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## ASIA STANDARD HOTEL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 292)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2019

<b>FINANCIAL HIGHLIGHTS</b>			
<i>(in HK\$ million, except otherwise indicated)</i>			
	<b>2019</b>	2018	Change
Revenue	<b>1,199</b>	843	+42%
Operating profit	<b>537</b>	260	+107%
Profit attributable to shareholders of the Company	<b>340</b>	172	+98%
Total assets	<b>11,512</b>	9,101	+26%
Net assets	<b>4,193</b>	3,919	+7%
Net debt	<b>6,639</b>	4,675	+42%
Supplementary information with five (2018: four) hotel properties in operation stated at valuation (note):			
Revalued total assets	<b>20,892</b>	17,410	+20%
Revalued net assets	<b>13,574</b>	12,227	+11%
Gearing – net debt to revalued net assets	<b>49%</b>	38%	+11%
Note: According to the Group's accounting policies, the hotel properties in operation 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 as appraised by independent professional valuer.			

The board of directors (the “Board”) of Asia Standard Hotel Group Limited (the “Company”) announce that the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2019 together with the comparative figures for the year ended 31st March 2018 were as follows:

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2019

	<i>Note</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Sales of goods and services and other revenue		<b>565,734</b>	551,546
Interest revenue		<b>633,645</b>	291,095
Total revenue	2	<b>1,199,379</b>	842,641
Cost of sales		<b>(249,825)</b>	(238,753)
Gross profit		<b>949,554</b>	603,888
Selling and administrative expenses		<b>(165,817)</b>	(163,480)
Depreciation		<b>(112,969)</b>	(121,397)
Net investment loss	3		
Net realised and unrealised loss		<b>(2,062)</b>	(58,621)
Changes in expected credit losses other credit impairment charges		<b>(131,455)</b>	-
Operating profit		<b>537,251</b>	260,390
Net finance costs	5	<b>(182,522)</b>	(82,448)
Share of profits less losses of joint ventures		<b>2,911</b>	1,147
Profit before income tax		<b>357,640</b>	179,089
Income tax expense	6	<b>(17,374)</b>	(7,259)
Profit for the year		<b>340,266</b>	171,830
Attributable to:			
Shareholders of the Company		<b>339,737</b>	171,830
Non-controlling interests		<b>529</b>	-
		<b>340,266</b>	171,830
Earnings per share (HK cents)			
Basic	8	<b>16.8</b>	8.5
Diluted	8	<b>7.5</b>	3.9

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2019

	2019 HK\$'000	2018 HK\$'000
Profit for the year	340,266	171,830
Other comprehensive (charge)/income		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Net fair value gain on debt securities at fair value through other comprehensive income	27,484	-
Fair value gain on available-for-sale investments	-	32,661
Currency translation differences	(13,662)	8,265
Share of currency translation differences of joint ventures	(19,890)	9,236
Items that will not be reclassified to profit or loss:		
Net fair value loss on equity securities at fair value through other comprehensive income	(30,784)	-
	(36,852)	50,162
Total comprehensive income for the year	303,414	221,992
Attributable to:		
Shareholders of the Company	305,149	221,992
Non-controlling interests	(1,735)	-
	303,414	221,992

**CONSOLIDATED BALANCE SHEET**

As at 31st March 2019

	<i>Note</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>3,064,654</b>	3,120,422
Joint ventures		<b>456,251</b>	255,682
Financial investments		<b>211,006</b>	233,630
Deferred income tax assets		<b>11,441</b>	4,880
		<u><b>3,743,352</b></u>	<u>3,614,614</u>
<b>Current assets</b>			
Properties under development for sale		<b>456,141</b>	344,970
Inventories		<b>21,615</b>	14,091
Trade and other receivables	9	<b>232,163</b>	174,289
Income tax recoverable		<b>3,176</b>	2,698
Financial investments		<b>6,776,265</b>	4,702,718
Bank balances and cash		<b>278,913</b>	247,726
		<u><b>7,768,273</b></u>	<u>5,486,492</u>
<b>Current liabilities</b>			
Trade and other payables	10	<b>86,551</b>	139,740
Contract liabilities		<b>199,405</b>	-
Deposits received from sale of properties		-	56,833
Amount due to non-controlling interests		<b>39,225</b>	-
Borrowings		<b>2,188,044</b>	1,477,071
Income tax payable		<b>23,878</b>	14,183
		<u><b>2,537,103</b></u>	<u>1,687,827</u>
Net current assets		<u><b>5,231,170</b></u>	<u>3,798,665</u>
<b>Non-current liabilities</b>			
Long term borrowings		<b>4,531,011</b>	3,258,698
Convertible notes		<b>199,126</b>	187,243
Deferred income tax liabilities		<b>51,203</b>	48,639
		<u><b>4,781,340</b></u>	<u>3,494,580</u>
Net assets		<u><b>4,193,182</b></u>	<u>3,918,699</u>
<b>Equity</b>			
Share capital		<b>40,361</b>	40,361
Reserves		<b>4,154,556</b>	3,878,338
Equity attributable to shareholders of the Company		<u><b>4,194,917</b></u>	<u>3,918,699</u>
Non-controlling interests		<b>(1,735)</b>	-
		<u><b>4,193,182</b></u>	<u>3,918,699</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation

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

The accounting policies and methods of computation used in the preparation of these annual financial statements are consistent with those used in 2018, except for the adoption of the following new standards that are effective for the first time for this year which are relevant to the Group’s operations and are mandatory for accounting periods beginning on or after 1st January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from contracts with customers

The adoption of HKFRS 9 and HKFRS 15 from 1st April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9 and HKFRS 15, comparative figures have not been restated.

Effects on adoption of new HKFRS are as follows:

#### **HKFRS 9**

#### **Consolidated balance sheet (extracted)**

	As at 1st April 2018		
	As presented under previous accounting policies HK\$’000	Effect of adoption of HKFRS 9 HK\$’000	As presented under new accounting policies HK\$’000
Non-current assets			
Financial investments			
AFS investments	233,630	(233,630)	-
Financial assets at FVOCI	-	233,630	233,630
	<u>233,630</u>	<u>-</u>	<u>233,630</u>
Current assets			
Financial investments			
Financial assets at FVPL	4,702,718	(4,111,692)	591,026
Financial assets at FVOCI	-	4,111,692	4,111,692
	<u>4,702,718</u>	<u>-</u>	<u>4,702,718</u>
Reserves			
Investment revaluation reserve (previously named as AFS investments reserve)	80,770	(77,711)	3,059
Revenue reserve	1,557,642	77,711	1,635,353

## 1. Basis of preparation (continued)

### Consolidated balance sheet (extracted) (continued)

	As at 31st March 2019		
	As presented under previous accounting policies HK\$'000	Effect of adoption of HKFRS 9 HK\$'000	As presented under new accounting policies HK\$'000
Non-current assets			
Financial investments			
AFS investments	211,006	(211,006)	-
Financial assets at FVOCI	-	194,762	194,762
Financial assets at FVPL	-	16,244	16,244
	211,006	-	211,006
Current assets			
Financial investments			
Financial assets at FVPL	6,776,265	(6,401,622)	374,643
Financial assets at FVOCI	-	6,401,622	6,401,622
	6,776,265	-	6,776,265
Reserves			
Investment revaluation reserve (previously named as AFS investments reserve)	49,986	(50,227)	(241)
Revenue reserve	1,895,932	50,227	1,946,159

	For the year ended 31st March 2019		
	As presented under previous accounting policies HK\$'000	Effect of adoption of HKFRS 9 HK\$'000	As presented under new accounting policies HK\$'000
<b>Consolidated profit and loss account (extracted)</b>			
Revenue	1,159,374	40,005	1,199,379
Net investment loss	(64,961)	(68,556)	(133,517)
Income tax expense	(18,441)	1,067	(17,374)
Profit attributable to shareholders of the Company	367,221	(27,484)	339,737
Basic earnings per share (HK cents)	18.2	(1.4)	16.8

### Consolidated statement of comprehensive income (extracted)

Other comprehensive income			
Net fair value gain/(loss) on financial assets at FVOCI			
- Debt securities	-	27,484	27,484
- Equity securities	-	(30,784)	(30,784)
Net fair value loss on AFS investments	(30,784)	30,784	-
Total comprehensive income attributable to shareholder of the Company	305,149	-	305,149

## 1. Basis of preparation (continued)

### HKFRS 15

#### Consolidated balance sheet (extracted)

	As at 1st April 2018		
	As presented under previous accounting policies HK\$'000	Effect of adoption of HKFRS 15 HK\$'000	As presented under new accounting policies HK\$'000
Current liabilities			
Deposits received from sale of properties	56,833	(56,833)	-
Contract liabilities	-	56,833	56,833
	<u>-</u>	<u>56,833</u>	<u>56,833</u>
	As at 31st March 2019		
	As presented under previous accounting policies HK\$'000	Effect of adoption of HKFRS 15 HK\$'000	As presented under new accounting policies HK\$'000
Current assets			
Trade and other receivables	241,929	(9,766)	232,163
Current liabilities			
Trade and other payables	130,945	(44,394)	86,551
Deposits received from sale of properties	164,777	(164,777)	-
Contract liabilities	-	199,405	199,405
	<u>-</u>	<u>199,405</u>	<u>199,405</u>

There are no other standards or interpretations effective for financial period beginning on 1st April 2018 that would have a material impact to the Group.

Certain new and revised standards have been issued but are not yet effective for the year ended 31st March 2019 and have not been early adopted by the Group.

## 2. Segment information

Revenue includes revenue from hotel and travel operations, interest income and dividend income.

	<b>Hotel operation HK\$'000</b>	<b>Property development HK\$'000</b>	<b>Financial investments HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
<b>2019</b>					
<b>Segment revenue</b>	<b>441,438</b>	<b>344</b>	<b>654,845</b>	<b>102,752</b>	<b>1,199,379</b>
<b>Contribution to segment results</b>	<b>208,973</b>	<b>(23,088)</b>	<b>653,837</b>	<b>358</b>	<b>840,080</b>
<b>Depreciation</b>	<b>(92,273)</b>	<b>(18,310)</b>	<b>-</b>	<b>(2,386)</b>	<b>(112,969)</b>
<b>Net investment loss</b>	<b>-</b>	<b>-</b>	<b>(133,517)</b>	<b>-</b>	<b>(133,517)</b>
<b>Share of profits less losses of joint ventures</b>	<b>-</b>	<b>3,461</b>	<b>-</b>	<b>(550)</b>	<b>2,911</b>
<b>Segment results</b>	<b>116,700</b>	<b>(37,937)</b>	<b>520,320</b>	<b>(2,578)</b>	<b>596,505</b>
<b>Unallocated corporate expenses</b>					<b>(56,343)</b>
<b>Net finance costs</b>					<b>(182,522)</b>
<b>Profit before income tax</b>					<b>357,640</b>
<b>2018</b>					
<b>Segment revenue</b>	<b>453,681</b>	<b>-</b>	<b>311,580</b>	<b>77,380</b>	<b>842,641</b>
<b>Contribution to segment results</b>	<b>203,717</b>	<b>(11,897)</b>	<b>310,919</b>	<b>(243)</b>	<b>502,496</b>
<b>Depreciation</b>	<b>(116,452)</b>	<b>(3,125)</b>	<b>-</b>	<b>(1,820)</b>	<b>(121,397)</b>
<b>Net investment loss</b>	<b>-</b>	<b>-</b>	<b>(58,621)</b>	<b>-</b>	<b>(58,621)</b>
<b>Share of profits less losses of joint ventures</b>	<b>-</b>	<b>1,882</b>	<b>-</b>	<b>(735)</b>	<b>1,147</b>
<b>Segment results</b>	<b>87,265</b>	<b>(13,140)</b>	<b>252,298</b>	<b>(2,798)</b>	<b>323,625</b>
<b>Unallocated corporate expenses</b>					<b>(62,088)</b>
<b>Net finance costs</b>					<b>(82,448)</b>
<b>Profit before income tax</b>					<b>179,089</b>



## 2. Segment information (continued)

	Business segments				Unallocated HK\$'000	Total HK\$'000
	Hotel operation HK\$'000	Property development HK\$'000	Financial investments HK\$'000	Others HK\$'000		
<b>2019</b>						
Assets	3,077,809	1,121,369	7,163,831	12,162	136,454	11,511,625
Assets include:						
Joint ventures	-	455,686	-	565	-	456,251
Addition to non-current assets*	58,062	79,338	-	47	658	138,105
Liabilities						
Borrowings	3,407,533	73,491	773,684	-	2,464,347	6,719,055
Other liabilities						599,388
						7,318,443
<b>2018</b>						
Assets	2,434,939	1,326,871	5,045,833	29,681	263,782	9,101,106
Assets include:						
Joint ventures	-	254,567	-	1,115	-	255,682
Addition to non-current assets*	32,691	94,358	-	1,878	3,776	132,703
Liabilities						
Borrowings	1,067,357	974,357	-	-	2,694,055	4,735,769
Other liabilities						446,638
						5,182,407

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

## 2. Segment information (continued)

	2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>		
Hong Kong	544,189	471,290
Overseas	655,190	371,351
	<u>1,199,379</u>	<u>842,641</u>
<b>Non-current assets*</b>		
Hong Kong	3,040,392	3,076,708
Overseas	480,513	299,396
	<u>3,520,905</u>	<u>3,376,104</u>

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

## 3. Net investment loss

	2019 HK\$'000	2018 HK\$'000
Financial assets at FVPL		
– net realised (loss)/gain (note (a))	(4,075)	33,513
– net unrealised loss from market price movements	(24,930)	(134,604)
– net unrealised exchange gain	67	42,470
	<u>(28,938)</u>	<u>(58,621)</u>
Financial assets at FVOCI		
– net realised gain (note (b))	25,384	-
– net unrealised exchange gain	1,492	-
– changes in expected credit losses and other credit impairment charges	(131,455)	-
	<u>(104,579)</u>	<u>-</u>
	<u>(133,517)</u>	<u>(58,621)</u>

### 3. Net investment loss (continued)

Notes:

	2019 HK\$'000	2018 HK\$'000
(a) Net realised (loss)/gain on financial assets at FVPL		
Gross consideration	268,245	1,422,014
Cost of investments	<u>(417,790)</u>	<u>(1,219,605)</u>
Total (loss)/gain	(149,545)	202,409
Add/(less): net unrealised loss/(gain) recognised in prior years	<u>145,470</u>	<u>(168,896)</u>
Net realised (loss)/gain recognised in current year	<u><u>(4,075)</u></u>	<u><u>33,513</u></u>
(b) Net realised gain on financial assets at FVOCI		
Gross consideration	1,911,547	-
Cost of investments	<u>(1,865,488)</u>	<u>-</u>
Total gain	46,059	-
Less: net unrealised gain recognised in prior years	<u>(20,675)</u>	<u>-</u>
Net realised gain recognised in current year	<u><u>25,384</u></u>	<u><u>-</u></u>
	<u><u>21,309</u></u>	<u><u>33,513</u></u>

### 4. Income and expenses by nature

	2019 HK\$'000	2018 HK\$'000
<b>Income</b>		
Interest income from financial assets at FVOCI		
- Listed investments	632,821	290,973
Interest income from financial assets that are measured at amortised cost		
- Bank deposits	824	122
Dividend income		
- Listed investments	<u>20,061</u>	<u>17,671</u>
<b>Expenses</b>		
Cost of goods sold	89,768	76,554
Operating lease rental expense for land and buildings	<u>7,717</u>	<u>5,957</u>

## 5. Net finance costs

	2019 HK\$'000	2018 HK\$'000
Interest expense		
Long term bank loans	(130,612)	(69,563)
Short term bank loans and overdrafts	(40,522)	(9,122)
Convertible notes	(13,104)	(12,252)
Interest capitalised	16,426	23,755
	<u>(167,812)</u>	<u>(67,182)</u>
Other incidental borrowing costs	(16,548)	(12,160)
Net foreign exchange gain/(loss) on borrowings	1,838	(3,106)
	<u>(182,522)</u>	<u>(82,448)</u>

## 6. Income tax expense

	2019 HK\$'000	2018 HK\$'000
Current income tax expense		
Hong Kong profits tax	(19,678)	(15,309)
Overseas profit tax	(2,408)	(2,120)
(Under)/over provision in prior years	(351)	3,568
	<u>(22,437)</u>	<u>(13,861)</u>
Deferred income tax credit	5,063	6,602
	<u>(17,374)</u>	<u>(7,259)</u>

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

## 7. Dividends / Coupon on convertible notes

	2019 HK\$'000	2018 HK\$'000
Dividend :		
- Interim, nil (2018: Nil)	-	-
- Final, proposed, of HK0.65 cent (2018: HK0.64 cent) per share to shareholders (note (a))	<u>13,117</u>	<u>12,915</u>
	<u><u>13,117</u></u>	<u><u>12,915</u></u>

At a meeting held on 27th June 2019, the Board has proposed to pay a final dividend to shareholders for the year ended 31st March 2019.

	2019 HK\$'000	2018 HK\$'000
Coupon of HK0.65 cent (2018: HK0.64 cent) per note to convertible note holders (note (b)) :		
- fixed coupon	1,220	1,220
- additional coupon	<u>16,285</u>	<u>16,016</u>
	<u><u>17,505</u></u>	<u><u>17,236</u></u>

Notes:

- (a) The amount of HK\$13,117,000 (2018: HK\$12,915,000) is based on 2,018,040,477 (2018: 2,018,040,477) issued shares as at 27th June 2019. The proposed final dividend are not reflected in the financial statements, but will be reflected as an appropriation of revenue reserve in the year ending 31st March 2020.
- (b) According to the deed poll of the convertible notes, the holders of convertible notes are entitled to receive additional coupon on top of fixed coupon such that the total coupon per note received is the same as dividend per share received by ordinary shareholders. The amount of HK\$17,505,000 (2018: HK\$17,236,000) is based on 2,693,120,010 (2018: 2,693,120,010) convertible notes outstanding as at 27th June 2019. The fixed coupon of HK\$1,220,000 (2018: HK\$1,220,000) is calculated as 0.1% of redemption value of the convertible notes for that period and was reflected as convertible notes interest under “net finance costs” for the year ended 31st March 2019. The additional coupon in excess of the fixed coupon of HK\$16,285,000 (2018: HK\$16,016,000) will be reflected as an appropriation of revenue reserve in the coming financial year.

## 8. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of the Company and divided by the weighted average number shares.

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

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Profit attributable to shareholders of the Company for calculation of basic earnings per share	<b>339,737</b>	171,830
Effect of dilutive potential shares:		
Interest expense saved on convertible notes	<b>13,104</b>	12,252
Profit for calculation of diluted earnings per share	<b>352,841</b>	184,082
	<b>Number of shares</b>	
Weighted average number of shares for calculation of basic earnings per share	<b>2,018,040,477</b>	2,018,040,477
Effect of dilutive potential shares:		
Share options of the Company assumed to be exercised	<b>5,040,077</b>	9,425,161
Convertible notes assumed to be converted at the beginning of the year	<b>2,693,120,010</b>	2,693,120,010
Weighted average number of shares for calculation of diluted earnings per share	<b>4,716,200,564</b>	4,720,585,648
Basic earnings per share (HK cents)	<b>16.8</b>	8.5
Diluted earnings per share (HK cents)	<b>7.5</b>	3.9

## 9. Trade and other receivables

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

Trade receivables of the Group amounted to HK\$20,919,000 (2018: HK\$13,122,000). 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 evaluations of customers are performed periodically.

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

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
0 month to 6 months	<b>20,784</b>	13,122
7 months to 12 months	<b>56</b>	-
More than 12 months	<b>79</b>	-
	<b>20,919</b>	13,122

## 10. Trade and other payables

Trade and other payables of the Group include trade payables, rental and management fee deposits, retentions payable of construction costs and various accruals.

Trade payables of the Group amounted to HK\$21,094,000 (2018: HK\$30,811,000).

Aging analysis of trade payables is as follows:

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
0 month to 6 months	<b>20,300</b>	29,999
7 months to 12 months	<b>206</b>	343
More than 12 months	<b>588</b>	469
	<b><u>21,094</u></b>	<u>30,811</u>

The figures in respect of the Group's consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31st March 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS**

The Group's revenue for the fiscal year ended 31st March 2019 amounted to HK\$1,199 million, an increase of 42% when compared with the last year. Profit attributable to shareholders of the Company increased by 98% to HK\$340 million. Such increase was mainly attributable to significant increases in operating profits arising from (i) hospitality operations from improved average daily room rates, and (ii) financial investments primarily due to higher investment income from the debt securities portfolio. This difference was partially offset by higher finance costs from increased market interest rates and bank borrowings.

#### **Hotel Business**

Between April 2018 and March 2019, the tourism industry in Hong Kong had experienced a strong growth with cumulative arrivals for all visitors to Hong Kong surged by 13% year on year to over 68 million, and those who stayed overnight surged by 6% year on year to over 30 million. Tourist influx from Mainland China, which made up just under 80% of all visitors, showed a dramatic increase of 16.7%. The arrival of more than 30 million overnight visitors, including 20.6 million from China also had set a record high.

The hospitality market in Hong Kong has also experienced a strong growth from the revival of the tourism, and the finite supply of hotel rooms has led to an upward adjustment of hotel room rates. As of March 2019, the total Hong Kong hotel room supply was approximately 83,000, increased by 5% from the same period of last year.

During the year, our hospitality assets in Hong Kong have achieved a 93% occupancy, while average room rates have increased by 10% from the same period of last year.

#### **Development Projects**

Located adjacent to our existing hotel in Tsim Sha Tsui, the Group's newly addition of the 90-room hotel had commenced operation in December 2018. It has since achieved an over 90% occupancy during the four months of operations.

In Vancouver, the demolition work of our Empire Landmark Hotel located close in the downtown commercial core on Robson Street is currently underway. Since January 2018, a total of CAD\$140 million (approximately HK\$823 million) contracted sales of residential units in this development has been achieved up to 31st March 2019.

Another developable property located next to our Empire Landmark Hotel at the Robson Street is in the planning stage for development.

The Group's joint venture residential development on Alberni Street is on course to obtaining the development permit from the local authority, in which it has received the public hearing approval for rezoning in September 2018 and the Urban Design Panel approved for development permit application in April 2019.

In April 2018, the Group, through another joint venture with which it owns a 40% equity interest, has completed the acquisition of another property also located at Alberni Street in downtown Vancouver for redevelopment into premium residential units for sale. The total consideration of the acquisition was CAD\$130 million (equivalent to approximately HK\$764 million).



## Financial Investments

The Group has adopted the new accounting standard HKFRS 9 with effect from 1st April 2018. This is a new classification and measurement approach for financial assets with changes in fair value of certain securities (consisted mostly listed debt securities) to be recognised through reserve while expected credit loss and impairment to be assessed at each reporting date and the changes to be reported in profit and loss account. This differed from the previous practice for recognising fair value changes and impairment charges when incurred through profit and loss account. Further details of the nature and effect of the changes to previous accounting policies can be referred to note 1 of the notes to the financial statements.

As at 31st March 2019, the Group's financial investment portfolio consisted almost entirely of listed securities amounted to HK\$6,987 million (2018: HK\$4,936 million). The increase in value of the portfolio during the year was mainly attributable to net investments made in debt securities offset by a mark to market fair value loss during the year.

Approximately 92% of our investment portfolio comprised of listed debt securities that were issued mostly by companies operating real estate business in China, approximately 7% comprised listed equity securities (all of which were issued by major banks), and 1% comprised unlisted fund securities. They were denominated in Hong Kong dollars 3% and United States dollars 97%.

During the year, a total of HK\$653 million (2018: HK\$309 million) in interest and dividend income were generated from the investment portfolio. The increase in interest and dividend income was due to an enlarged debt portfolio from additional investments. Notwithstanding this increase in income, a net investment loss of HK\$134 million (2018: HK\$59 million) was charged to profit and loss while the mark-to-market valuation loss on listed debt securities of HK\$81 million were recognised in the investment reserve account pursuant to HKFRS 9. The net investment loss comprised mostly changes in the expected credit loss and impairment charges of listed debt securities, and the fair value loss of listed equity securities.

## FINANCIAL REVIEW

The financing and treasury activities of the Group are centrally managed and controlled at the corporate level. At 31st March 2019, the Group had about HK\$2.9 billion cash and undrawn banking facilities.

The Group's total assets per book amounted to HK\$11,512 million (2018: HK\$9,101 million). Based on independent valuation, the total revalued amount of our hotel properties in Hong Kong as at 31st March 2019 was HK\$12,298 million, increased by 15% when compared with that as at 31st March 2018. The increase was mainly due to addition of the revalued amount of our new 90-room Empire Prestige in Tsim-Sha-Tsui, which has commenced operation in December 2018. The revalued total assets of the Group with hotel properties in Hong Kong at market value would be HK\$20,892 million (2018: HK\$17,410 million).

The net assets per book amounted to HK\$4,193 million (2018: HK\$3,919 million), of which the increase was mainly due to an increase of income from enlarged debt securities investment portfolio. Taking into account the market value of the hotel properties in operation, the revalued net asset value of the Group would be HK\$13,574 million (31st March 2018: HK\$12,227 million).

The consolidated net debt (total debt less cash balance) was HK\$6,639 million (2018: HK\$4,675 million). The total debt comprised HK\$6,719 million of bank borrowings and HK\$199 million convertible notes. 98% of the gross bank borrowings or HK\$6,559 million was denominated in Hong Kong dollars, and the remaining 2% or to the equivalent of HK\$160 million were in foreign currencies incurred in operations and investment in financial assets overseas. Total interest cost increased as a result of increased market interest rates and bank borrowings.

Of the total bank borrowings, 23% were revolving loans (of which 16% is secured), 56% were secured term loans, and the remaining 21% were unsecured term loans. The maturity of our bank borrowings spread over a period of up to five years with 33% repayable within one year, 15% repayable between one to two years, and 52% repayable within three to five years. Convertible notes, accounting for 3% of total debt, are unsecured and repayable in February 2047.

At 31st March 2019, the Group had net current assets of HK\$5,231 million (2018: HK\$3,799 million), and bank balances together with listed marketable securities of HK\$7,169 million represent 3.3 times of the bank borrowings of HK\$2,188 million due within 12 months.

The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 49% (2018: 38%).

The carrying value of hotel properties, property under development for sale and financial assets pledged as collateral for banking facilities of the Group as at 31st March 2019 amounted to HK\$4,559 million (2018: HK\$3,653 million).

## **HUMAN RESOURCES**

As at 31st March 2019, the total number of full-time employees of the Company and its subsidiaries was approximately 300 (2018: 280). In addition to salary payment, the Group provides other benefits including insurance, share options, medical scheme and retirement plans and others to its employees.

## **OUTLOOK**

The demand for hotel rooms in Hong Kong is expected to remain robust upon improving visitors' growth, and with improving tourism infrastructure in the territory and Mainland China's on-going liberalization of restrictions on outbound tourism.

The general property market outlook in Vancouver, Canada has been partly subdued by the local government policies aiming to curb foreign demand in real estate. However, given Vancouver's limited supply of residential development, a vacancy rate of sub 1% in downtown area, an annual average influx of thirty thousand immigrants and migrants for the past ten years, its globally recognized status of world's most habitable city, we remain optimistic in the long term prospect of the Vancouver real estate market.

While China's economic outlook remained uncertain amid ongoing trade tension, the central government is expected to expand its economic stimulus covering spending such as food, transportation, and housing, and monetary easing, all of which could weigh on confidence, market sentiment, and eventually on activity, depending on their ultimate scope.

The management, while continuously monitoring macroeconomic developments and risks to the outlook, remains cautiously optimistic towards the performance of the Group in the rapidly changing environment.

## **DIVIDEND / COUPON ON CONVERTIBLE NOTES**

The Board recommends the payment of a final dividend for the year ended 31st March 2019 of HK0.65 cent (2018: HK0.64 cent) per share. No interim dividend was declared during the year (2018: Nil). Total dividend for the year amounts to HK0.65 cent (2018: HK0.64 cent) per share.

In addition, subject to the approval of the shareholders at the annual general meeting to be held on 30th August 2019 (the "Annual General Meeting") for the proposed final dividend, pursuant to the deed poll of the convertible notes, the Company will pay coupon to the noteholders equal to HK0.65 cent (2018: HK0.64 cent) per convertible note for the year ended 31st March 2019.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Tuesday, 27th August 2019 to Friday, 30th August 2019 both days inclusive, for the purpose of determining the identity of members who are entitled to attend and vote at the Annual General Meeting. During which period no transfer of shares of the Company will be registered and no shares will be allotted and issued on the exercise of the subscription rights attached to the outstanding share options granted by the Company. In order to qualify for attending the Annual General Meeting, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 26th August 2019.

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is 6th September 2019. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 5th September 2019 to Friday, 6th September 2019 both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers of shares of the Company, accompanied by the relevant share certificates and the appropriate transfer forms, must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 4th September 2019. The final dividend will be paid on 26th September 2019.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **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 year, and they all confirmed that they have fully complied with the required standard as set out in the Model Code throughout the year ended 31st March 2019.

## **CORPORATE GOVERNANCE CODE**

During the year, 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;

- (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 to 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 be eligible for re-election at the meeting;
- (3) Code Provision E.1.2 of the CG Code provides that the chairman of the board of the company should attend the annual general meetings. Mr. Poon Jing, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 30th August 2018 due to his other engagements at the relevant time; and
- (4) Code Provision C.2.5 of the CG Code provides that issuers should have an internal audit function. The Company's internal audit function was carried out by the internal auditor who has resigned and left the Company in August 2018. A new internal auditor has been recruited and report to duty in June 2019.

#### **AUDIT COMMITTEE**

The Audit Committee has reviewed the annual results of the Group for the year ended 31st March 2019.

By Order of the Board  
**Asia Standard Hotel Group Limited**  
**POON, JING**  
*Chairman*

Hong Kong, 27th June 2019

*As at the date of this announcement, the executive directors of the Company are Mr. Poon Jing, Dr. Lim Yin Cheng, Mr. Poon Hai, Mr. Poon Yeung, Roderick, Mr. Fung Siu To, Clement and Mr. Woo Wei Chun, Joseph; and the independent non-executive directors are Mr. Ip Chi Wai, Mr. Leung Wai Keung and Mr. Hung Yat Ming.*