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英皇集團（國際）有限公司*
Emperor International Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 163)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board of directors (the “Board” or the “Directors”) of Emperor International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2018 (the “Period”) together with comparative figures for the corresponding period in 2017 as set out below:

	For the six months ended 30 September		Changes
	2018 HK\$'000	2017 HK\$'000	
Total revenue	1,536,451	1,465,986	+4.8%
– Investment properties for rental income	590,521	539,493	+9.5%
– Property development for sale	208,900	186,700	+11.9%
– Hotel operations and related services	737,030	739,793	-0.4%
Gross profit	1,094,803	1,061,583	+3.1%
Fair-value gain on investment properties	1,677,650	1,430,148	+17.3%
Profit attributable to the owners of the Company			
– Underlying ¹	942,281	246,468	+282.3%
– Reported	2,504,915	1,596,732	+56.9%
Basic earnings per share	HK\$0.68	HK\$0.43	+58.1%
Interim dividend per share	HK\$0.047	HK\$0.047	–

¹ *Excluding the effect of any fair-value changes and write-downs net of deferred taxation*

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

		Six months ended	
		30 September	
		2018	2017
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	1,536,451	1,465,986
Cost of properties sales		(64,824)	(63,817)
Cost of hotel and hotel related operations		(310,195)	(304,052)
Direct operating expenses in respect of leasing of investment properties		(66,629)	(36,534)
		<hr/>	<hr/>
Gross profit		1,094,803	1,061,583
Other income		61,951	44,300
Fair value changes of investment properties		1,677,650	1,430,148
Other gains and losses	5	703,714	70,911
Selling and marketing expenses		(176,826)	(188,841)
Administrative expenses		(253,735)	(259,001)
Share of result of an associate		(19,918)	–
Share of result of a joint venture		(37)	(35)
		<hr/>	<hr/>
Profit from operations	6	3,087,602	2,159,065
Finance costs		(341,566)	(290,587)
		<hr/>	<hr/>
Profit before taxation		2,746,036	1,868,478
Taxation charge	7	(170,547)	(184,061)
		<hr/>	<hr/>
Profit for the period		2,575,489	1,684,417
		<hr/>	<hr/>
Profit for the period attributable to:			
Owners of the Company		2,504,915	1,596,732
Non-controlling interests		70,574	87,685
		<hr/>	<hr/>
		2,575,489	1,684,417
		<hr/>	<hr/>
Earnings per share	8		
Basic		HK\$0.68	HK\$0.43
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 September 2018

	Six months ended	
	30 September	
	2018	2017
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the period	2,575,489	1,684,417
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations:		
– subsidiaries	(859,272)	381,757
– an associate	(4,051)	–
Fair value change on hedging instruments in cash flow hedge	7,947	–
Fair value change of investments in debt instruments measured at fair value through other comprehensive income	(16,966)	–
Reclassification adjustments for amounts transferred to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	612	–
Other comprehensive (expense) income for the period	(871,730)	381,757
Total comprehensive income for the period	<u>1,703,759</u>	<u>2,066,174</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	1,643,031	1,978,489
Non-controlling interests	60,728	87,685
	<u>1,703,759</u>	<u>2,066,174</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

		At 30 September 2018 (unaudited) <i>HK\$'000</i>	At 31 March 2018 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Investment properties	10	49,933,578	49,154,763
Property, plant and equipment	10	3,945,164	3,966,945
Deposits paid for acquisition of investment properties/property, plant and equipment		77,746	76,703
Receivables related to a development project		168,752	185,328
Prepaid lease payments		521,579	529,423
Available-for-sale investments		–	262,965
Debt instruments at fair value through other comprehensive income		388,875	–
Interest in an associate		68,711	142,416
Interest in a joint venture	11	696,939	651,720
Goodwill		56,683	56,683
Other assets		4,092	4,092
Pledged bank deposits		31,231	31,035
Derivative financial instruments		13,773	16,126
		55,907,123	55,078,199
Current assets			
Inventories		13,889	14,995
Properties held for sale	12	796,623	73,848
Properties under development for sale	10	3,335,762	3,443,731
Prepaid lease payments		16,764	17,832
Trade and other receivables	13	1,443,606	1,551,271
Available-for-sale investments		–	160,109
Debt instruments at fair value through other comprehensive income		114,628	–
Taxation recoverable		–	9,667
Deposit in designated bank account for development properties		9,405	10,276
Pledged bank deposits		44,036	334
Short-term bank deposits		824,912	475,516
Bank balances and cash		2,949,937	3,374,884
		9,549,562	9,132,463
Asset classified as held for sale		–	43,172
		9,549,562	9,175,635
Total current assets		9,549,562	9,175,635

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

		At 30 September 2018 (unaudited) <i>HK\$'000</i>	At 31 March 2018 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
Current liabilities			
Trade and other payables	14	1,233,535	1,931,585
Contract liabilities		900,651	–
Amounts due to related companies		456,617	399,318
Amounts due to non-controlling interests of a subsidiary		98,000	107,600
Taxation payable		472,343	453,852
Unsecured notes – due within one year		860,383	862,989
Bank borrowings – due within one year		4,778,786	4,505,683
		<u>8,800,315</u>	<u>8,261,027</u>
Liabilities associated with assets classified as held for sale		–	86,665
Total current liabilities		<u>8,800,315</u>	<u>8,347,692</u>
Net current assets		<u>749,247</u>	<u>827,943</u>
Total assets less current liabilities		<u>56,656,370</u>	<u>55,906,142</u>
Non-current liabilities			
Amounts due to related companies		1,618,054	2,304,908
Unsecured notes – due after one year		5,905,422	5,913,099
Bank borrowings – due after one year		12,732,273	12,685,429
Deferred taxation		2,190,868	2,244,126
		<u>22,446,617</u>	<u>23,147,562</u>
		<u>34,209,753</u>	<u>32,758,580</u>
Capital and reserves			
Share capital		36,775	36,775
Reserves		30,870,001	29,418,598
Equity attributable to owners of the Company		<u>30,906,776</u>	<u>29,455,373</u>
Non-controlling interests		<u>3,302,977</u>	<u>3,303,207</u>
		<u>34,209,753</u>	<u>32,758,580</u>

NOTES:

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2018.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the Period are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs

In the Period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group’s unaudited condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the Period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- Rental income from investment properties
- Sales of properties
- Hotel and hotel related operations

Revenue from sales of properties is recognised at a point in time when the customer obtains the control of the completed properties, which is the completed property stated in the sale and purchase agreement being delivered and its title being passed to the customer.

Rental income will continue to be accounted for in accordance with HKAS 17 Leases.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

Summary of effects arising from initial application of HKFRS 15

The Directors reviewed and assessed the effect of application of HKFRS 15 in the current and prior periods and considered that there is no material impact on the timing and amounts of revenue recognised for both periods.

The table below illustrates the reclassification of deposits received for sale of properties to contract liabilities under HKFRS 15 at the date of initial application, 1 April 2018.

	Deposits received for sale of properties HK\$'000	Contract liabilities HK\$'000
Closing balance at 31 March 2018	463,402	–
Reclassification	(463,402)	463,402
Opening balance at 1 April 2018	–	463,402

The following table summarises the impact of applying HKFRS 15 on the Group's unaudited condensed consolidated statements of financial position as at 30 September 2018 for each of the line items affected. Line items that were not affected by the changes have not included.

	As reported (Unaudited) HK\$'000	Adjustments (Unaudited) HK\$'000	Amounts without application of HKFRS 15 (Unaudited) HK\$'000
Current liabilities			
Deposits received for sale of properties	–	900,651	900,651
Contract liabilities	900,651	(900,651)	–

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the Period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	AFS investments (Unaudited) <i>HK\$'000</i>	Debt instruments at FVTOCI (Unaudited) <i>HK\$'000</i>
Closing balance at 31 March 2018 – HKAS 39	423,074	–
Effect arising from initial application of HKFRS 9: Reclassification		
From available-for-sale (“AFS”) investments (<i>Note</i>)	<u>(423,074)</u>	<u>423,074</u>
Opening balance at 1 April 2018 – HKFRS 9	<u>–</u>	<u>423,074</u>

Note:

AFS investments

From AFS investments to debt instruments at fair value through other comprehensive income (“FVTOCI”)

Listed bonds with a fair value of HK\$423,074,000 were reclassified from AFS investments to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related fair value losses of HK\$834,000 continued to accumulate in the investments revaluation reserve as at 1 April 2018.

Except as described above, the application of other new and amendments to HKFRSs in the Period has had no material impact on the amounts reported and/or disclosures set out in these unaudited condensed consolidated financial statements.

The Group has not early applied any new or revised HKFRSs that have been issued but are not yet effective for the current accounting period.

3. REVENUE

An analysis of the Group revenue is as follows:

	Six months ended 30 September 2018 (unaudited) HK\$'000
Recognised over time:	
Service income from gaming operations	546,677
Hotel room income	111,078
Others	3,250
	<hr/>
	661,005
	<hr/>
Recognised at a point of time:	
Sales of properties	208,900
Food and beverages sales	75,009
Others	1,016
	<hr/>
	284,925
	<hr/>
Rental income from investment properties	590,521
	<hr/>
	1,536,451
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4. SEGMENT INFORMATION

For management purpose, the business segments of the Group are currently organised into lease of properties, properties development and hotel and hotel related operations. Segment results represent the profit earned by or loss suffered from each segment without allocation of central administration cost, interest income, gain on disposal of a subsidiary, fair value changes of investment properties, finance costs, share of result of an associate and share of result of a joint venture. These divisions are the basis on which the Group reports its primary segment information. The segment results of lease of properties and properties development include administrative and running expenses for those properties under development.

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
(unaudited)	(unaudited)	(unaudited)	(unaudited)	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Business segments				
Lease of properties	590,521	539,493	491,721	469,023
Properties development	208,900	186,700	128,994	130,771
Hotel and hotel related operations	737,030	739,793	136,979	149,678
	<u>1,536,451</u>	<u>1,465,986</u>	<u>757,694</u>	<u>749,472</u>
Interest income			45,662	27,076
Gain on disposal of a subsidiary			785,305	–
Corporate expenses, net			(158,754)	(47,596)
Fair value changes of investment properties			1,677,650	1,430,148
Finance costs			(341,566)	(290,587)
Share of result of an associate			(19,918)	–
Share of result of a joint venture			(37)	(35)
Profit before taxation			2,746,036	1,868,478
Taxation charge			(170,547)	(184,061)
Profit for the period			<u>2,575,489</u>	<u>1,684,417</u>

5. OTHER GAINS AND LOSSES

	Six months ended	
	30 September	
	2018	2017
	(unaudited)	(unaudited)
<i>HK\$'000</i>	<i>HK\$'000</i>	
Reversal of write-downs of properties under development for sale (<i>Note</i>)	–	45,717
Net exchange (loss) gain	(81,591)	25,194
Gain on disposal of a subsidiary (<i>note 15</i>)	785,305	–
	<u>703,714</u>	<u>70,911</u>

Note: During the six months ended 30 September 2017, the Directors reviewed the recoverability of the properties under development for sale with reference to the current market environment and reversed the previously recognised write-downs of HK\$45,717,000 (2018: nil).

6. PROFIT FROM OPERATIONS

Profit from operations for the Period has been arrived at after charging amortisation and depreciation of approximately HK\$99,448,000 (2017: HK\$95,823,000) in respect of the Group's property, plant and equipment.

7. TAXATION CHARGE

	Six months ended	
	30 September	
	2018	2017
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Taxation charge comprises:		
<i>Current tax</i>		
Hong Kong Profits Tax	36,346	32,679
Macau Complementary Income Tax ("CT")	18,701	21,337
The People's Republic of China ("PRC") Enterprise Income Tax	594	–
United Kingdom ("UK") Income Tax	–	2,624
	<u>55,641</u>	<u>56,640</u>
<i>Overprovision in prior years</i>		
Hong Kong Profits Tax	(66)	–
UK Income Tax	(59)	–
	<u>(125)</u>	<u>–</u>
<i>Deferred taxation</i>	<u>115,031</u>	<u>127,421</u>
	<u><u>170,547</u></u>	<u><u>184,061</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

The CT is calculated at the applicable rate of 12% of estimated assessable profits for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

UK Income Tax is calculated at the applicable rate of 20% of the estimated assessable profits for both periods.

8. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Earnings (profit for the period attributable to owners of the Company) for the purpose of basic earnings per share	<u>2,504,915</u>	<u>1,596,732</u>

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	<u>3,677,545,667</u>	<u>3,677,545,667</u>

Diluted earnings per share is not presented as the Company and its subsidiary, Emperor Entertainment Hotel Limited (“Emperor E Hotel”), do not have any dilutive potential ordinary share for both periods.

9. DIVIDEND

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend of HK\$0.061 per share for the year ended 31 March 2018 paid during the period (year ended 31 March 2017: HK\$0.058)	<u>224,330</u>	<u>213,298</u>

The Board has declared an interim dividend of HK\$0.047 (2017: HK\$0.047) per share amounting to approximately HK\$172,845,000 (2017: HK\$172,845,000).

10. ADDITIONS TO INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND PROPERTIES UNDER DEVELOPMENT FOR SALE

Investment properties

All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

During the Period, the Group acquired investment properties for a cash consideration of HK\$254,340,000 (2017: HK\$4,095,018,000).

The fair values of the Group's investment properties at 30 September 2018 and 31 March 2018 have been arrived at on the basis of a valuation carried out on those date by Memfus Wong Surveyors Limited, Savills Valuation and Professional Services Limited, Cushman & Wakefield Limited and Colliers International (Hong Kong) Limited, independent firms of qualified professional property valuers not connected with the Group, in accordance with the HKIS Valuation Standards issued by Hong Kong Institute of Surveyors.

For completed investment properties, the valuations have been arrived at with reference to market evidence of recent transaction prices for similar properties and rental income using the applicable market yields for the respective locations and types of properties.

For investment properties under development, the valuations have been arrived at assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The valuations include key factors such as the market value of the completed investment properties, which are estimated with reference to recent sales evidence of similar properties in the nearest locality as available in the relevant market with adjustments made by the valuers to account for differences in the locations and other factors specific to determine the potential sales proceeds, and deducting the development costs and required profit margin from the investment properties which are derived from the interpretation of prevailing investor requirements or expectations at the valuation dates.

The resulting increase in fair value of investment properties of approximately HK\$1,677,650,000 (2017: HK\$1,430,148,000) has been recognised directly in profit or loss for the Period.

Property, plant and equipment and properties under development for sale

During the Period, the Group acquired property, plant and equipment and properties under development for sale amounting to approximately HK\$47,212,000 and HK\$627,074,000 (2017: HK\$83,585,000 and HK\$70,887,000) respectively.

11. INTEREST IN A JOINT VENTURE

Interest in a joint venture represents interest in Superb Land Limited of which the Group holds 40% equity interest. Superb Land Limited holds 100% interest in Talent Charm Corporation Limited ("Talent Charm"), being the property development company of a development project located at Rural Building Lot No. 1198, Shouson Hill Road West, Hong Kong.

As at 30 September 2018, the Group has given corporate guarantee of HK\$941,600,000 (31 March 2018: HK\$941,600,000) to a bank in respect of banking facilities granted to Talent Charm, of which HK\$592,000,000 (31 March 2018: HK\$584,000,000) has been utilised. In the opinion of the Directors, the fair value of the guarantee is not significant.

12. PROPERTIES HELD FOR SALE

The carrying amounts of properties held for sale comprise properties situated in:

	At 30 September 2018 (unaudited) HK\$'000	At 31 March 2018 (audited) HK\$'000
Hong Kong	796,172	73,356
The PRC	451	492
	<u>796,623</u>	<u>73,848</u>

13. TRADE AND OTHER RECEIVABLES

An aged analysis of the Group's trade receivables (net of allowances) based on either the date of credit granted or the invoice date at the end of the reporting period is set out below:

	At 30 September 2018 (unaudited) HK\$'000	At 31 March 2018 (audited) HK\$'000
0 – 30 days	84,727	107,600
31 – 90 days	33,548	5,371
91 – 180 days	8,392	2,504
Over 180 days	14,720	14,344
	<u>141,387</u>	129,819
Chips on hand	113,207	151,712
Other receivables	407,714	514,476
Deposits and prepayments	781,298	755,264
	<u>1,443,606</u>	<u>1,551,271</u>

Chips on hand represent chips issued by a gaming concessionaire in Macau which can be exchanged into their cash amounts.

No credit period was granted to tenants for rental of premises. Before accepting any new tenant, the Group will internally assess the credit quality of the potential tenant. No credit period was granted to hotel customers generally except for those high credit rating customers to whom an average credit period of 30 days were granted.

For gaming operation, the Group normally allows credit periods of up to 60 days to its trade customers, except for certain credit worthy customers with long term relationship and stable repayment pattern, where the credit periods are extended to a longer period.

Included in other receivables are amounts due from related companies of HK\$47,259,000 (31 March 2018: HK\$42,854,000). These related companies are indirectly controlled by Albert Yeung Holdings Limited (“AY Holdings”), being the ultimate holding company of the Company. The amounts are unsecured, interest-free and repayable within one year.

14. TRADE AND OTHER PAYABLES

An aged analysis of the Group’s trade payables based on invoice date at the end of the reporting period is set out below:

	At 30 September 2018 (unaudited) HK\$'000	At 31 March 2018 (audited) HK\$'000
0 – 90 days	19,653	36,798
91 – 180 days	–	62
Over 180 days	–	41
	<hr/>	<hr/>
	19,653	36,901
Amount due to a shareholder of an associate (<i>Note</i>)	1,348	49,222
Construction payables and accruals	532,339	581,687
Deposits received for sales of properties	–	463,402
Other payables and accruals	321,288	280,321
Payables of acquisition of AFS investments	–	156,741
Rental deposits received	358,907	363,311
	<hr/>	<hr/>
	1,233,535	1,931,585
	<hr/> <hr/>	<hr/> <hr/>

Note: The amount due to a shareholder of an associate is unsecured, repayable on demand and carries interest at 5.12% (31 March 2018: 4.51%) per annum.

15. GAIN ON DISPOSAL OF A SUBSIDIARY

On 29 March 2018, the Group entered into a sales and purchase agreement to dispose of its entire equity interest in Prestige Gold Investment Limited and the relevant shareholder’s loan, to a company wholly-owned by The Albert Yeung Discretionary Trust, the settlor and founder of which is Dr. Yeung Sau Sing, Albert, for a total consideration of approximately HK\$825,000,000. Prestige Gold Investment Limited is principally engaged in property investment. The disposal was completed on 13 June 2018 with a gain of HK\$785,305,000.

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

- a) On 27 August 2018, the Group entered into a sale and purchase agreement with Emperor Watch & Jewellery (HK & Macau) Holdings Limited, an indirectly wholly-owned subsidiary of Emperor Watch & Jewellery Limited, to dispose of its entire equity interest in Perfect Raise Holdings Limited, being an indirectly wholly-owned subsidiary of the Company, which indirectly holds the property interest of ground floor and first floor of No.4 to No.8 Canton Road, Kowloon. The disposal is subject to the fulfilment of the conditions precedent stated in the sale and purchase agreement. Details of the transaction are contained in the circular of the Company dated 12 November 2018.

- b) On 8 October 2018, Emperor E Hotel made an acquisition of 15% equity interest in Luck United Holding Limited (“Luck United”), a non wholly-owned subsidiary of the Company, and the relevant shareholder’s loan from a substantial shareholder of Luck United at a cash consideration of HK\$460,000,000. Luck United is an investment holding company and its subsidiaries are engaged in hotel and catering services and gaming operation. Upon completion of the acquisition on 19 October 2018, the Group increased its effective stake in Luck United from 39.8% to 49.7%. The result in discount on the acquisition amounting to approximately HK\$194,761,000 (being the difference between the aggregate net asset value acquired and the total consideration paid by the Group) has been credited to reserves account upon completion.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group principally engages in property investment, property development and hospitality, owning properties with a total area of over 5 million square feet in Greater China and overseas. The Group has a tri-engine business model – owning many investment properties in prime locations that generate stable and recurrent income; operating many property development projects for earnings visibility; and developing hospitality services with strong recurrent cash flow.

FINANCIAL REVIEW

Overall Review

During the Period, the Group's total revenue was up by 4.8% to HK\$1,536.5 million (2017: HK\$1,466.0 million). Rental income from the Group's investment properties portfolio grew by 9.5% to HK\$590.5 million (2017: HK\$539.5 million), representing 38.4% (2017: 36.8%) of total revenue. The increase in rental income was largely driven by an expanded portfolio of properties. Revenue from the property development increased to HK\$208.9 million (2017: HK\$186.7 million), which represented the sales proceeds of the remaining units of *Upton*. Although the sale of *Peak Castle* was launched and the presale of *The Amused* was completed, the relevant sales proceeds had not been recognised as revenue during the Period. Revenue from the hospitality segment was HK\$737.0 million (2017: HK\$739.8 million), accounting for 48.0% (2017: 50.5%) of the total revenue.

Gross profit increased to HK\$1,094.8 million (2017: HK\$1,061.6 million). A revaluation gain on investment properties amounted to HK\$1,677.7 million (2017: HK\$1,430.1 million). The profit for the Period attributable to the owners of the Company increased by 56.9% to HK\$2,504.9 million (2017: HK\$1,596.7 million). The increase was mainly due to an increase in fair value of investment properties and a realised gain on disposal of a self-used property amounted to HK\$785.3 million during the Period.

Basic earnings per share was HK\$0.68 (2017: HK\$0.43). The Board has declared payment of an interim dividend of HK\$0.047 (2017: HK\$0.047) per share.

Liquidity And Financial Resources

As at 30 September 2018, the Group's net asset value and net asset value per share amounted to HK\$30,906.8 million (31 March 2018: HK\$29,455.4 million) and HK\$8.40 (31 March 2018: HK\$8.01) per share, respectively.

The Group had cash, bank balances and bank deposits amounting to HK\$3,774.8 million as at 30 September 2018 (31 March 2018: HK\$3,850.4 million). The total external borrowings (excluding payables) amounted to approximately HK\$26,449.5 million (31 March 2018: HK\$26,779.0 million) and the Group's net gearing ratio was 34.6% (31 March 2018: 35.7%) (measured by net debts as a percentage to the total asset value of the Group).

In addition to its share capital and reserves, the Group made use of cash flow generated from operations, bank borrowings, unsecured notes and unsecured loans from a related company to finance its operations. The Group's bank borrowings were denominated in Hong Kong dollars, Renminbi ("RMB") and Pounds Sterling ("GBP"), and their interest rates followed market rates. The unsecured notes were denominated in Hong Kong dollars and US dollars at fixed rates ranging from 4% to 5% per annum. The Group's bank balances and cash were also denominated in Hong Kong dollars, RMB, Macau Patacas ("MOP") and GBP. The Group is exposed to certain foreign exchange risk caused by fluctuation in RMB and GBP exchange rates. The Group closely monitors its overall foreign exchange exposure and adopt appropriate measures to mitigate currency risks, such as cross-currency rate swap contracts for unsecured notes, if necessary.

BUSINESS REVIEW

Investment Properties for Rental Income

The Group's investment property portfolio primarily focuses on quality street-level retail spaces and commercial buildings in prominent locations, not just in Greater China, but also in the United Kingdom. In recent years, the Group has strived to enhance the proportion of retail and commercial buildings, on a whole block basis, among its existing property investment portfolio – aiming to diversify its rental income streams and ensure the Group is in a more resilient position to withstand market volatility. As a result of the majority of its premises being in prime locations, the overall occupancy rate of the Group's investment properties was nearly 90% as at 30 September 2018.

Existing Portfolio

– *Mainland China*

Located in Chang'an Avenue East, Beijing, ***Emperor Group Centre Beijing*** is a 28-storey (excluding three-storey basement with parking facilities) Grade-A office tower and premier shopping mall with premium cinema, encompassing a gross floor area of approximately 1,062,000 square feet. The office and retail spaces are occupied by various tenants including a financial institution, a property developer, a retail and commercial bank, luxury watch and jewellery retailers, a high fashion designer brand, a fitness centre, and several fine-dining and catering operators. The development of ***Emperor Group Centre Beijing***, which boasts a prominent location in China's capital city, has marked a major milestone for the Group in developing upscale significant commercial projects in mainland China.

In October 2018, ***Emperor Group Centre Beijing*** was awarded the honor of "6-Star Super A-level Building" by Beijing Central Business District Administration Committee. The accolade has demonstrated the recognition of the ***Emperor Group Centre Beijing*** in China's real estate market, not only due to its superior geographical location, excellent transportation facilities and massive development potentials, but also its advanced architectural design standard, extensive distribution of businesses as well as property management which aligned with international standard.

– *Hong Kong – Retail Premises*

The Group owns many premium investment properties, with a strong focus on street level retail space in Hong Kong’s main shopping districts. Key investment properties include the retail shops at **Nos. 8, 20, 22-24 and 50-56 Russell Street, No. 76 Percival Street** and **Nos. 474-476, 478-484, 507, 523 Lockhart Road** in Causeway Bay; **Nos. 4-8 Canton Road, Nos. 81, 83 Nathan Road, Nos. 35-37 Haiphong Road; Nos. 25-29 and Nos. 43-49A Hankow Road** in Tsim Sha Tsui; **The Pulse** in Repulse Bay; **retail shops of Fairview Height** and **Fitfort Shopping Arcade** in North Point.

According to “Main Streets Across The World 2018” report, an annual publication of *Cushman & Wakefield*, Russell Street in Causeway Bay was ranked as the world’s most valuable retail street by rental value. With prominent presence on Russell Street, the Group secures solid rental income and promising occupancy rate on the back of robust demand from global brands.

– *Hong Kong – Office, Commercial & Industrial Complexes*

In addition to the above-mentioned retail spaces, the Group’s rental income from complexes mainly includes **Emperor Group Centre** and **China Huarong Tower** in Wan Chai; **Emperor Commercial Centre** in Central; a complex at **Nos. 45-51 Kwok Shui Road** in Kwai Chung; **New Media Tower** in Kwun Tong; **Level 3, New Town Mansion Shopping Arcade** and **Ulferts Centre** in Tuen Mun; and **commercial and car park complexes at Sui Wo Court** in Sha Tin.

– *Macau*

With a gross floor area of approximately 30,000 square feet, **Emperor Nam Van Centre** is a multi-storey premium retail complex with a blend of shopping and lifestyle offerings on the Macau Peninsula. It is occupied by various tenants including an international sports brand and a luxury jewellery retailer.

– *London*

The Group owns a 7-storey (including basement) retail and office complex as well as **Ampersand Building** at **Nos. 181-183** and **Nos. 111-125**, respectively, on **Oxford Street, London**. **Ampersand Building** is a 8-storey (including basement) composite building comprising retail spaces, office premises and apartments under lease with a total floor area of approximately 91,000 square feet. Located in the prime retail and vibrant SOHO office area of London’s West End, it is also in close proximity to the Tottenham Court Road Crossrail development, thereby enjoying significant pedestrian traffic and enhanced accessibility.

Future projects

– *Hong Kong*

The Group continually strives to upgrade the quality and maximise the potential rental income of its premises by undertaking various transformation and refurbishing programmes. For the redevelopment of **Nos. 75-85 Lockhart Road**, two adjacent buildings were demolished. The site will be redeveloped into a prime office building with a gross floor area of 96,000 square feet. The project is scheduled for completion during 2020. The redevelopment is set to reinvigorate the site through creating a vibrant building in the heart of Wan Chai – one of the core commercial districts on Hong Kong Island – and presents significant value-creation opportunities to the Group.

Located at **No. 4 Kin Fat Lane** in Tuen Mun, **Ulferts Centre** was a 14-storey industrial building with a gross floor area of over 178,000 square feet. The building is planned for wholesale conversion into a commercial building covering diversified purposes such as food and beverage, retail spaces and offices. Under the approved waiver, the alternation and addition works have been commenced. This revitalisation project is in progress with target completion in 2021.

– *London*

The site at **Nos. 25-27 on Oxford Street** will be redeveloped into a composite retail/office building with a gross floor area of approximately 20,000 square feet for long-term investment purpose. Such redevelopment is expected to be completed in 2019. The three premises of the Group in London are all situated at Oxford Street, which is a prominent shopping hub and tourist spot for international visitors.

– *Mainland China*

Located in Yuyuan, Huangpu District, Shanghai, **Emperor Star City** will be developed into a shopping arcade and hotel or serviced apartment complex, at a prime site adjacent to the Shanghai M10 subway route. Foundation and basement excavation work for the development has been completed. With an expected gross floor area of approximately 1,300,000 square feet, the complex will include a multi-storey shopping arcade as its major component.

Property Development for Sale

The Group pursues a strategy of providing quality residential properties including luxury composite buildings in popular urban areas, and low-rise detached houses in unique spots, with convenient access to transportation networks. A steady development pipeline has been established, which will provide medium-term contributions to the sale of residential units, for earnings visibility.

Projects under the stage of sales launch

Some of the completed units of **Peak Castle**, the luxurious low-rise development of detached houses in Siu Lam, Tuen Mun, were launched to the market during the Period. With a total saleable area of approximately 43,000 square feet, it is well served by a superb transportation network comprising Hong Kong–Shenzhen Western Corridor and Hong Kong–Zhuhai–Macau Bridge as well as the future Tuen Mun–Chek Lap Kok Link. As of 30 September 2018, 7 out of 14 houses were contracted.

A site at **Nos. 8-10A Mosque Street**, Mid-Levels, will be redeveloped into a luxury residential tower with a gross floor area of approximately 34,000 square feet. Adjacent to Soho area and Lan Kwai Fong, it is in close proximity to Central-Mid-Levels Escalator, with convenient access to Central commercial district area. It is also located at traditional luxury residential area on Hong Kong Island, which is in line with the Group's strategic focus. Its presale is expected to be launched in the first half of 2019, and is targeted for completion in mid-2020.

The presale of **The Amused**, an urban redevelopment project to create a 26-storey composite residential/retail tower offering 136 residential units in Shum Shui Po, Kowloon, with a total saleable area of approximately 40,300 square feet, was launched in 2017. The sales contracts of all the residential units were committed as of 30 September 2018. Such redevelopment is expected to be completed soon. The contracted sales proceeds will be fully recognised in the financial year 2018/2019.

Other future projects

Another prime residential site with a sea view, at **Tuen Mun Town Lot No. 490, Tai Lam**, Tuen Mun, with a gross floor area of approximately 29,000 square feet, will be developed into a luxurious detached houses. It is expected to be completed in late-2019. This project, as well as the residential project at **Siu Lam**, are also close to Harrow International School Hong Kong, the Hong Kong branch of the prestigious, UK-based Harrow School.

In collaboration with two partners, a signature luxury residential project at **Rural Building Lot No. 1198, Shouson Hill**, Hong Kong, with a gross floor area of approximately 88,000 square feet, will be developed into 15 low-density luxury houses with comprehensive auxiliary facilities. This project is expected to be completed in 2019. Leveraging the unique location, this project will enable the Group to optimise the land bank portfolio, with better capital appreciation in future.

Two other sites, mainly **Nos. 20-26 Old Bailey Street & No. 11 Chancery Lane**, Mid-Levels, and **Nos. 24-26A, Davis Street**, Kennedy Town are under planning for redevelopment, which are targeting boutique-sized units and studio flats. These projects are expected to be completed in 2022.

Hotel Operations and Related Services

Dedicated to the Group's ongoing efforts on developing hospitality services, **Emperor Hotels Group** has been established to cover several hotels and serviced apartments in Hong Kong and Macau. In Hong Kong, it covers **The Emperor Hotel**, **Inn Hotel Hong Kong**, **MORI MORI Serviced Apartments** and **The Unit Serviced Apartments**. In Macau, it covers **Grand Emperor Hotel** and **Inn Hotel Macau**, where income from hospitality and gaming has been consolidated with the Group.

– Hong Kong

The Emperor Hotel, a 29-storey hotel in Wan Chai, commenced operation in late-2017. With a gross floor area of approximately 115,000 square feet, it offers 300 guest rooms together with leisure, dining and parking facilities. It is a signature hotel project under **Emperor Hotels Group**, which can further enhance brand recognition in the hospitality segment.

The Unit Serviced Apartments, a 21-storey, 68-unit block in Happy Valley, became operational in early 2018. The area is vibrant, conveniently located near Hong Kong's commercial districts, and affords easy access to Hong Kong Jockey Club and Hong Kong Stadium for international sports events, and Hong Kong Sanatorium & Hospital for medical check-ups, helping to ensure solid short-term leasing demand.

Located in West Kowloon, **Inn Hotel Hong Kong** is a 30-storey hotel offering 200 guest rooms, with a gross floor area of approximately 48,000 square feet. Within a walking distance from the West Kowloon Terminus of the Guangzhou-Shenzhen-Hong Kong High Speed Rail, the hotel is poised to benefit from anticipated growth in visitation. It is also conveniently located near major entertainment, shopping and dining districts in Mong Kok and Yau Ma Tei, ensuring guests will truly experience Hong Kong as a vibrant and fascinating city.

Situated at the vibrant junction of Wan Chai and Causeway Bay, **MORI MORI Serviced Apartments** provides 18 stylish serviced apartments for expats, MICE visitors, business travellers and overseas professionals, on short-and long-term leases. With state-of-the art facilities and professional customer services, **MORI MORI Serviced Apartments** redefines the contemporary way of life.

– Macau

Grand Emperor Hotel is another of the Group's flagship projects, located on the Macau Peninsula. With a gross floor area of approximately 655,000 square feet, it is a 26-storey hotel with 307 exquisite guest rooms, fine dining restaurants and bars, as well as gaming facilities. It has won an array of prestigious industry awards.

Inn Hotel Macau is a 17-storey hotel with a gross floor area of approximately 209,000 square feet, and 287 guest rooms. **Inn Hotel Macau** creates a comfortable experience, catering to the lifestyles of both leisure and business travellers. Through extending coverage from the Peninsula to Taipa, it enables the Group to fully capture the potential of Macau's hospitality market.

OUTLOOK

The global economic situation is clouded by Sino-US trade friction and tightening financial conditions in emerging markets. Uncertainties also exist on China, amidst a cooling real estate market and credit strains due to an ongoing deleveraging drive.

In late June 2018, the Hong Kong government introduced a slew of measures to tackle the short to medium term housing supply. The new initiatives, together with the growing economic uncertainties and the prospects of interest-rate hikes, have impacted purchasers' sentiment during the latter half of 2018. According to data released by the Rating and Valuation Department, private home prices in Hong Kong slightly declined for the second straight month in September 2018, following two years of continuous growth. Nevertheless, the underlying end-user demand remains solid, given favourable labour market conditions and the growing number of households.

While momentum in the broad residential market has slowed, the Group believes the luxury homes market will continue to demonstrate solid growth potential. Following the successful sales of *Peak Castle* in *Siu Lam*, several projects with luxury sites including *Mosque Street*, *Tai Lam* and *Shouson Hill* are in the pipeline for development and sales in subsequent years. The contributions from these projects are expected to provide promising returns to the Group. Looking ahead, the Group will continue to replenish its land bank through multiple channels, in order to strengthen earnings and shareholders' value.

As a gateway city to China and the Asia Pacific region, Hong Kong remains appealing to companies from all over the globe as a place to establish their operations. With the commissioning of the Guangzhou-Shenzhen-Hong Kong High Speed Rail and the launching of Hong Kong-Zhuhai-Macao Bridge, Hong Kong's attractiveness will be further reinforced by the improved connectivity with major cities in China. In view of robust demand, the Grade-A office leasing market in central business districts is expected to remain strong. With a well-developed portfolio of Grade-A commercial buildings, the Group believes its investment properties will drive solid recurrent rental income in the long-run.

EMPLOYEES AND REMUNERATION POLICY

The total cost incurred for staff, including Directors' emoluments, was HK\$334.3 million during the Period (2017: HK\$320.4 million). The number of staff was 1,711 as at 30 September 2018 (2017: 1,745). Each employee's remuneration was determined in accordance with the individual's responsibility, competence and skills, experience and performance, as well as market pay levels. Staff benefits include medical and life insurance, retirement benefits and other competitive fringe benefits. The Company has adopted a share option to promote incentive or reward to staff.

ASSETS PLEDGED

As at 30 September 2018, assets with carrying value of HK\$48,775.0 million (31 March 2018: HK\$47,863.6 million) were pledged as security for banking facilities.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.047 per share (“Interim Dividend”) (2017: HK\$0.047 per share) amounting to approximately HK\$172.8 million (2017: HK\$172.8 million). The Interim Dividend will be payable on 21 December 2018 (Friday) to shareholders whose names appear on the register of members of the Company on 14 December 2018 (Friday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed, for the purpose of determining shareholders’ entitlement to the Interim Dividend, from 13 December 2018 (Thursday) to 14 December 2018 (Friday), during which period no transfer of shares will be registered.

In order to qualify for the Interim Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on 12 December 2018 (Wednesday).

REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements of the Group have not been audited or reviewed by the Company’s auditor, Deloitte Touche Tohmatsu, but have been reviewed by the audit committee of the Company, which comprises three Independent Non-executive Directors of the Company.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company had complied throughout the Period with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

Model Code for Securities Transactions

The Company had adopted its own code of conduct regarding securities transactions by Directors (“EIHL Securities Code”) on no less exacting terms than the required standards set out in Appendix 10 of the Listing Rules – Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”). Having made specific enquiry to the Directors, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code and EIHL Securities Code throughout the Period.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines in line with the Model Code. No incident of non-compliance by relevant employees was noted during the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.EmperorInt.com>. The interim report of the Company for the Period will be dispatched to the shareholders of the Company and will be available on the aforesaid websites in due course.

By order of the Board
Emperor International Holdings Limited
Luk Siu Man, Semon
Chairperson

Hong Kong, 28 November 2018

As at the date hereof, the Board comprises:

Non-executive Director:

Ms. Luk Siu Man, Semon

Executive Directors:

Mr. Wong Chi Fai

Ms. Fan Man Seung, Vanessa

Mr. Cheung Ping Keung

Mr. Yeung Ching Loong, Alexander

Independent Non-executive Directors:

Ms. Cheng Ka Yu

Mr. Wong Tak Ming, Gary

Mr. Chan Hon Piu