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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 2020

<b>FINANCIAL HIGHLIGHTS</b>			
<i>(in HK\$ million, except otherwise indicated)</i>			
	<b>2020</b>	2019	Change
Revenue	<b>1,123</b>	1,199	-6%
Operating profit	<b>599</b>	537	+12%
Profit attributable to shareholders of the Company	<b>383</b>	340	+13%
Total assets	<b>10,689</b>	11,512	-7%
Net assets	<b>3,519</b>	4,193	-16%
Net debt	<b>6,458</b>	6,639	-3%
Supplementary information with the hotel properties in operation stated at valuation (note):			
Revalued total assets	<b>19,527</b>	20,892	-7%
Revalued net assets	<b>12,358</b>	13,574	-9%
Gearing – net debt to revalued net assets	<b>52%</b>	49%	+3%
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 2020 together with the comparative figures for the year ended 31st March 2019 were as follows:

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2020

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Sales of goods and services and other revenue		<b>319,102</b>	565,734
Interest revenue		<b>804,315</b>	633,645
Total revenue	2	<b>1,123,417</b>	1,199,379
Cost of sales		<b>(194,439)</b>	(249,825)
Gross profit		<b>928,978</b>	949,554
Selling and administrative expenses		<b>(148,394)</b>	(165,817)
Depreciation		<b>(134,860)</b>	(112,969)
Net investment loss	3		
Net realised and unrealised loss		<b>(26,473)</b>	(2,062)
Changes in expected credit losses and other credit impairment charges		<b>(20,627)</b>	(131,455)
Operating profit		<b>598,624</b>	537,251
Net finance costs	5	<b>(227,439)</b>	(182,522)
Share of profits less losses of joint ventures		<b>1,921</b>	2,911
Profit before income tax		<b>373,106</b>	357,640
Income tax credit/(expense)	6	<b>10,480</b>	(17,374)
Profit for the year		<b>383,586</b>	340,266
Attributable to:			
Shareholders of the Company		<b>383,010</b>	339,737
Non-controlling interests		<b>576</b>	529
		<b>383,586</b>	340,266
Earnings per share (HK cents)			
Basic	8	<b>19.0</b>	16.8
Diluted	8	<b>8.4</b>	7.5

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2020

	2020 HK\$'000	2019 HK\$'000
Profit for the year	<u>383,586</u>	<u>340,266</u>
Other comprehensive (charge)/income		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Net fair value (loss)/ gain on debt securities at fair value through other comprehensive income	(903,143)	27,484
Fair value loss on cash flow hedges	(4,542)	-
Currency translation differences	(27,386)	(13,662)
Share of currency translation differences of joint ventures	(32,809)	(19,890)
Item that will not be reclassified to profit or loss:		
Net fair value loss on equity securities at fair value through other comprehensive income	(60,196)	(30,784)
	<u>(1,028,076)</u>	<u>(36,852)</u>
Total comprehensive (charge)/income for the year	<u>(644,490)</u>	<u>303,414</u>
Attributable to:		
Shareholders of the Company	(642,560)	305,149
Non-controlling interests	(1,930)	(1,735)
	<u>(644,490)</u>	<u>303,414</u>

**CONSOLIDATED BALANCE SHEET**

As at 31st March 2020

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		2,967,396	3,064,654
Investment in joint ventures		143,398	136,601
Amount due from joint ventures		332,868	319,650
Financial investments		168,767	211,006
Deferred income tax assets		21,591	11,441
		<u>3,634,020</u>	<u>3,743,352</u>
<b>Current assets</b>			
Properties under development for sale		537,330	456,141
Inventories		20,144	21,615
Trade and other receivables	9	280,275	232,163
Income tax recoverable		3,629	3,176
Financial investments		5,882,742	6,776,265
Bank balances and cash		330,693	278,913
		<u>7,054,813</u>	<u>7,768,273</u>
<b>Current liabilities</b>			
Trade and other payables	10	70,915	86,551
Contract liabilities		197,582	199,405
Amount due to non-controlling interests		44,511	39,225
Borrowings		2,264,021	2,188,044
Income tax payable		35,121	23,878
		<u>2,612,150</u>	<u>2,537,103</u>
Net current assets		<u>4,442,663</u>	<u>5,231,170</u>
<b>Non-current liabilities</b>			
Long term borrowings		4,312,932	4,531,011
Lease liabilities		2,335	-
Convertible notes		211,845	199,126
Derivative financial instruments		4,542	-
Deferred income tax liabilities		25,739	51,203
		<u>4,557,393</u>	<u>4,781,340</u>
Net assets		<u>3,519,290</u>	<u>4,193,182</u>
<b>Equity</b>			
Share capital		40,361	40,361
Reserves		3,482,594	4,154,556
Equity attributable to shareholders of the Company		<u>3,522,955</u>	<u>4,194,917</u>
Non-controlling interests		<u>(3,665)</u>	<u>(1,735)</u>
		<u>3,519,290</u>	<u>4,193,182</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 financial assets at fair value through profit or loss (“FVPL”), financial assets at fair value through other comprehensive income (“FVOCI”) and derivative financial instruments, which are carried at fair value, and in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies and methods of computation used in the preparation of these annual financial statements are consistent with those used in 2019, except for the adoption of the following new or revised standards, amendments and improvement to standards and interpretations of HKFRS that are effective for the first time for the year ended 31st March 2020 which are relevant to the Group’s operations and are mandatory for accounting periods beginning on or after 1st January 2019:

HKFRS 16	Leases
Annual Improvement	Annual improvements to HKFRS 2015-2017 cycle
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures
HK (IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments

Except for HKFRS 16, the adoption of the other new or revised standards, amendments and improvement to standards and interpretations of HKFRS stated above did not have significant impact to the consolidated financial statements in the current and prior years.

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 is as follows:

	HK\$’000
Operating lease commitments as at 1st April 2019	<u>10,451</u>
Discounted using the lessee’s incremental borrowing rate at the date of initial application	10,206
Less: short-term lease recognised on a straight-line basis as expense	<u>(1,827)</u>
Lease liabilities recognised as at 1st April 2019	<u>8,379</u>
Of which are:	
Current – included in trade and other payables	5,909
Non-current – lease liabilities	<u>2,470</u>
	<u>8,379</u>

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 previously under “land and buildings” to right-of-use assets for presentation purpose.

## 1. Basis of preparation (continued)

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

Consolidated balance sheet (extract)

	Effects on adoption of HKFRS 16			As adjusted HK\$'000
	As previously reported HK\$'000	Reclassification HK\$'000	Recognition of leases HK\$'000	
<b>Assets</b>				
Property, plant and equipment				
Land and buildings	2,885,275	(2,885,275)	-	-
Buildings	-	859,118	-	859,118
Right-of-use assets	-	2,026,157	8,379	2,034,536
<b>Liabilities</b>				
Current - trade and other payables	86,551	-	5,909	92,460
Non-current - lease liabilities	-	-	2,470	2,470

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.

Certain new/revised standards, amendments and interpretations to standards have been issued but are not yet effective for the year ended 31st March 2020 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>2020</b>					
<b>Segment revenue</b>	<b>199,534</b>	<b>1,004</b>	<b>815,992</b>	<b>106,887</b>	<b>1,123,417</b>
<b>Contribution to segment results</b>	<b>22,934</b>	<b>(3,930)</b>	<b>813,195</b>	<b>8,883</b>	<b>841,082</b>
<b>Depreciation</b>	<b>(114,016)</b>	<b>(11,818)</b>	<b>-</b>	<b>(9,026)</b>	<b>(134,860)</b>
<b>Net investment loss</b>	<b>-</b>	<b>-</b>	<b>(47,100)</b>	<b>-</b>	<b>(47,100)</b>
<b>Share of profits less losses of joint ventures</b>	<b>-</b>	<b>2,377</b>	<b>-</b>	<b>(456)</b>	<b>1,921</b>
<b>Segment results</b>	<b>(91,082)</b>	<b>(13,371)</b>	<b>766,095</b>	<b>(599)</b>	<b>661,043</b>
<b>Unallocated corporate expenses</b>					<b>(60,498)</b>
<b>Net finance costs</b>					<b>(227,439)</b>
<b>Profit before income tax</b>					<b>373,106</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>

## 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>2020</b>						
Assets	2,974,177	1,064,965	6,326,696	44,158	278,837	10,688,833
Assets include:						
Joint ventures	-	475,624	-	642	-	476,266
Addition to non-current assets*	19,051	14,289	-	4,344	6,003	43,687
Liabilities						
Borrowings	3,522,554	68,873	577,866	-	2,407,660	6,576,953
Other liabilities						592,590
						7,169,543
<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

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



## 2. Segment information (continued)

	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>		
Hong Kong	335,889	544,189
Overseas	787,528	655,190
	<u>1,123,417</u>	<u>1,199,379</u>
<b>Non-current assets*</b>		
Hong Kong	2,954,705	3,040,392
Overseas	488,957	480,513
	<u>3,443,662</u>	<u>3,520,905</u>

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

## 3. Net investment loss

	2020 HK\$'000	2019 HK\$'000
Financial assets at FVPL		
– net realised gain/(loss) (note (a))	4,145	(4,075)
– net unrealised loss from market price movements	(63)	(24,930)
– net unrealised exchange gain	208	67
	<u>4,290</u>	<u>(28,938)</u>
Financial assets at FVOCI		
– net realised gain (note (b))	33,798	25,384
– net unrealised exchange (loss)/ gain	(64,561)	1,492
– changes in expected credit losses and other credit impairment charges	(20,627)	(131,455)
	<u>(51,390)</u>	<u>(104,579)</u>
	<u>(47,100)</u>	<u>(133,517)</u>

### 3. Net investment loss (continued)

Notes:

	2020 HK\$'000	2019 HK\$'000
(a) Net realised gain/(loss) on financial assets at FVPL		
Gross consideration	378,224	268,245
Cost of investments	<u>(277,445)</u>	<u>(417,790)</u>
Total gain/(loss)	100,779	(149,545)
(Less)/add: net unrealised (gain)/loss recognised in prior years	<u>(96,634)</u>	<u>145,470</u>
Net realised gain/(loss) recognised in current year	<u><u>4,145</u></u>	<u><u>(4,075)</u></u>
(b) Net realised gain on financial assets at FVOCI		
Gross consideration	2,237,847	1,911,547
Cost of investments	<u>(2,194,217)</u>	<u>(1,865,488)</u>
Total gain	43,630	46,059
Transfer from investment revaluation reserve	<u>(9,832)</u>	<u>(20,675)</u>
Net realised gain recognised in current year	<u><u>33,798</u></u>	<u><u>25,384</u></u>

### 4. Income and expenses by nature

	2020 HK\$'000	2019 HK\$'000
<b>Income</b>		
Interest income from financial assets at FVOCI		
- Listed investments	801,814	632,821
Dividend income		
- Listed investments	<u>11,694</u>	<u>20,061</u>
<b>Expenses</b>		
Cost of goods sold	<u><u>80,686</u></u>	<u><u>89,768</u></u>

## 5. Net finance costs

	2020 HK\$'000	2019 HK\$'000
Interest expense		
Long term bank loans	(187,610)	(130,612)
Short term bank loans and overdrafts	(28,486)	(40,522)
Lease liabilities	(293)	-
Convertible notes	(13,942)	(13,104)
Interest capitalised	18,710	16,426
	<u>(211,621)</u>	<u>(167,812)</u>
Other incidental borrowing costs	(19,747)	(16,548)
Net foreign exchange gain on borrowings	3,929	1,838
	<u>(227,439)</u>	<u>(182,522)</u>

## 6. Income tax credit/(expense)

	2020 HK\$'000	2019 HK\$'000
Current income tax expense		
Hong Kong profits tax	(13,617)	(19,678)
Overseas profits tax	-	(2,408)
Under provision in prior years	(6,986)	(351)
	<u>(20,603)</u>	<u>(22,437)</u>
Deferred income tax credit	31,083	5,063
	<u>10,480</u>	<u>(17,374)</u>

Hong Kong profits tax is provided at the rate of 16.5% (2019: 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

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Dividend :		
- Interim, nil (2019: Nil)	-	-
- Final, proposed, nil (2019: HK0.65 cent) per share to shareholders (note (a))	-	13,117
	<u>-</u>	<u>13,117</u>
	<u>-</u>	<u>13,117</u>
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
0.1% coupon (2019: HK0.65 cent) per note to convertible note holders (note (b)) :		
- fixed coupon	<b>1,223</b>	1,220
- additional coupon	-	16,285
	<u><b>1,223</b></u>	<u>17,505</u>
	<u><b>1,223</b></u>	<u>17,505</u>

### Notes:

- (a) At a meeting held on 26th June 2020, the Board has resolved not to recommend the payment of a final dividend for the year ended 31st March 2020 (2019: HK0.65 cent per share). No interim dividend was declared during the year (2019: Nil).
- (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\$ 1,223,000 is based on 2,693,120,010 (2019: 2,693,120,010) convertible notes outstanding as at 26th June 2020. The fixed coupon of HK\$1,223,000 (2019: 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 2020. The holders of convertible notes did not entitle additional coupon for the year ended 31st March 2020.

Since no final dividend was declared for the year ended 31st March 2020, the payment of the coupon will be deferred until such time as a dividend of the Company is declared and paid.

## 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:

	2020 HK\$'000	2019 HK\$'000
Profit attributable to shareholders of the Company for calculation of basic earnings per share	383,010	339,737
Effect of dilutive potential shares:		
Interest expense saved on convertible notes	13,942	13,104
Profit for calculation of diluted earnings per share	<u>396,952</u>	<u>352,841</u>
	<b>Number of shares</b>	
Weighted average number of shares for calculation of basic earnings per share	2,018,040,477	2,018,040,477
Effect of dilutive potential shares:		
Share options of the Company assumed to be exercised	-	5,040,077
Convertible notes assumed to be converted at the beginning of the year	2,693,120,010	2,693,120,010
Weighted average number of shares for calculation of diluted earnings per share	<u>4,711,160,487</u>	<u>4,716,200,564</u>
Basic earnings per share (HK cents)	<u>19.0</u>	<u>16.8</u>
Diluted earnings per share (HK cents)	<u>8.4</u>	<u>7.5</u>

## 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\$2,246,000 (2019: HK\$20,919,000). 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:

	2020 HK\$'000	2019 HK\$'000
0 month to 6 months	2,082	20,784
7 months to 12 months	15	56
More than 12 months	149	79
	<u>2,246</u>	<u>20,919</u>

## 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, interest payable, lease liabilities and various accruals.

Trade payables of the Group amounted to HK\$9,710,000 (2019: HK\$21,094,000).

Aging analysis of trade payables is as follows:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
0 month to 6 months	<b>9,054</b>	20,300
7 months to 12 months	<b>80</b>	206
More than 12 months	<b>576</b>	588
	<b>9,710</b>	21,094

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 2020 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 2020 amounted to HK\$1,123 million, a decrease of 6% when compared with last year. Profits attributable to shareholders of the Company has, however, increased by 13% to HK\$383 million. Such increase was mainly attributable to significant increase in operating profits from financial investments primarily due to more interest income from an enlarged portfolio of debt securities, and a reduction in net loss on investments in financial assets. This was partially offset by (i) a decrease in gross profit from the Group's hotel operation amidst the much-weakened tourism sentiment induced by the local social unrests and global COVID-19 pandemic, and (ii) a higher finance costs from increased market interest rates and bank borrowings.

#### Hotel Business

Between April 2019 and March 2020, cumulative overnight tourists to Hong Kong had just hit 17.3 million, a decline of 42.5% in the year-over-year period, out of which 11.7 million came from mainland China, which dropped by 43.4% year on year. Overnight tourists from conventional long-haul and other short-haul markets (excluding mainland China) also reported decreases of 32.3% and 45.2%, respectively, throughout the period.

As of March 2020, Hong Kong's overall hotel room availability was approximately 84,000, up 1% from last year's same time.

The widespread local socio-political turmoil had greatly impacted our hotel performances between June 2019 and January 2020. While hotel performances showed signs of stability in late 2019, hotel sales loss deepened in the 4th quarter of the fiscal year as occupancy levels fell to a low double-digit with over 90% of last year's sales lost owing to worldwide lockdowns from COVID-19 outbreak. The management took immediate action to reduce operational costs, update capital spending plans, preserve cash resources, and retain adequate banking facilities to finance capital commitments and working capital needs.

#### Development Projects

In Vancouver, the demolition works of our Empire Landmark Hotel situated near downtown commercial core on Robson Street has been completed. Excavation and shoring works are ongoing as the local on-site construction activities have been declared essential services. As of 31st March 2020, a total of approximately CAD\$ 140 million contracted sales of residential units has been achieved from the project sales launch at the beginning of 2018, and the pre-sale will be relaunched as soon as the economy recovers from the pandemic threat.

Another developable site on the east of the Empire Landmark Hotel remains in the development planning stage.

The Group's joint venture residential development on Alberni Street in downtown Vancouver is in the process of securing a development permit from the municipal authority under which it obtained the Prior to Letter outlining the conditions for approval by the local city council in June 2019 for the issuance of development permit.

Also on Alberni Street, another joint venture development is under planning to be redeveloped into a premium residential tower for sale. The rezoning package has been submitted to the City in early 2020.

## Financial Investments

As at 31st March 2020, the Group's financial investment portfolio consisted almost entirely of listed securities amounted to HK\$6,052 million (31st March 2019: HK\$6,987 million). The decrease in value of the portfolio during the year was mainly attributable to a mark to market valuation loss recognised in the investment reserve account pursuant to HKFRS 9.

Approximately 97% of our investment portfolio comprised of listed debt securities that were issued mostly by companies operating real estate business in China, approximately 2% comprised listed banking stock, and 1% in unlisted funds. They were denominated in Hong Kong dollars 4% and United States dollars 96%.

During the year, a total of HK\$814 million (2019: HK\$653 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\$47 million (2019: HK\$134 million) consisting mostly foreign exchange losses and changes in the expected credit loss and impairment charges of listed debt securities, was charged to profit and loss while the mark-to-market valuation loss on listed debt securities of HK\$825 million was recognised in the investment reserve account.

## FINANCIAL REVIEW

The financing and treasury activities of the Group are centrally managed and controlled at the corporate level. At 31st March 2020, the Group had about HK\$3 billion cash and undrawn banking facilities.

The Group's total assets per book amounted to HK\$10,689 million (31st March 2019: HK\$11,512 million). Based on independent valuation, the total revalued amount of our hotel properties in Hong Kong as at 31st March 2020 was HK\$11,670 million, decreased by 5% when compared with that as at 31st March 2019. The decrease represents the much-weakened, short-term hotel operating performances owing to the ongoing pandemic. The revalued total assets of the Group with hotel properties in Hong Kong at market value would be HK\$19,527 million (31st March 2019: HK\$20,892 million).

The net assets per book amounted to HK\$3,519 million (31st March 2019: HK\$4,193 million), of which the decline was primarily caused by mark-to-market valuation losses on listed debt securities being recognized in other comprehensive income partially offset by profit for the year. Taking into account the market value of the hotel properties in operation, the revalued net asset value of the Group would be HK\$12,358 million (31st March 2019: HK\$13,574 million).

The consolidated net debt (total debt less cash balance) was HK\$6,458 million (31st March 2019: HK\$6,639 million). The total debt comprised HK\$6,577 million of bank borrowings and HK\$212 million convertible notes. 83% of the gross bank borrowings or HK\$5,433 million was denominated in Hong Kong dollars, about 20% of which have been hedged against interest rate fluctuations by various interest rate swap contracts of HK\$1,300 million in total. The remaining 17% or to the equivalent of HK\$1,144 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, 18% were revolving loans (all of which is secured), 63% were secured term loans, and the remaining 19% were unsecured term loans. The maturity of our bank borrowings spread over a period of up to five years with 34% repayable within one year, 15% repayable between one to two years, and 51% repayable within three to five years. The unsecured convertible notes comprising 3% of total debt are held almost entirely by the parent groups, and are repayable by February 2047.



At 31st March 2020, the Group had net current assets of HK\$4,443 million (31st March 2019: HK\$5,231 million), and bank balances together with listed marketable securities of HK\$6,348 million represent 2.8 times of the bank borrowings of HK\$2,264 million due within 12 months.

The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 52% (31st March 2019: 49%).

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 2020 amounted to HK\$4,929 million (31st March 2019: HK\$4,559 million).

## **HUMAN RESOURCES**

As at 31st March 2020, the total number of full-time employees of the Company and its subsidiaries was approximately 190 (2019: 300). 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 global economy continues to face an unprecedented challenge while Hong Kong and the PRC are anticipated to face exceptional obstacles in the coming economic conditions and operating climate amid the ongoing local anti-government protests against Hong Kong's extradition bill and national security legislation and trade & political tensions between the PRC and the US.

In the long run, Hong Kong remains well placed to benefit from the enormous business opportunities provided under the Belt and Road initiative, the internationalization of the RMB and the growth of the Greater Bay Area of Guangdong-Hong Kong-Macao as a key business service and logistics hub in the Asian Pacific. Once the COVID-19 pandemic ends and local social unrest gradually subsides, Hong Kong's economy will be strong enough to rebound and restore its growth momentum.

As Coronavirus fades in China, Chinese domestic property market revived through a combination of policy funding, developer rewards and a rebound in the economy. The Chinese-US conflict on trade and other external events continue to impose significant threat to the global economy, and management remains vigilant and careful in its threats and uncertainties.

Although the widespread economic instability as a result of COVID-19 pandemic may take some time to unfold, many countries have begun to reopen their economies gradually. Looking at the long-term, we remain optimistic in the Vancouver real estate market, backed by a number of factors driving demand, including low interest rates, a re-bounding employment market and immigration.

While we have prepared to take into account the impact and scale of such unforeseen external forces outside our influence, the management remains highly alert and keeps track of these exceptional events, particularly when the COVID-19 crisis has been controlled and the global economy can be returned to normal.

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

The Board has resolved not to recommend the payment of a final dividend for the year ended 31st March 2020 (2019: HK0.65 cent per share). No interim dividend was declared during the year (2019: Nil).

Pursuant to the deed poll in respect the issue of the convertible notes (the “Notes”) with redemption value of HK\$0.453 each carrying an interest of 0.1% due 2047, the noteholders shall be entitled to a coupon of HK0.0454 cent (2019: HK0.65 cent) per Note (the “Coupon”). Since no final dividend was declared for the year ended 31st March 2020, the payment of the Coupon will be deferred until such time as a dividend of the Company is declared and paid.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Friday, 21st August 2020 to Wednesday, 26th August 2020 both days inclusive, for the purpose of determining the identity of members who are entitled to attend and vote at the annual general meeting to be held on 26th August 2020 (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 Thursday, 20th August 2020.

## **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 2020.

## **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.1.1 of the CG Code provides that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year, three regular physical board meetings were held in the first three quarters of the financial year. Due to the COVID-19 pandemic outbreak, after consultation with the directors including independent non-executive directors, one regular physical board meeting scheduled to be held in March 2020 was postponed and subsequently cancelled as part of the prudent measures taken in line with the government’s social distancing policy. The quarterly consolidated financial statements and financial review were sent to the directors to keep them abreast of the Company’s latest developments. The Company will endeavour to hold at least four regular board meetings at approximately quarterly intervals, each year;

- (2) 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;
- (3) 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; and
- (4) 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 2019 due to his other engagements at the relevant time.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the annual results of the Group for the year ended 31st March 2020.

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

Hong Kong, 26th June 2020

*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.*