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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 2017

| <b>FINANCIAL HIGHLIGHTS</b>   |               |        |        |
|---|---------------|--------|--------|
| <i>(in HK\$ million, except otherwise indicated)</i>  |               |        |        |
|   | <b>2017</b>   | 2016   | Change |
| Revenue   | <b>737</b>    | 677    | +9%    |
| Contribution from hotel operation   | <b>168</b>    | 158    | +6%    |
| Contribution from financial investments   | <b>231</b>    | 189    | +22%   |
| Net investment gain   | <b>243</b>    | 71     | +242%  |
| Profit for the year attributable to shareholders  | <b>433</b>    | 251    | +73%   |
| Net assets  | <b>3,727</b>  | 3,455  | +8%    |
| Net debt  | <b>2,240</b>  | 1,850  | +21%   |
| Supplementary information with five (2016: four) hotel properties in operation stated at valuation: |               |        |        |
| Revalued total assets   | <b>14,621</b> | 13,263 | +10%   |
| Revalued net assets   | <b>11,872</b> | 10,875 | +9%    |
| Gearing – net debt to revalued net assets   | <b>19%</b>    | 17%    | +2%    |

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 2017 together with the comparative figures for the year ended 31st March 2016 were as follows:

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2017

|  | <i>Note</i> | <b>2017</b><br><b>HK\$'000</b> | 2016<br>HK\$'000 |
|--|-------------|--------------------------------|------------------|
| Revenue  | 2           | <b>736,601</b>                 | 676,989          |
| Cost of sales  |             | <b>(238,655)</b>               | (231,618)        |
| Gross profit   |             | <b>497,946</b>                 | 445,371          |
| Selling and administrative expenses                  |             | <b>(151,766)</b>               | (138,540)        |
| Depreciation   |             | <b>(116,169)</b>               | (84,153)         |
| Net investment gain                                  | 3           | <b>243,046</b>                 | 70,579           |
| Operating profit                                     |             | <b>473,057</b>                 | 293,257          |
| Net finance costs                                    | 5           | <b>(40,061)</b>                | (33,237)         |
| Share of profits/(losses) of joint ventures          |             | <b>3,651</b>                   | (140)            |
| Profit before income tax                             |             | <b>436,647</b>                 | 259,880          |
| Income tax expense                                   | 6           | <b>(3,798)</b>                 | (9,268)          |
| Profit for the year attributable to shareholders     |             | <b>432,849</b>                 | 250,612          |
| Earnings per share (comparative restated) (HK cents) |             |                                |                  |
| Basic  | 8           | <b>21.45</b>                   | 12.42            |
| Diluted  | 8           | <b>18.47</b>                   | 12.42            |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31st March 2017

|  | <b>2017</b><br><b>HK\$'000</b> | 2016<br>HK\$'000 |
|--|--------------------------------|------------------|
| Profit for the year  | <u>432,849</u>                 | <u>250,612</u>   |
| Other comprehensive income/(charge)  |                                |                  |
| Items that have been reclassified or may be reclassified subsequently to profit or loss: |                                |                  |
| Fair value gain/(loss) on available-for-sale investments                                 | <b>44,711</b>                  | (53,883)         |
| Currency translation differences   | <b>(4,846)</b>                 | 5,359            |
| Share of currency translation differences of joint ventures                              | <b>(5,676)</b>                 | -                |
|  | <u>34,189</u>                  | <u>(48,524)</u>  |
| Total comprehensive income for the year attributable to shareholders                     | <u><b>467,038</b></u>          | <u>202,088</u>   |

**CONSOLIDATED BALANCE SHEET**

As at 31st March 2017

|   | <i>Note</i> | <b>2017</b><br><b>HK\$'000</b> | 2016<br>HK\$'000 |
|---|-------------|--------------------------------|------------------|
| <b>Non-current assets</b>                             |             |                                |                  |
| Property, plant and equipment                         |             | <b>3,172,910</b>               | 3,131,745        |
| Joint ventures  |             | <b>227,529</b>                 | 221,124          |
| Available-for-sale investments                        |             | <b>192,933</b>                 | 143,587          |
| Deferred income tax assets                            |             | <b>3,883</b>                   | 3,364            |
|   |             | <u><b>3,597,255</b></u>        | <u>3,499,820</u> |
| <b>Current assets</b>                                 |             |                                |                  |
| Properties under development for sale                 |             | <b>211,076</b>                 | -                |
| Inventories   |             | <b>15,351</b>                  | 15,342           |
| Trade and other receivables                           | 9           | <b>100,785</b>                 | 135,864          |
| Income tax recoverable                                |             | <b>3,956</b>                   | 1,949            |
| Financial assets at fair value through profit or loss |             | <b>2,216,885</b>               | 1,817,819        |
| Bank balances and cash                                |             | <b>228,508</b>                 | 316,981          |
|   |             | <u><b>2,776,561</b></u>        | <u>2,287,955</u> |
| <b>Current liabilities</b>                            |             |                                |                  |
| Trade and other payables                              | 10          | <b>113,135</b>                 | 103,920          |
| Borrowings  |             | <b>442,092</b>                 | 268,331          |
| Income tax payable                                    |             | <b>10,793</b>                  | 14,918           |
|   |             | <u><b>566,020</b></u>          | <u>387,169</u>   |
| Net current assets                                    |             | <u><b>2,210,541</b></u>        | <u>1,900,786</u> |
| <b>Non-current liabilities</b>                        |             |                                |                  |
| Long term borrowings                                  |             | <b>1,850,483</b>               | 1,898,481        |
| Convertible notes                                     |             | <b>176,331</b>                 | -                |
| Deferred income tax liabilities                       |             | <b>54,244</b>                  | 47,584           |
|   |             | <u><b>2,081,058</b></u>        | <u>1,946,065</u> |
| Net assets  |             | <u><b>3,726,738</b></u>        | <u>3,454,541</u> |
| <b>Equity</b>   |             |                                |                  |
| Share capital   |             | <b>40,361</b>                  | 31,408           |
| Reserves  |             | <b>3,686,377</b>               | 3,423,133        |
|   |             | <u><b>3,726,738</b></u>        | <u>3,454,541</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 investments and financial assets at fair value through profit or loss, which are carried at fair value, and in accordance with all applicable Hong Kong Financial Reporting Standards.

The accounting policies and methods of computation used in the preparation of these annual financial statements are consistent with those used in 2016, except for the adoption of the following new standards that is effective for the first time for this year which is relevant to the Group's operations and is mandatory for accounting periods beginning on or after 1st January 2016:

Amendments to HKAS 1

Presentation of Financial Statements

The adoption of the above amendment in the current year did not have any significant effect on the annual financial statements or result in any substantial changes in the Group's significant accounting policies.

Certain new and revised standards have been issued but are not yet effective for the year ended 31st March 2017 and have not been early adopted by the Group. The Group has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether they will have substantial changes to the Group's accounting policies and presentation of the consolidated financial statements.

## 2. Segment information

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

|                                    | <b>Hotel<br/>operation<br/>HK\$'000</b> | <b>Property<br/>development<br/>HK\$'000</b> | <b>Travel<br/>operation<br/>HK\$'000</b> | <b>Financial<br/>investments<br/>HK\$'000</b> | <b>Others<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|------------------------------------|---|--|--|---|----------------------------|---------------------------|
| <b>2017</b>                        |   |  |  |   |                            |                           |
| Gross income                       | 427,417                                 | -  | 211,109                                  | 893,647                                       | 2,654                      | 1,534,827                 |
| Segment revenue                    | <u>427,417</u>                          | <u>-</u>                                     | <u>75,040</u>                            | <u>231,490</u>                                | <u>2,654</u>               | <u>736,601</u>            |
| Contribution to segment results    | 168,092                                 | (1,486)                                      | (175)                                    | 230,891                                       | 1,087                      | 398,409                   |
| Depreciation                       | (114,961)                               | -  | (326)                                    | -   | (882)                      | (116,169)                 |
| Net investment gain                | -                                       | -  | -  | 243,046                                       | -                          | 243,046                   |
| Share of profits of joint ventures | -                                       | 3,651  | -  | -   | -                          | 3,651                     |
| Segment results                    | <u>53,131</u>                           | <u>2,165</u>                                 | <u>(501)</u>                             | <u>473,937</u>                                | <u>205</u>                 | <u>528,937</u>            |
| Unallocated corporate expenses     |   |  |  |   |                            | (52,229)                  |
| Net finance costs                  |   |  |  |   |                            | <u>(40,061)</u>           |
| Profit before income tax           |   |  |  |   |                            | <u>436,647</u>            |
| <b>2016 (restated)</b>             |   |  |  |   |                            |                           |
| Gross income                       | 404,049                                 | -  | 247,895                                  | 596,310                                       | 2,773                      | 1,251,027                 |
| Segment revenue                    | <u>404,049</u>                          | <u>-</u>                                     | <u>80,784</u>                            | <u>189,383</u>                                | <u>2,773</u>               | <u>676,989</u>            |
| Contribution to segment results    | 158,311                                 | (133)  | 342                                      | 189,058                                       | 1,095                      | 348,673                   |
| Depreciation                       | (83,113)                                | -  | (341)                                    | -   | (699)                      | (84,153)                  |
| Net investment gain                | -                                       | -  | -  | 70,579  | -                          | 70,579                    |
| Share of losses of joint ventures  | -                                       | (140)  | -  | -   | -                          | (140)                     |
| Segment results                    | <u>75,198</u>                           | <u>(273)</u>                                 | <u>1</u>                                 | <u>259,637</u>                                | <u>396</u>                 | <u>334,959</u>            |
| Unallocated corporate expenses     |   |  |  |   |                            | (41,842)                  |
| Net finance costs                  |   |  |  |   |                            | <u>(33,237)</u>           |
| Profit before income tax           |   |  |  |   |                            | <u>259,880</u>            |

Notes:

- (a) Management regards gross income of travel operation as gross sales proceeds from the sales of air-ticket, hotel reservation arrangement and incentive travel tours.
- (b) Management regards gross income of financial investments as comprising these revenue as defined under generally accepted accounting principles together with gross consideration from disposal of financial assets at fair value through profit or loss.

## 2. Segment information (continued)

|                                 | Business segments              |                                     |                                 |                                      |                    |         | Unallocated<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------|--------------------------------|-------------------------------------|---------------------------------|--------------------------------------|--------------------|---------|-------------------------|-------------------|
|                                 | Hotel<br>operation<br>HK\$'000 | Property<br>development<br>HK\$'000 | Travel<br>operation<br>HK\$'000 | Financial<br>investments<br>HK\$'000 | Others<br>HK\$'000 |         |                         |                   |
| <b>2017</b>                     |                                |                                     |                                 |                                      |                    |         |                         |                   |
| Assets                          | 2,581,526                      | 1,066,243                           | 26,504                          | 2,449,544                            | 4,025              | 245,974 | 6,373,816               |                   |
| Assets include:                 |                                |                                     |                                 |                                      |                    |         |                         |                   |
| Joint ventures                  | -                              | 227,529                             | -                               | -                                    | -                  | -       | 227,529                 |                   |
| Addition to non-current assets* | 45,768                         | 124,672                             | 932                             | -                                    | -                  | 5,980   | 177,352                 |                   |
| Liabilities                     |                                |                                     |                                 |                                      |                    |         |                         |                   |
| Borrowings                      | 1,202,087                      | 820,355                             | -                               | 127,440                              | -                  | 142,693 | 2,292,575               |                   |
| Other unallocated liabilities   |                                |                                     |                                 |                                      |                    |         | <u>354,503</u>          |                   |
|                                 |                                |                                     |                                 |                                      |                    |         | <u>2,647,078</u>        |                   |
| <b>2016 (restated)</b>          |                                |                                     |                                 |                                      |                    |         |                         |                   |
| Assets                          | 2,301,844                      | 1,100,130                           | 24,694                          | 2,000,416                            | 4,172              | 356,519 | 5,787,775               |                   |
| Assets include:                 |                                |                                     |                                 |                                      |                    |         |                         |                   |
| Joint ventures                  | -                              | 221,124                             | -                               | -                                    | -                  | -       | 221,124                 |                   |
| Addition to non-current assets* | 16,148                         | 185,502                             | 22                              | -                                    | -                  | 236     | 201,908                 |                   |
| Liabilities                     |                                |                                     |                                 |                                      |                    |         |                         |                   |
| Borrowings                      | 1,065,834                      | 841,389                             | -                               | 126,896                              | -                  | 132,693 | 2,166,812               |                   |
| Other unallocated liabilities   |                                |                                     |                                 |                                      |                    |         | <u>166,422</u>          |                   |
|                                 |                                |                                     |                                 |                                      |                    |         | <u>2,333,234</u>        |                   |

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

Comparative information of property development segment has been re-presented to be consistent with current year presentation.

## 2. Segment information (continued)

|                            | 2017<br>HK\$'000        | 2016<br>HK\$'000        |
|----------------------------|-------------------------|-------------------------|
| <b>Revenue</b>             |                         |                         |
| Hong Kong                  | 422,988                 | 406,593                 |
| Overseas                   | <u>313,613</u>          | <u>270,396</u>          |
|                            | <u><b>736,601</b></u>   | <u><b>676,989</b></u>   |
| <b>Non-current assets*</b> |                         |                         |
| Hong Kong                  | 3,077,916               | 2,994,294               |
| Overseas                   | <u>322,523</u>          | <u>358,575</u>          |
|                            | <u><b>3,400,439</b></u> | <u><b>3,352,869</b></u> |

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

## 3. Net investment gain

|   | 2017<br>HK\$'000      | 2016<br>HK\$'000     |
|---|-----------------------|----------------------|
| Financial assets at fair value through profit or loss |                       |                      |
| – net realised gain (note)                            | 21,457                | 32,007               |
| – net unrealised gain from market price movements     | 241,471               | 39,948               |
| – net unrealised exchange loss                        | <u>(19,882)</u>       | <u>(1,376)</u>       |
|   | <u><b>243,046</b></u> | <u><b>70,579</b></u> |

Note:

Net realised gain on financial assets at fair value through profit or loss

|   |                      |                      |
|---|----------------------|----------------------|
| Gross consideration                                 | 662,157              | 406,927              |
| Cost of investments                                 | <u>(589,506)</u>     | <u>(371,332)</u>     |
| Total gain  | 72,651               | 35,595               |
| Less: net unrealised gain recognised in prior years | <u>(51,194)</u>      | <u>(3,588)</u>       |
| Net realised gain recognised in current year        | <u><b>21,457</b></u> | <u><b>32,007</b></u> |



#### 4. Income and expenses by nature

|   | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|------------------|------------------|
| <b>Income</b>   |                  |                  |
| Interest income                                       |                  |                  |
| Listed investments                                    | 214,402          | 173,594          |
| Loan receivables                                      | 538              | 1,875            |
| Bank deposits   | 1,140            | 67               |
| Dividend income                                       |                  |                  |
| Listed investments                                    | <u>13,634</u>    | <u>12,305</u>    |
| <b>Expenses</b>                                       |                  |                  |
| Cost of goods sold                                    | 72,453           | 76,741           |
| Operating lease rental expense for land and buildings | <u>4,865</u>     | <u>2,862</u>     |

#### 5. Net finance costs

|  | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|------------------|------------------|
| Interest expense                             |                  |                  |
| Long term bank loans                         | (43,194)         | (31,824)         |
| Short term bank loans and overdrafts         | (1,042)          | (4,227)          |
| Convertible notes                            | (1,120)          | -                |
| Interest capitalised to property development | <u>12,321</u>    | <u>15,774</u>    |
|  | (33,035)         | (20,277)         |
| Other incidental borrowing costs             | (6,482)          | (4,515)          |
| Net foreign exchange loss on borrowings      | <u>(544)</u>     | <u>(8,445)</u>   |
|  | <u>(40,061)</u>  | <u>(33,237)</u>  |

#### 6. Income tax expense

|                               | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|-------------------------------|------------------|------------------|
| Current income tax expense    |                  |                  |
| Hong Kong profits tax         | (5,991)          | (11,161)         |
| Over provision in prior years | <u>8,334</u>     | <u>4,805</u>     |
|                               | 2,343            | (6,356)          |
| Deferred income tax expense   | <u>(6,141)</u>   | <u>(2,912)</u>   |
|                               | <u>(3,798)</u>   | <u>(9,268)</u>   |

Hong Kong profits tax is provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. No provision for overseas taxation has been made as there are no assessable profits for the year (2016: Nil).

## 7. Dividends

|   | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|------------------|------------------|
| Dividend :  |                  |                  |
| - Interim, nil (2016: Nil)  | -                | -                |
| - Final, proposed, of HK0.64 cents (2016: HK1.25 cents)<br>per share to shareholders (note (a)) | 12,915           | 19,630           |
| Coupon of HK0.6355 cents (2016: nil) per note to<br>convertible note holders (note (b))         | 17,116           | -                |
|   | <u>30,031</u>    | <u>19,630</u>    |

At a meeting held on 28th June 2017, the Board has proposed to pay a final dividend to shareholders for the year ended 31st March 2017. The proposed final dividend and the corresponding coupon on the convertible notes are not reflected in the financial statements, but will be reflected as an appropriation of revenue reserve in the year ending 31st March 2018.

Notes:

- (a) The amount of HK\$12,915,000 (2016: HK\$19,630,000) is based on 2,018,040,477 (2016: 1,570,386,829) issued shares as at 28th June 2017.
- (b) According to the deed poll of the convertible notes, the holders of convertible notes are also entitled to receive any dividend pari passu with holders of the ordinary shares (on an as converted basis) by way of a coupon payment. Such coupon to the noteholders equals to the dividend to the holders of the ordinary shares less the 0.1% fixed coupon of redemption value of the convertible notes for that period. The amount of HK\$17,116,000 (2016: nil) is based on 2,693,120,010 (2016: nil) convertible notes outstanding as at 28th June 2017 less the 0.1% coupon accrued from date of issuance to 31st March 2017.

## 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:

|  | 2017<br>HK\$'000        | 2016<br>HK\$'000     |
|--|-------------------------|----------------------|
| Profit attributable to shareholders of the Company                                 | 432,849                 | 250,612              |
| Effect of dilutive potential shares:   |                         |                      |
| Interest expense saved on convertible notes  | 1,120                   | -                    |
| Profit for calculation of diluted earnings per share                               | <u>433,969</u>          | <u>250,612</u>       |
|  | <b>Number of shares</b> |                      |
| Weighted average number of shares for calculation of basic<br>earnings per share   | 2,017,963,377           | 2,017,956,221        |
| Effect of dilutive potential shares:   |                         |                      |
| Share options of the Company assumed to be exercised                               | 7,423,101               | 441,598              |
| Convertible notes assumed to be converted at the date of issuance                  | 324,653,084             | -                    |
| Weighted average number of shares for calculation of diluted<br>earnings per share | <u>2,350,039,562</u>    | <u>2,018,397,819</u> |

The weighted average number of shares used in the calculation of earnings per share have been adjusted for the bonus shares issued in February 2017 and the prior year comparative has been restated to reflect such effect.

## 9. Trade and other receivables

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

Trade receivables of the Group amounted to HK\$19,721,000 (2016: HK\$23,913,000). 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>2017</b><br><b>HK\$'000</b> | 2016<br>HK\$'000 |
|---------------------|--------------------------------|------------------|
| 0 month to 6 months | <b>18,882</b>                  | 20,673           |
| More than 12 months | <b>839</b>                     | 3,240            |
|                     | <b><u>19,721</u></b>           | <u>23,913</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 and various accruals.

Trade payables of the Group amounted to HK\$12,565,000 (2016: HK\$13,713,000).

Aging analysis of trade payables is as follows:

|                     | <b>2017</b><br><b>HK\$'000</b> | 2016<br>HK\$'000 |
|---------------------|--------------------------------|------------------|
| 0 day to 60 days    | <b>11,684</b>                  | 13,163           |
| 61 days to 120 days | <b>412</b>                     | 141              |
| More than 120 days  | <b>469</b>                     | 409              |
|                     | <b><u>12,565</u></b>           | <u>13,713</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 2017 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 twelve months ended 31st March 2017 amounted to HK\$737 million, increased by 9% when compared with last year. Profit attributable to shareholders increased by 73% to HK\$433 million, due mainly to an increase in net investment gain from financial investments when compared with last year.

### **BUSINESS REVIEW**

Between April 2016 and March 2017, the cumulative arrivals to Hong Kong for all visitors and those who stayed overnight reached 57 million and 27 million, respectively, the former had a 1% decrease but the latter had a 2% increase. Although Mainland China dominated the overnight visitor arrivals with a 76% of the total share, this market registered a 2% drop from the same period of last year. Reasons for the decline include but not limited to the continued strengthening of the Hong Kong dollar as well as relaxation of visa policies of other popular tourist destinations (e.g. Europe, Japan, etc.).

On the hotel supply front, there were a total supply of about 75,900 hotel rooms as of March 2017, an increase of about 3% over the preceding year.

In Hong Kong, our new 94-room Empire Prestige Causeway Bay ("Empire Prestige") located adjacent to the Group's existing hotel in Causeway Bay has achieved over 90% occupancy during the first 6 months of operations since its opening in late September 2016. Our other three Empire hotels in Hong Kong have achieved a 96% occupancy, although average room rate retreated by 3% from that of last year.

Our Empire Landmark Hotel in Vancouver, Canada operated at 73% occupancy and achieved an increase of 2% in average room rate from last year.

### **Development Projects**

The exterior façade and interior fitting works of our site located adjacent to the Group's existing hotels in Tsim Sha Tsui is in progress; this new 90-room hotel is anticipated to open in the second half of 2017.

In response to community rezoning plans of the City of Vancouver, the Group intends to redevelop its Empire Landmark Hotel into a mixed-use, primarily for residential, development for sale. The Vancouver City Council has already accepted our redevelopment application, and the closure date for the hotel is set for September 2017, after which demolition will commence.

In addition, the Group has completed in January 2017 its acquisition of another development opportunity located in the vicinity of our Empire Landmark Hotel in Vancouver. The Group intends to redevelop these land and buildings into residential units for sale.

### **Travel**

Revenue for the travel operations during the twelve months ended 31st March 2017 amounted to HK\$75 million (2016: HK\$81 million).

## **Financial Investments**

As at 31st March 2017, the Group's financial investment portfolio that consisted entirely of listed securities amounted to HK\$2,410 million (2016: HK\$1,962 million). The increase largely arose from mark to market fair value gain of HK\$266 million and a further net investment of HK\$182 million.

Approximately 75% of our investment portfolio comprised listed debt securities (of which approximately 92% were issued by PRC-based real estate companies), and approximately 25% comprised listed equity securities issued by major banks. They were denominated in Hong Kong dollars 8%, United States dollars 83%, Sterling 5% and Euro 4%.

During the year, a total of HK\$228 million (2016: HK\$186 million) in interest and dividend income were generated from the investment portfolio. The increase in interest and dividend income was mostly due to the recognition of a one-off coupon income from debt securities of a PRC-based real estate company during the year.

The investment portfolio also generated a net investment gain of HK\$243 million (2016: HK\$71 million), which was mainly due to unrealised fair value gain. The unrealised gain was largely made up of mark to market valuation gain from an equity security listed in the US, and listed debt securities issued by the PRC-based real estate companies following the rapid sales and price growth of China's housing market and the liberalization of the domestic bond market in 2016.

## **Joint Ventures**

The Group's 40% joint venture in Vancouver is in the midst of discussion with the local authority in preparation for the re-zoning and development application for the acquired land to be re-developed into a high-end residential development for sale.

## **FINANCIAL REVIEW**

The financing and treasury activities of the Group are centrally managed and controlled at the corporate level. At 31st March 2017, the Group had over HK\$2 billion cash and undrawn banking facilities.

The Group's total assets per book amounted to HK\$6,374 million (2016: HK\$5,788 million). Based on independent valuation, the total revalued amount of our hotel properties in operation as at 31st March 2017 was HK\$10,726 million, increased by 11% when compared with that as at 31st March 2016. The increase was mainly due to (i) the revaluation of our new 94-room Empire Prestige in Causeway Bay following its commencement of operation in September 2016, and (ii) appreciation in value of the re-development site of our existing Empire Landmark Hotel as a result of the strong growth in the Vancouver's real estate market during the year under review, particularly in the down-town area where our hotel is located. The revalued total assets of the Group with hotel properties in operation at market value would be HK\$14,621 million (2016: HK\$13,263 million).

The shareholders' funds per book amounted to HK\$3,727 million (2016: HK\$3,455 million), of which the increase was mainly due to 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\$11,872 million (2016: HK\$10,875 million).

The consolidated net debt (total debt less cash balance) was HK\$2,240 million (2016: HK\$1,850 million). The total debt comprised HK\$2,293 million of bank borrowings and HK\$176 million of convertible note. 94% of the gross bank borrowings or HK\$2,157 million was denominated in Hong Kong dollars, and the remaining 6% or to the equivalent of HK\$136 million were in foreign currencies incurred in operations and investment in financial assets overseas. During the year, all the bank borrowings are at floating interest rates and no instrument was adopted to hedge our borrowings.

The maturity of our bank borrowings spread over a period of up to 5 years. 3% of total borrowings were from revolving credit facilities secured by hotel properties. Term loan secured by hotel properties and property under development for sale account for 97% with 13% repayable within 1 year, 25% repayable between 1-2 years, 59% repayable within 3-5 years. Convertible notes, accounting for 7% of total debt, is unsecured and repayable in February 2047. At 31st March 2017, the Group had net current assets of HK\$2,211 million (2016: HK\$1,901 million).

In March 2017, the Company has established a medium term note programme under which it may issue notes in series of aggregate principal amount up to US\$1 billion (or its equivalent in other currencies). At 31st March 2017, no note was issued under the programme.

The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 19% (2016: 17%).

The aggregate net book value of hotel properties and property under development for sale pledged as collateral for banking facilities of the Group as at 31st March 2017 amounted to HK\$3,179 million (2016: HK\$2,961 million).

## **PUBLIC FLOAT**

In order to restore the 25% minimum public float requirement of the listing rule, the Company conducted a bonus issue of new shares where the existing shareholders were entitled to two bonus shares for one existing share unless they elect to receive convertible notes. Asia Standard International Group Limited and Asia Orient Holdings Limited, and their wholly owned subsidiaries elected to receive the convertible notes. Immediately upon the completion of the bonus issue on 16th February 2017, the Company issued approximately 448 million bonus shares and approximately 2,693 million convertible notes, and the percentage of shares held by the public increased from 14.276% to 33.283% as a result.

## **HUMAN RESOURCES**

As at 31st March 2017, the total number of full-time employees of the Company and its subsidiaries was approximately 390 (2016: 380). 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 general market conditions of the tourist and hotel industries in Hong Kong have gradually regained some momentum with overnight visitor arrivals between October 2016 and March 2017 showing a 4.2% increase from the same period of last year. This compared favourably to the decrease of 3.4% in the same period of 2015/16 over that of 2014/15. The long-term prospects of the Hong Kong hospitality industry should remain positive when more tourism and infrastructure projects are completed, and the new initiatives to promote tourism diversity by the government and the Hong Kong Tourism Board continued, which further support Hong Kong as a major MICE (Meetings, Incentives, Conferences, and Events) and leisure destination in the world. We will continue to pursue different short, medium and long-term measures to cope with the changing circumstances, and will devote efforts, leveraging our financial position and operations in Hong Kong, to plan and exercise asset enhancement initiatives to bring long term growth in hotel room numbers and revenue to the Group.

In respect of general outlook for the property market, the housing market in Vancouver, Canada witnessed a strong growth in the year 2016, with a relatively low interest rates and a strong economy in the British Columbia province. On the other hand, the PRC property market is supported by (i) the urbanisation process laid down by the PRC government in The 13th Five Year Plan for economic and social development of the PRC (2016-2020); (ii) the expansion of urban residency permits; and (iii) long term population growth.

While the changing administration in the US is bringing forth changing policies affecting both financial and monetary landscape, possibly resulting in a more volatile interest rate environment, equity securities market continues to be volatile, affected by locality specific events.

The management remains cautiously optimistic towards the performance of the Group in the rapidly changing environment.

## **DIVIDEND**

The Board recommends the payment of a final dividend for the year ended 31st March 2017 of HK0.64 cents (2016: HK1.25 cents) per share. No interim dividend was declared during the year (2016: Nil). Total dividend for the year amounts to HK0.64 cents (2016: HK1.25 cents) per share

In addition, subject to the approval of the shareholders at the Annual General Meeting for the proposed final dividend, pursuant to the deed poll of the convertible notes, the Company will pay to the noteholders HK0.6355 cents (2016: nil) per convertible note.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Friday, 25th August 2017 to Wednesday, 30th August 2017 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 Thursday, 24th August 2017.

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 2017. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 5th September 2017 to Wednesday, 6th September 2017 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 Monday, 4th September 2017. The final dividend will be paid on 26th September 2017.

## **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 2017.

## **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 8th September 2016 due to his other engagements at the relevant time; and
- (4) Code Provisions 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 September 2016. A new internal auditor has been recruited and reported to duty in June 2017.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the annual results of the Group for the year ended 31st March 2017.

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

Hong Kong, 28th June 2017

*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.*