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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 2018

| <b>FINANCIAL HIGHLIGHTS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |               |        |        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|--------|--------|
| <i>(in HK\$ million, except otherwise indicated)</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |               |        |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>2018</b>   | 2017   | Change |
| Revenue                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>843</b>    | 737    | +14%   |
| Result contribution from hotel operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>204</b>    | 168    | +21%   |
| Result contribution from financial investments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>311</b>    | 231    | +35%   |
| Net investment (loss)/gain                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>(59)</b>   | 243    | N/A    |
| Profit for the year attributable to shareholders                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>172</b>    | 433    | -60%   |
| Net assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>3,919</b>  | 3,727  | +5%    |
| Supplementary information with four (2017: five) hotel properties in operation stated at valuation (note):                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |               |        |        |
| Revalued total assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>17,410</b> | 14,621 | +19%   |
| Revalued net assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>12,227</b> | 11,872 | +3%    |
| Net debt                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>4,675</b>  | 2,240  | +109%  |
| Gearing – net debt to revalued net assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>38%</b>    | 19%    | +19%   |
| <p>Note: The Group presents supplementary unaudited information with its four (2017: five) hotel properties in operation being stated at their fair market value excluding the corresponding deferred income tax on Hong Kong properties to reflect the economic substance of its hotel properties investments from their historical cost less depreciation. The five hotel properties in 2017 included Empire Landmark Hotel in Vancouver that was stated at valuation (HK\$1,012 million) last year. The land cost of this hotel, however, was reclassified to properties under development for sale and stated at historical cost (HK\$62 million) this year after it was changed from an operating hotel to a development property.</p> |               |        |        |

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 2018 together with the comparative figures for the year ended 31st March 2017 were as follows:

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2018

|                                                  | <i>Note</i> | <b>2018</b><br><b>HK\$’000</b> | 2017<br>HK\$’000 |
|--------------------------------------------------|-------------|--------------------------------|------------------|
| Revenue                                          | 2           | <b>842,641</b>                 | 736,601          |
| Cost of sales                                    |             | <b>(238,753)</b>               | (238,655)        |
| Gross profit                                     |             | <b>603,888</b>                 | 497,946          |
| Selling and administrative expenses              |             | <b>(163,480)</b>               | (151,766)        |
| Depreciation                                     |             | <b>(121,397)</b>               | (116,169)        |
| Net investment (loss)/gain                       | 3           | <b>(58,621)</b>                | 243,046          |
| Operating profit                                 |             | <b>260,390</b>                 | 473,057          |
| Net finance costs                                | 5           | <b>(82,448)</b>                | (40,061)         |
| Share of profits less losses of joint ventures   |             | <b>1,147</b>                   | 3,651            |
| Profit before income tax                         |             | <b>179,089</b>                 | 436,647          |
| Income tax expense                               | 6           | <b>(7,259)</b>                 | (3,798)          |
| Profit for the year attributable to shareholders |             | <b>171,830</b>                 | 432,849          |
| Earnings per share (HK cents)                    |             |                                |                  |
| Basic                                            | 8           | <b>8.5</b>                     | 21.5             |
| Diluted                                          | 8           | <b>3.9</b>                     | 18.5             |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2018

|                                                                                          | <b>2018</b><br><b>HK\$'000</b> | 2017<br>HK\$'000 |
|------------------------------------------------------------------------------------------|--------------------------------|------------------|
| Profit for the year                                                                      | <u>171,830</u>                 | <u>432,849</u>   |
| Other comprehensive income/(charge)                                                      |                                |                  |
| Items that have been reclassified or may be reclassified subsequently to profit or loss: |                                |                  |
| Fair value gain on available-for-sale investments                                        | <b>32,661</b>                  | 44,711           |
| Currency translation differences                                                         | <b>8,265</b>                   | (4,846)          |
| Share of currency translation differences of joint ventures                              | <b>9,236</b>                   | (5,676)          |
|                                                                                          | <u>50,162</u>                  | <u>34,189</u>    |
| Total comprehensive income for the year attributable to shareholders                     | <u><b>221,992</b></u>          | <u>467,038</u>   |

**CONSOLIDATED BALANCE SHEET**

As at 31st March 2018

|                                                       | <i>Note</i> | <b>2018</b><br><b>HK\$'000</b> | 2017<br>HK\$'000 |
|-------------------------------------------------------|-------------|--------------------------------|------------------|
| <b>Non-current assets</b>                             |             |                                |                  |
| Property, plant and equipment                         |             | 3,120,422                      | 3,172,910        |
| Joint ventures                                        |             | 255,682                        | 227,529          |
| Available-for-sale investments                        |             | 233,630                        | 192,933          |
| Deferred income tax assets                            |             | 4,880                          | 3,883            |
|                                                       |             | <u>3,614,614</u>               | <u>3,597,255</u> |
| <b>Current assets</b>                                 |             |                                |                  |
| Properties under development for sale                 |             | 344,970                        | 211,076          |
| Inventories                                           |             | 14,091                         | 15,351           |
| Trade and other receivables                           | 9           | 174,289                        | 100,785          |
| Income tax recoverable                                |             | 2,698                          | 3,956            |
| Financial assets at fair value through profit or loss |             | 4,702,718                      | 2,216,885        |
| Bank balances and cash                                |             | 247,726                        | 228,508          |
|                                                       |             | <u>5,486,492</u>               | <u>2,776,561</u> |
| <b>Current liabilities</b>                            |             |                                |                  |
| Trade and other payables                              | 10          | 139,740                        | 113,135          |
| Deposits received from sale of properties             |             | 56,833                         | -                |
| Borrowings                                            | 11          | 1,477,071                      | 442,092          |
| Income tax payable                                    |             | 14,183                         | 10,793           |
|                                                       |             | <u>1,687,827</u>               | <u>566,020</u>   |
| <b>Net current assets</b>                             |             | <u>3,798,665</u>               | <u>2,210,541</u> |
| <b>Non-current liabilities</b>                        |             |                                |                  |
| Long term borrowings                                  |             | 3,258,698                      | 1,850,483        |
| Convertible notes                                     |             | 187,243                        | 176,331          |
| Deferred income tax liabilities                       |             | 48,639                         | 54,244           |
|                                                       |             | <u>3,494,580</u>               | <u>2,081,058</u> |
| <b>Net assets</b>                                     |             | <u>3,918,699</u>               | <u>3,726,738</u> |
| <b>Equity</b>                                         |             |                                |                  |
| Share capital                                         |             | 40,361                         | 40,361           |
| Reserves                                              |             | 3,878,338                      | 3,686,377        |
|                                                       |             | <u>3,918,699</u>               | <u>3,726,738</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 2017, 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 2017:

Amendments to HKAS 7                      Statement of Cash Flows

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 2018 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. In the past, the Group was organised into four main reportable operating segments which included hotel operation, property development, travel operation and financial investments. As the Group's travel operation segment represents less than 10% of the Group's total revenue and results, this segment of business is not reported separately. Corresponding comparative figures have been adjusted to conform with the re-classification.

|                                                       | <b>Hotel<br/>operation<br/>HK\$'000</b> | <b>Property<br/>development<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>2018</b>                                           |                                         |                                              |                                               |                            |                              |
| <b>Gross income</b>                                   | <b>453,681</b>                          | -                                            | <b>1,733,594</b>                              | <b>181,399</b>             | <b>2,368,674</b>             |
| <b>Segment revenue</b>                                | <u><b>453,681</b></u>                   | <u>-</u>                                     | <u><b>311,580</b></u>                         | <u><b>77,380</b></u>       | <u><b>842,641</b></u>        |
| <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>(1,820)</b>             | <b>(121,397)</b>             |
| <b>Net investment loss</b>                            | -                                       | -                                            | <b>(58,621)</b>                               | -                          | <b>(58,621)</b>              |
| <b>Share of profits less losses of joint ventures</b> | <u>-</u>                                | <u><b>1,882</b></u>                          | <u>-</u>                                      | <u><b>(735)</b></u>        | <u><b>1,147</b></u>          |
| <b>Segment results</b>                                | <u><b>87,265</b></u>                    | <u><b>(13,140)</b></u>                       | <u><b>252,298</b></u>                         | <u><b>(2,798)</b></u>      | <b>323,625</b>               |
| <b>Unallocated corporate expenses</b>                 |                                         |                                              |                                               |                            | <b>(62,088)</b>              |
| <b>Net finance costs</b>                              |                                         |                                              |                                               |                            | <u><b>(82,448)</b></u>       |
| <b>Profit before income tax</b>                       |                                         |                                              |                                               |                            | <u><u><b>179,089</b></u></u> |
| <b>2017 (restated)</b>                                |                                         |                                              |                                               |                            |                              |
| Gross income                                          | 427,417                                 | -                                            | 893,647                                       | 213,763                    | 1,534,827                    |
| Segment revenue                                       | <u>427,417</u>                          | <u>-</u>                                     | <u>231,490</u>                                | <u>77,694</u>              | <u>736,601</u>               |
| Contribution to segment results                       | 168,092                                 | (1,486)                                      | 230,891                                       | 912                        | 398,409                      |
| Depreciation                                          | (114,961)                               | -                                            | -                                             | (1,208)                    | (116,169)                    |
| Net investment gain                                   | -                                       | -                                            | 243,046                                       | -                          | 243,046                      |
| Share of profits of joint ventures                    | <u>-</u>                                | <u>3,651</u>                                 | <u>-</u>                                      | <u>-</u>                   | <u>3,651</u>                 |
| Segment results                                       | <u>53,131</u>                           | <u>2,165</u>                                 | <u>473,937</u>                                | <u>(296)</u>               | 528,937                      |
| Unallocated corporate expenses                        |                                         |                                              |                                               |                            | (52,229)                     |
| Net finance costs                                     |                                         |                                              |                                               |                            | <u>(40,061)</u>              |
| Profit before income tax                              |                                         |                                              |                                               |                            | <u><u>436,647</u></u>        |

Notes:

- (a) 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.
- (b) Management regards gross income of travel operation within "other" segment as gross sales proceeds from the sales of air-ticket, hotel reservation arrangement and incentive travel tours.

## 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 | Financial<br>investments<br>HK\$'000 | Others<br>HK\$'000 |                         |                   |
| <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 unallocated liabilities   |                                |                                     |                                      |                    |                         | 446,638           |
|                                 |                                |                                     |                                      |                    |                         | <u>5,182,407</u>  |
| <b>2017 (restated)</b>          |                                |                                     |                                      |                    |                         |                   |
| Assets                          | 2,581,526                      | 1,066,243                           | 2,449,544                            | 30,529             | 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   |                                |                                     |                                      |                    |                         | 354,503           |
|                                 |                                |                                     |                                      |                    |                         | <u>2,647,078</u>  |

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

Comparative information of “others” segment has been re-presented to be consistent with current year presentation.

## 2. Segment information (continued)

|                            | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
|----------------------------|------------------|------------------|
| <b>Revenue</b>             |                  |                  |
| Hong Kong                  | 471,290          | 422,988          |
| Overseas                   | 371,351          | 313,613          |
|                            | <u>842,641</u>   | <u>736,601</u>   |
| <b>Non-current assets*</b> |                  |                  |
| Hong Kong                  | 3,076,708        | 3,077,916        |
| Overseas                   | 299,396          | 322,523          |
|                            | <u>3,376,104</u> | <u>3,400,439</u> |

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

## 3. Net investment (loss)/gain

|                                                          | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
|----------------------------------------------------------|------------------|------------------|
| Financial assets at fair value through profit or loss    |                  |                  |
| – net realised gain (note)                               | 33,513           | 21,457           |
| – net unrealised (loss)/gain from market price movements | (134,604)        | 241,471          |
| – net unrealised exchange gain/(loss)                    | 42,470           | (19,882)         |
|                                                          | <u>(58,621)</u>  | <u>243,046</u>   |

Note:

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

|                                                     |               |               |
|-----------------------------------------------------|---------------|---------------|
| Gross consideration                                 | 1,422,014     | 662,157       |
| Cost of investments                                 | (1,219,605)   | (589,506)     |
| Total gain                                          | 202,409       | 72,651        |
| Less: net unrealised gain recognised in prior years | (168,896)     | (51,194)      |
| Net realised gain recognised in current year        | <u>33,513</u> | <u>21,457</u> |



#### 4. Income and expenses by nature

|                                                       | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
|-------------------------------------------------------|------------------|------------------|
| <b>Income</b>                                         |                  |                  |
| Interest income                                       |                  |                  |
| Listed investments                                    | 284,635          | 214,402          |
| Loan receivables                                      | -                | 538              |
| Bank deposits                                         | 122              | 1,140            |
| Dividend income                                       |                  |                  |
| Listed investments                                    | <u>17,671</u>    | <u>13,634</u>    |
| <b>Expenses</b>                                       |                  |                  |
| Cost of goods sold                                    | 76,554           | 72,453           |
| Operating lease rental expense for land and buildings | <u>5,957</u>     | <u>4,865</u>     |

#### 5. Net finance costs

|                                         | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
|-----------------------------------------|------------------|------------------|
| Interest expense                        |                  |                  |
| Long term bank loans                    | (69,563)         | (43,194)         |
| Short term bank loans and overdrafts    | (9,122)          | (1,042)          |
| Convertible notes                       | (12,252)         | (1,120)          |
| Interest capitalised                    | <u>23,755</u>    | <u>12,321</u>    |
|                                         | (67,182)         | (33,035)         |
| Other incidental borrowing costs        | (12,160)         | (6,482)          |
| Net foreign exchange loss on borrowings | <u>(3,106)</u>   | <u>(544)</u>     |
|                                         | <u>(82,448)</u>  | <u>(40,061)</u>  |

#### 6. Income tax expense

|                                      | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
|--------------------------------------|------------------|------------------|
| Current income tax expense           |                  |                  |
| Hong Kong profits tax                | (15,309)         | (5,991)          |
| Overseas profit tax                  | (2,120)          | -                |
| Over provision in prior years        | <u>3,568</u>     | <u>8,334</u>     |
|                                      | (13,861)         | 2,343            |
| Deferred income tax credit/(expense) | <u>6,602</u>     | <u>(6,141)</u>   |
|                                      | <u>(7,259)</u>   | <u>(3,798)</u>   |

Hong Kong profits tax is provided at the rate of 16.5% (2017: 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 (2017: Nil).

## 7. Dividends / Coupon on convertible notes

|                                                                                            | 2018<br>HK\$'000     | 2017<br>HK\$'000     |
|--------------------------------------------------------------------------------------------|----------------------|----------------------|
| Dividend :                                                                                 |                      |                      |
| - Interim, nil (2017: Nil)                                                                 | -                    | -                    |
| - Final, proposed, of HK0.64 cent (2017: HK0.64 cent) per share to shareholders (note (a)) | <u>12,915</u>        | <u>12,915</u>        |
|                                                                                            | <u><b>12,905</b></u> | <u><b>12,915</b></u> |

At a meeting held on 28th June 2018, the Board has proposed to pay a final dividend to shareholders for the year ended 31st March 2018.

|                                                                                             | 2018<br>HK\$'000     | 2017<br>HK\$'000     |
|---------------------------------------------------------------------------------------------|----------------------|----------------------|
| Coupon of HK0.64 cent (2017: HK0.64 cent) per note to convertible note holders (note (b)) : |                      |                      |
| - fixed coupon                                                                              | 1,220                | 120                  |
| - additional coupon                                                                         | <u>16,016</u>        | <u>17,116</u>        |
|                                                                                             | <u><b>17,236</b></u> | <u><b>17,236</b></u> |

Notes:

- (a) The amount of HK\$12,915,000 (2017: HK\$12,915,000) is based on 2,018,040,477 (2017: 2,018,040,477) issued shares as at 28th June 2018. 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 2019.
- (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\$17,236,000 (2017: HK\$17,236,000) is based on 2,693,120,010 (2017: 2,693,120,010) convertible notes outstanding as at 28th June 2018. The fixed coupon of HK\$1,220,000 (2017: HK\$120,000) 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 2018. The additional coupon in excess of the fixed coupon of HK\$16,016,000 (2017: HK\$17,116,000) 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>2018</b>                 | 2017                 |
|-----------------------------------------------------------------------------------------------------------|-----------------------------|----------------------|
|                                                                                                           | <b>HK\$'000</b>             | HK\$'000             |
| Profit attributable to shareholders of the Company                                                        | <b>171,830</b>              | 432,849              |
| Effect of dilutive potential shares:                                                                      |                             |                      |
| Interest expense saved on convertible notes                                                               | <u>12,252</u>               | <u>1,120</u>         |
| Profit for calculation of diluted earnings per share                                                      | <u><b>184,082</b></u>       | <u>433,969</u>       |
|                                                                                                           | <b>Number of shares</b>     |                      |
| Weighted average number of shares for calculation of basic earnings per share                             | <b>2,018,040,477</b>        | 2,017,963,377        |
| Effect of dilutive potential shares:                                                                      |                             |                      |
| Share options of the Company assumed to be exercised                                                      | <b>9,425,161</b>            | 7,423,101            |
| Convertible notes assumed to be converted at the beginning of the year, or if later, the date of issuance | <u>2,693,120,010</u>        | <u>324,653,084</u>   |
| Weighted average number of shares for calculation of diluted earnings per share                           | <u><b>4,720,585,648</b></u> | <u>2,350,039,562</u> |
| Basic earnings per share (HK cents)                                                                       | <u><b>8.5</b></u>           | <u>21.5</u>          |
| Diluted earnings per share (HK cents)                                                                     | <u><b>3.9</b></u>           | <u>18.5</u>          |

For year ended 31st March 2017, 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.

### Supplementary information

The convertible notes of the Company were issued in February 2017. Had the convertible notes been issued at beginning of the year ended 31st March 2017, diluted earnings per share would have been calculated as follows:

|                                                                                                                                | <b>2018</b>                 | 2017                 |
|--------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----------------------|
|                                                                                                                                | <b>Number of shares</b>     |                      |
| Weighted average number of shares for calculation of basic earnings per share                                                  | <b>2,018,040,477</b>        | 2,017,963,377        |
| Effect of dilutive potential shares:                                                                                           |                             |                      |
| Share options of the Company assumed to be exercised                                                                           | <b>9,425,161</b>            | 7,423,101            |
| Convertible notes assumed to be converted at the beginning of the period                                                       | <u>2,693,120,010</u>        | <u>2,693,120,010</u> |
| Weighted average number of shares for calculation of diluted earnings per share                                                | <u><b>4,720,585,648</b></u> | <u>4,718,506,488</u> |
| Diluted earnings per share with impact of convertible notes retrospectively adjusted from the beginning of the year (HK cents) | <u><b>3.9</b></u>           | <u>9.2</u>           |

This supplementary information on diluted earnings per share with impact of convertible notes retrospectively adjusted from the beginning of the year is for readers' information only. It is not constitute a disclosure requirement under HKAS 33.

## 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\$13,122,000 (2017: HK\$19,721,000). 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>2018</b><br><b>HK\$'000</b> | 2017<br>HK\$'000 |
|---------------------|--------------------------------|------------------|
| 0 month to 6 months | <b>13,122</b>                  | 18,882           |
| More than 12 months | -                              | 839              |
|                     | <u><b>13,122</b></u>           | <u>19,721</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\$30,811,000 (2017: HK\$12,565,000).

Aging analysis of trade payables is as follows:

|                       | <b>2018</b><br><b>HK\$'000</b> | 2017<br>HK\$'000 |
|-----------------------|--------------------------------|------------------|
| 0 month to 6 months   | <b>29,999</b>                  | 12,136           |
| 7 months to 12 months | <b>343</b>                     | 63               |
| More than 12 months   | <b>469</b>                     | 366              |
|                       | <u><b>30,811</b></u>           | <u>12,565</u>    |

## 11. Borrowings

Subsequent to the balance sheet date, a total of HK\$909 million short term loans outstanding as at 31st March 2018 was repaid and refinanced by the drawdown of long term bank facilities with maturities for five years.

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 2018 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 2018 amounted to HK\$843 million, increased by 14% when compared with the last year. Profit attributable to shareholders, however, decreased by 60% to HK\$172 million. Such decrease was mainly attributable to unrealised fair value loss on investments in financial assets as opposed to a gain, mostly unrealised, in the same period of last year. The unrealised fair value changes on securities investment have no effect on the cash flow of the Group in their respective reporting periods.

#### **Hotel Business**

Between April 2017 and March 2018, the cumulative arrivals for all visitors to Hong Kong and those who stayed overnight reached 60 million and 28 million, respectively, both had a 5% increase. Mainland China continues to dominate the overnight visitor arrivals with a 67% of the total share, and this market registered an 8% increase from the same period of last year.

As of March 2018, the total Hong Kong hotel room supply was approximately 79,000, increased by 4% from the same period of last year.

Our hotels in Hong Kong operated at 95% occupancy and had achieved an increase of 10% in average room rate from that of last year. In particular, our new 94-room Empire Prestige Causeway Bay located adjacent to the Group's existing hotel in Causeway Bay has achieved over 90 % occupancy for its first full year of operations under review.

Our Empire Landmark Hotel in downtown Vancouver operated at 82% occupancy for the six months ended 30th September 2017 during which it had achieved an increase of 15% in room rate from the same period of last year. This hotel has ceased operation as of 1st October 2017 for redevelopment into a mixed-use development, primarily for residential, for sale.

#### **Development Projects**

In Hong Kong, development of our new 90-room hotel located adjacent to our existing hotel in Tsim Sha Tsui has been completed and is anticipated to commence operation in the third quarter of 2018.

In Vancouver, the demolition work of our Empire Landmark Hotel located close to the downtown core at the Robson Street is currently underway. Pre-sale of the first batch of residential units in this development was first launched in January 2018 and contracted sales of Canadian dollar 97 million (approximately HK\$589 million) were achieved up to 31st March 2018.

Another piece of land and buildings located next to our Empire Landmark Hotel at the Robson Street is in the planning stage for residential and commercial development.

The rezoning application of the Group's joint venture for a residential development for sale at the Alberni Street is under review by the local authority.

Shortly after the fiscal year ended 31st March 2018, the Group, through another joint venture with which it owns 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.

## Financial Investments

As at 31st March 2018, the Group's financial investment portfolio that consisted almost entirely of listed securities amounted to HK\$4,936 million (2017: HK\$2,410 million). The increase in value of the portfolio was attributed to further investment made in debt securities.

Approximately 83% of our investment portfolio comprised listed debt securities that were issued mostly by companies operating real estate business in China, and approximately 17% comprised listed equity securities (of which approximately 84% were issued by major banks). They were denominated in Hong Kong dollars 7%, United States dollars 90% and Sterling 3%.

During the year, a total of HK\$302 million (2017: HK\$228 million) in interest and dividend income were generated from the investment portfolio, and a net investment loss of HK\$59 million, mainly unrealised from fair value changes, was recorded (2017: gain of HK\$243 million mainly unrealised). The unrealised fair value loss was largely from listed debt securities due to higher yield expectation from investors amidst a rising interest rate environment. Such loss was partially offset by the unrealised fair value gain from listed bank equity securities in the United States and in the United Kingdom, the former being benefited from the improvement in the United States economy while the latter from the appreciation of Sterling.

## FINANCIAL REVIEW

The financing and treasury activities of the Group are centrally managed at the corporate level. At 31st March 2018, the Group had over HK\$2,000 million cash and undrawn banking facilities.

The Group's total assets per book amounted to HK\$9,101 million (2017: HK\$6,374 million). Based on independent valuation, the total revalued amount of our hotel properties in operation as at 31st March 2018 was HK\$10,654 million, decreased by 0.7% when compared with that as at 31st March 2017. This revalued amount has excluded the valuation of our Empire Landmark hotel (2017: HK\$1,012 million) following its closure of operation in October 2017 for redevelopment. The historic land value of this hotel has been restated in property under development for sale. The revalued total assets of the Group, after taking into account hotel properties in operation at market value, would be HK\$17,410 million (2017: HK\$14,621 million).

The shareholders' funds per book amounted to HK\$3,919 million (2017: HK\$3,727 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\$12,227 million (2017: HK\$11,872 million).

The consolidated net debt (total debt less cash balance) was HK\$4,675 million (2017: HK\$2,240 million). The total debt comprised HK\$4,736 million of bank borrowings and HK\$187 million of convertible note. 97% of the gross bank borrowings or HK\$4,610 million was denominated in Hong Kong dollars, and the remaining 3% or to the equivalent of HK\$126 million were in foreign currencies incurred in operations and investment in financial assets overseas.

Of the total bank borrowings, 17% were revolving loans, mostly secured, 54% were secured term loans, and the remaining 29% were unsecured term loans. The maturity of our bank borrowings spread over a period of up to five years with 30% repayable within one year, 19% repayable between one to two years, and 51% repayable within three to five years. Subsequent to the balance sheet date, approximately 65% of bank borrowings repayable within one year were repaid and refinanced by the drawdown of long term bank facilities with maturities for five years. Convertible notes, accounting for 4% of total debt, is unsecured and repayable in February 2047. At 31st March 2018, the Group had net current assets of HK\$3,799 million (2017: HK\$2,211 million).

The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 38% (2017: 19%).

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 2018 amounted to HK\$3,653 million (2017: HK\$3,179 million).

## **HUMAN RESOURCES**

As at 31st March 2018, the total number of full-time employees of the Company and its subsidiaries was approximately 280 (2017: 390). 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**

With the opening of Hong Kong-Zhuhai-Macao Bridge (HZMB) and the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) this year, they will significantly reduce the cost and time for travelers and accelerate the economic integration of the Pearl River Delta and its neighboring provinces. The improving trend of both visitors' arrivals and those who stayed overnight in Hong Kong is expected to continue, and the outlook for Hong Kong hospitality industry remains attractive underpinned by continued improvement in inbound tourism.

The general outlook for the property market in Vancouver, Canada is expected to remain attractive because the relatively firm economic growth of Canada is expected to continue.

In respect of our investment in debt securities issued by companies operating real estate business in China, the rising trend of population, income and employment opportunities have been favorable for the real estate market despite the government's curbs on speculation. External risks to China's economy include geopolitical tensions and the escalating trade protectionism, which could weigh on confidence, financial market sentiment, and eventually on activity, depending on their ultimate scope.

The management 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 2018 of HK0.64 cent (2017: HK0.64 cent) per share. No interim dividend was declared during the year (2017: Nil). Total dividend for the year amounts to HK0.64 cent (2017: 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 2018 (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 HK0.64 cent (2017: HK0.64 cent) per convertible note for the year ended 31st March 2018.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Monday, 27th August 2018 to Thursday, 30th August 2018 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 Friday, 24th August 2018.

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 2018. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 5th September 2018 to Thursday, 6th September 2018 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 Tuesday, 4th September 2018. The final dividend will be paid on 26th September 2018.

## **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 2018.

## **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 2017 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 September 2016. A new internal auditor has been recruited and reported to duty in June 2017 and the said Code Provision has been duly complied with since then.

#### **AUDIT COMMITTEE**

The Audit Committee has reviewed the annual results of the Group for the year ended 31st March 2018.

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

Hong Kong, 28th June 2018

*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.*