stay visitors to Hong Kong decreased by 14% to approximately 12 million. Mainland visitors dominated this segment with 69% share, and their arrival decreased slightly by less than 1% from same period last year. Total hotel rooms in Hong Kong are approximately 83,100 rooms, an increase of 4% over same period last year.

Revenue arising from the hotel and travel segment for the period amounted to HK\$220 million (2018: HK\$260 million). Average occupancies for our hotels in Hong Kong were approximately 80% (2018: 95%) while average room rates decreased 17%. Overall, contribution to segment results before depreciation decreased from HK\$82 million to HK\$44 million, being impacted by the local political event.

FINANCIAL INVESTMENTS

At 30th September 2019, the Group held financial investments of approximately HK\$16,629 million (31st March 2019: HK\$17,609 million), with HK\$14,679 million (31st March 2019: HK\$15,601 million) held by the two listed subsidiary group. The investment portfolio comprised of 94% listed debt securities (mostly issued by PRC-based real estate companies), 4% by listed equity securities and 2% unlisted funds and securities. They are denominated in different currencies with 95% in United States dollar, 3% in Hong Kong dollar and 2% in other currencies.

The portfolio's decrease was due to net disposal of HK\$233 million and a mark-to-market valuation net loss of HK\$747 million, of which a net investment loss of HK\$88 million was charged to profit and loss while the remaining HK\$659 million were recognized in the investment reserve account. The net investment loss comprised net fair value losses of listed equity securities, exchange losses and provisions for expected credit loss, compensated by realised gain upon partial disposal/redemption of the securities. The drop in market price is mainly due to a higher interest rate environment during the interim period, the market correction following uncertainties over the Sino-US trade conflict, the increased yield of new issuance, and the various austerity measures over the PRC property market.

Income from this investment portfolio amounted to HK\$1,043 million (2018: HK\$761 million). The increase resulted from further investment in debt securities.

At 30th September 2019, an approximate value of HK\$2,910 million (31st March 2019: HK\$2,120 million) of these investments were pledged to banks as collateral for credit facilities granted to the Group.

FINANCIAL REVIEW

At 30th September 2019, the Group had over HK\$9.3 billion (31st March 2019: HK\$7.7 billion) cash and undrawn banking facilities. The financing and treasury activities of our three listed groups are independently administered.

At 30th September 2019, the Group's total assets were approximately HK\$43.1 billion (31st March 2019: HK\$43.7 billion), the net assets were HK\$24.7 billion (31st March 2019: HK\$24.8 billion). Adopting market value of hotel properties in operation, the revalued total assets were HK\$49.2 billion (31st March 2019: HK\$49.7 billion), a decrease of 1%, and the revalued net assets were HK\$31.4 billion (31st March 2019: HK\$31.4 billion), approximately the same.

Net debt was HK\$15.6 billion (31st March 2019: HK\$16.4 billion), of which HK\$0.6 billion (31st March 2019: HK\$0.7 billion) was attributable to the parent group. Total interest cost increased as a result of increased borrowings together with market interest rate hikes. Currently, the Group's gearing ratio (net debt to revalued net asset value) is approximately 50% (31st March 2019: 52%). As at 30th September 2019, the Group had net current assets of HK\$14.7 billion (31st March 2019: HK\$14.7 billion) and the HK\$17.6 billion aggregate amount of marketable securities and cash together represented 4.8 times of the HK\$3.7 billion current debt repayable within 12 months.

63% of the debts are secured and 99% of the debts are at floating rates. The maturities of our debts spread over a long period of up to 7 years, with 5% repayable after 5 years and 73% repayable between one to five years. The remaining 22% comprise medium term notes, overdraft, revolving and short-term loans and are repayable within 1 year.

About 99% of the Group's borrowings are in Hong Kong dollar and the remaining 1% in Canadian dollar.

As at 30th September 2019, property assets with an aggregate net book value of HK\$19.9 billion (31st March 2019: HK\$20.0 billion) were pledged to secure banking facilities of the Group. HK\$2,801 million (31st March 2019: HK\$2,733 million) guarantees were provided to financial institutions and third parties against outstanding loans of joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

At 30th September 2019, the Group employed approximately 450 (31st March 2019: 470) employees. The remuneration packages including basic salary, annual bonus, share options, retirement and other benefits are commensurate with their job nature and level of experience.

FUTURE PROSPECT

Hong Kong's economy was suddenly adversely impacted by local political event since the second half of the interim period, technically, economic recession is declared following two consecutive seasons of negative growth. The impact is already evidenced in our hotel operation performance and also in the retail segment. Local government instituted various measures to lessen the negative impact, including support towards the small and medium-sized enterprises, and tourism. At the same time, existing mortgage constraints on first time home purchasers is relaxed.

The property sales of our Beijing and Shanghai joint venture projects is satisfactory and encouraging, with the stabilisation of mainland property market, we expect the performance would be maintained for the remaining half of the financial year.

Financial markets continue to be volatile, especially amongst the environment of trade disputes between various territories with the United States and the political tension brought by the United States administration. The Sino-US trade negotiation has always been uncertain but is currently inclining towards reaching an agreement. Our investment in fixed income securities continues to be a strong pillar in providing a stable income stream and liquidity and enables us to capitalise on any other investment and development opportunities should they arise.

The Group have successfully repositioned its tenant mix and improved the rental performance following the upgrading and renovating of the Wanchai headquarter commercial asset. However, the leasing segment is exposing to the negative impact from the local political event, especially the retail portion.

Management exert tremendous cautious and prudent to alleviate and mitigate any negative impact in this restless environment.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2019 (2018: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the period, and they all confirmed that they have fully complied with the required standard as set out in the Model Code throughout the period ended 30th September 2019.

CORPORATE GOVERNANCE CODE

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

1. Code Provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive directors of the Company are not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with the Bye-Laws of the Company; 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 but shall then be 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 2019.

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

Hong Kong, 28th November 2019

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