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ASIA ORIENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 214)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2020

FINANCIAL HIGHLIGHTS

(In HK\$ million, except otherwise indicated)

	2020	2019	Change
Revenue	2,632	2,420	+9%
Operating profit	1,623	1,969	-18%
Profit attributable to shareholders of the Company	554	810	-32%
Earnings per share - basic (HK\$)	0.66	0.96	-31%
Total assets	43,893	43,673	+1%
Net assets	23,126	24,830	-7%
Equity attributable to shareholders of the Company	12,229	13,097	-7%
Net debt	17,920	16,390	+9%

Supplementary information with hotel properties in operation at valuation:

Revalued total assets	49,448	49,694	-1%
Revalued net assets	29,219	31,401	-7%
Equity attributable to shareholders of the Company	15,023	16,110	-7%
Gearing – net debt to revalued net assets	61%	52%	+9%

The board of directors (the “Board”) of Asia Orient Holdings Limited (the “Company”) announce that the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2020 together with the comparative figures for the year ended 31st March 2019 were as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Sales of goods and services, leasing and other revenue		600,280	811,543
Interest revenue		2,031,758	1,608,335
Total revenue	2	2,632,038	2,419,878
Cost of sales		(241,103)	(287,470)
Gross profit		2,390,935	2,132,408
Selling and administrative expenses		(266,968)	(281,081)
Depreciation		(217,732)	(195,897)
Net investment loss	3		
Net realised and unrealised loss		(64,239)	(88,163)
Change in expected credit losses and other credit impairment charges		(92,791)	(441,112)
Fair value (loss)/gain of investment properties		(125,949)	842,813
Operating profit		1,623,256	1,968,968
Net finance costs	5	(625,394)	(514,063)
Share of profits less losses of			
Joint ventures		64,433	16,750
Associated companies		(142,835)	54,593
Profit before income tax		919,460	1,526,248
Income tax expense	6	(3,996)	(31,251)
Profit for the year		915,464	1,494,997
Attributable to:			
Shareholders of the Company		553,577	810,091
Non-controlling interests		361,887	684,906
		915,464	1,494,997
Earnings per share (HK\$)			
Basic	8	0.66	0.96
Diluted	8	0.66	0.96

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2020

	2020 HK\$'000	2019 HK\$'000
Profit for the year	<u>915,464</u>	<u>1,494,997</u>
Other comprehensive (charge)/income		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Net fair value loss on debt securities at fair value through other comprehensive income	(2,179,648)	(134,697)
Cash flow hedges		
- fair value (loss)/gain	(39,048)	1,796
- transfer to finance costs	3,987	(3,660)
- realised loss	-	(446)
Currency translation differences	(30,811)	(15,696)
Share of currency translation differences of joint ventures	(141,188)	(130,908)
Items that will not be reclassified to profit or loss:		
Revaluation gain arising from transfer of property, plant and equipment to investment properties	22,225	-
Equity securities at fair value through other comprehensive income		
- net fair value loss	(218,300)	(105,568)
- realised gain	186	-
	<u>(2,582,597)</u>	<u>(389,179)</u>
Total comprehensive (charge)/income for the year	<u>(1,667,133)</u>	<u>1,105,818</u>
Attributable to:		
Shareholders of the Company	(851,742)	585,930
Non-controlling interests	(815,391)	519,888
	<u>(1,667,133)</u>	<u>1,105,818</u>

CONSOLIDATED BALANCE SHEET

As at 31st March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investment properties		9,693,400	9,778,075
Property, plant and equipment		8,122,670	7,617,072
Investment in joint ventures and associated companies		4,652,194	4,249,182
Amount due from joint ventures and associated companies		1,981,167	1,223,093
Loan receivables		1,235	1,411
Financial investments		473,918	642,508
Deferred income tax assets		100,184	60,731
		<u>25,024,768</u>	<u>23,572,072</u>
Current assets			
Properties under development for sale		1,134,767	1,749,208
Completed properties held for sale		3,680	3,680
Hotel and restaurant inventories		20,144	21,615
Trade and other receivables	9	728,895	555,609
Income tax recoverable		5,545	3,553
Financial investments		15,856,713	16,966,629
Bank balances and cash		1,118,373	800,303
		<u>18,868,117</u>	<u>20,100,597</u>
Current liabilities			
Trade and other payables	10	176,719	186,568
Contract liabilities		197,582	199,405
Amount due to joint ventures		213,951	199,855
Amount due to an associated company		224,400	224,400
Amount due to non-controlling interests		44,511	39,225
Income tax payable		99,993	70,214
Borrowings		6,144,544	4,361,162
Medium term notes		249,940	99,820
		<u>7,351,640</u>	<u>5,380,649</u>
Net current assets		<u>11,516,477</u>	<u>14,719,948</u>
Non-current liabilities			
Long term borrowings		12,644,292	12,480,033
Lease liabilities		2,335	-
Medium term notes		-	249,035
Derivative financial instruments		39,048	-
Deferred income tax liabilities		729,184	732,794
		<u>13,414,859</u>	<u>13,461,862</u>
Net assets		<u>23,126,386</u>	<u>24,830,158</u>
Equity			
Share capital		84,087	84,087
Reserves		12,145,593	13,012,471
Equity attributable to shareholders of the Company		<u>12,229,680</u>	<u>13,096,558</u>
Non-controlling interests		10,896,706	11,733,600
		<u>23,126,386</u>	<u>24,830,158</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 investment properties, financial assets at fair value through profit or loss (“FVPL”), financial assets at fair value through other comprehensive income (“FVOCI”) and derivative financial instruments, which are carried at fair value, and in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”).

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

HKFRS 16	Leases
Annual Improvement	Annual improvements to HKFRS 2015-2017 cycle
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan, amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
HK (IFRIC) – Interpretation 23	Uncertainty over income tax treatments

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

HKFRS 16 Lease

The adoption of HKFRS 16 from 1st April 2019 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 16, comparative figures have not been restated.

Effect on adoption of HKFRS 16 are as follows:

	HK\$’000
Operating lease commitments disclosed as at 1st April 2019	<u>6,332</u>
Discounted using the lessee’s incremental borrowing rate at the date of initial application	3,753
Less: short-term leases recognised on a straight-line basis as expense	<u>(1,827)</u>
Lease liabilities recognised as at 1st April 2019	<u><u>1,926</u></u>
Of which are:	
Current – included in trade and other payables	1,098
Non-current – lease liabilities	<u>828</u>
	<u><u>1,926</u></u>

1 Basis of preparation (Continued)

The associated right-of-use assets for leases were measured on a modified retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at amounts equal to the lease liabilities, adjusted by the amounts of any prepaid or accrued lease payments relating to the leases recognised in the consolidated financial statements at 31st March 2019.

Upon the adoption of HKFRS 16, the Group reclassified the leasehold land in Hong Kong to right-of-use assets for presentation purpose.

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

Consolidated balance sheet (extract)

	Effect of adoption of HKFRS 16			
	As previously reported HK\$'000	Reclassification HK\$'000	Recognition of lease HK\$'000	As adjusted HK\$'000
Assets				
Property, plant and equipment				
Leasehold land in Hong Kong	5,781,934	(5,781,934)	-	-
Right-of-use assets	-	5,781,934	1,926	5,783,860
Liabilities				
Current - trade and other payables	186,568	-	1,098	187,666
Non-current - lease liabilities	-	-	828	828

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- use of a single discount rate for a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months at 1st April 2019 as short-term leases, and
- exclusion of initial direct costs for the measurement of right-of-use assets at the date of initial application

There are no other standards or interpretations effective for financial period beginning on 1st April 2019 that would have a material impact to the Group.

Certain new/revised standards, amendments and interpretations to standards have been issued but are not yet effective for the year ended 31st March 2020 and have not been early adopted by the Group.

2 Segment information

Revenue includes revenue from property management, property sales and leasing, hotel and travel operation, management services, interest income and dividend income.

	Property sales HK\$'000	Property leasing HK\$'000	Hotel and travel HK\$'000	Financial investments HK\$'000	Others HK\$'000	Total HK\$'000
2020						
Segment revenue	<u>170</u>	<u>213,202</u>	<u>297,203</u>	<u>2,059,830</u>	<u>61,633</u>	<u>2,632,038</u>
Contribution to segment results	(4,763)	175,479	24,493	2,055,585	50,798	2,301,592
Depreciation	(11,818)	-	(189,695)	-	(16,219)	(217,732)
Net investment loss	-	-	-	(157,030)	-	(157,030)
Fair value loss of investment properties	-	(125,949)	-	-	-	(125,949)
Share of profits less losses of						
Joint ventures	63,758	-	-	-	675	64,433
Associated companies	-	(140,976)	-	-	(1,859)	(142,835)
Segment results	<u>47,177</u>	<u>(91,446)</u>	<u>(165,202)</u>	<u>1,898,555</u>	<u>33,395</u>	<u>1,722,479</u>
Unallocated corporate expenses						(177,625)
Net finance costs						<u>(625,394)</u>
Profit before income tax						<u><u>919,460</u></u>
2019						
Segment revenue	<u>1,350</u>	<u>209,248</u>	<u>543,367</u>	<u>1,634,504</u>	<u>31,409</u>	<u>2,419,878</u>
Contribution to segment results	(22,102)	180,320	209,779	1,630,115	22,681	2,020,793
Depreciation	(18,310)	-	(165,752)	-	(11,835)	(195,897)
Net investment loss	-	-	-	(529,275)	-	(529,275)
Fair value gain of investment properties	-	842,813	-	-	-	842,813
Share of profits less losses of						
Joint ventures	10,647	-	-	-	6,103	16,750
Associated companies	-	55,062	-	-	(469)	54,593
Segment results	<u>(29,765)</u>	<u>1,078,195</u>	<u>44,027</u>	<u>1,100,840</u>	<u>16,480</u>	<u>2,209,777</u>
Unallocated corporate expenses						(169,466)
Net finance costs						<u>(514,063)</u>
Profit before income tax						<u><u>1,526,248</u></u>

2 Segment information (Continued)

	Business segments						Unallocated	Total
	Property sales	Property leasing	Hotel and travel	Financial investments	Others			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
2020								
Assets	6,571,129	11,011,535	6,193,625	16,928,607	261,943	2,926,046	43,892,885	
Assets include:								
Joint ventures and associated companies	5,309,006	1,273,754	-	-	48,425	2,176	6,633,361	
Addition to non-current assets*	577,374	24,719	18,241	-	5,170	51,039	676,543	
Liabilities								
Borrowings	3,167,531	1,001,890	3,522,554	1,862,545	-	9,234,316	18,788,836	
Other liabilities							<u>1,977,663</u>	
							<u>20,766,499</u>	
2019								
Assets	5,879,004	11,316,795	6,402,363	18,044,330	214,608	1,815,569	43,672,669	
Assets include:								
Joint ventures and associated companies	3,938,947	1,495,579	-	-	34,668	3,081	5,472,275	
Addition to non-current assets*	79,338	10,695	58,062	-	12,360	-	160,455	
Liabilities								
Borrowings	3,216,658	1,049,841	3,407,533	1,897,949	-	7,269,214	16,841,195	
Other liabilities							<u>2,001,316</u>	
							<u>18,842,511</u>	

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

2 Segment information (Continued)

	2020 HK\$'000	2019 HK\$'000
Revenue		
Hong Kong	617,902	791,509
Overseas	<u>2,014,136</u>	<u>1,628,369</u>
	<u>2,632,038</u>	<u>2,419,878</u>
Non-current assets*		
Hong Kong	21,413,014	20,084,470
Overseas	<u>3,036,417</u>	<u>2,782,952</u>
	<u>24,449,431</u>	<u>22,867,422</u>

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

3 Net investment loss

	2020 HK\$'000	2019 HK\$'000
Financial assets at FVPL		
- net unrealised gain/(loss) from market price movements	12,151	(113,047)
- net unrealised exchange loss	(3,083)	(24,846)
- net realised gain/(loss) (note (a))	36,887	(8,779)
Financial assets at FVOCI		
- net unrealised exchange (loss)/gain	(172,235)	4,561
- net realised gain (note (b))	62,041	52,222
- changes in expected credit losses and other credit impairment charges	(92,791)	(441,112)
Derivative financial instrument		
- net realised gain	<u>-</u>	<u>1,726</u>
	<u>(157,030)</u>	<u>(529,275)</u>

Notes:

(a) Net realised gain/(loss) on financial assets at FVPL

Gross consideration	1,196,960	333,006
Cost of investments	<u>(973,432)</u>	<u>(488,048)</u>
Total gain/(loss)	223,528	(155,042)
(Less)/add: net unrealised (gain)/loss recognised in prior year	<u>(186,641)</u>	<u>146,263</u>
Net realised gain/(loss) recognised in current year	<u>36,887</u>	<u>(8,779)</u>

3 Net investment loss (Continued)

	2020 HK\$'000	2019 HK\$'000
(b) Net realised gain on financial assets at FVOCI		
Gross consideration	4,716,262	4,514,768
Cost of investments	<u>(4,622,687)</u>	<u>(4,428,894)</u>
Total gain	93,575	85,874
Transfer from investment revaluation reserve	<u>(31,534)</u>	<u>(33,652)</u>
Net realised gain recognised in current year	<u><u>62,041</u></u>	<u><u>52,222</u></u>

4 Income and expenses by nature

	2020 HK\$'000	2019 HK\$'000
Income		
Interest income from financial assets at FVOCI/FVPL		
- Listed investments	2,003,579	1,578,378
- Unlisted investments	5,187	4,056
Interest income from financial assets that are measured at amortised cost		
- A joint venture	18,562	11,303
- Loan receivables	2,072	9,848
- Bank deposits	4,029	4,750
Dividend income		
- Listed investments	<u>40,168</u>	<u>49,126</u>
Expenses		
Cost of properties and goods sold	80,686	89,788
Operating lease rental expense for land and buildings	<u>1,040</u>	<u>3,416</u>

5 Net finance costs

	2020 HK\$'000	2019 HK\$'000
Interest expense		
Long term bank loans	(551,709)	(436,546)
Short term bank loans and overdrafts	(40,480)	(42,753)
Medium term notes	(14,162)	(17,744)
Lease liabilities	(140)	-
Interest income from hedging derivative financial instruments	239	740
Interest capitalised	<u>44,099</u>	<u>32,361</u>
	(566,140)	(463,942)
Other incidental borrowing costs	(64,108)	(49,546)
Net foreign exchange gain/(loss) on borrowings	4,854	(4,235)
Fair value (loss)/gain on derivative financial instruments		
Cash flow hedge, transfer from reserve	<u>(3,987)</u>	<u>3,660</u>
	<u><u>(625,394)</u></u>	<u><u>(514,063)</u></u>

6 Income tax expense

	2020 HK\$'000	2019 HK\$'000
Current income tax expense		
Hong Kong profits tax	(36,687)	(52,413)
Overseas profits tax	-	(6,660)
(Under)/over provision in prior years	<u>(7,136)</u>	<u>620</u>
	(43,823)	(58,453)
Deferred income tax credit	<u>39,827</u>	<u>27,202</u>
	<u>(3,996)</u>	<u>(31,251)</u>

Hong Kong profits tax is provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year. Overseas profits tax has been provided on the estimated assessable profit for the year at the rate prevailing in the countries in which the Group operates.

7 Dividends

	2020 HK\$'000	2019 HK\$'000
Interim, nil (2019: Nil)	-	-
Final, proposed, nil (2019: HK1.8 cents per share)	<u>-</u>	<u>15,136</u>
	<u>-</u>	<u>15,136</u>

At a meeting held on 26th June 2020, the Board has resolved not to recommend the payment of a final dividend for the year ended 31st March 2020 (2019: HK1.8 cents per share).

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 of shares.

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

	2020 HK\$'000	2019 HK\$'000
Profit attributable to shareholders of the Company		
For calculation of basic earnings per share	553,577	810,091
Effect of dilutive potential shares:		
A portion of share options of the subsidiaries assumed to be exercised	<u>-</u>	<u>(789)</u>
Profit for calculation of diluted earnings per share	<u>553,577</u>	<u>809,302</u>
	Number of shares	
Weighted average number of shares for calculation of basic earnings per share	840,873,996	840,873,996
Effect of dilutive potential shares:		
A portion of share options of the Company assumed to be exercised	<u>-</u>	<u>1,090,369</u>
Weighted average number of shares for calculation of diluted earnings per share	<u>840,873,996</u>	<u>841,964,365</u>

The diluted earnings per share is equal to the basic earnings per share since there exist no dilutive potential share during the year ended 31st March 2020.

9 Trade and other receivables

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

Trade receivables of the Group amounted to approximately HK\$35,205,000 (2019: HK\$58,237,000). 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 evaluation of customers are performed periodically.

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

	2020 HK\$'000	2019 HK\$'000
0 month to 6 months	34,732	55,677
7 months to 12 months	15	1,588
More than 12 months	<u>458</u>	<u>972</u>
	<u>35,205</u>	<u>58,237</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, lease liabilities and various accruals. Trade payables of the Group amounted to approximately HK\$11,016,000 (2019: HK\$22,744,000).

Aging analysis of trade payables is as follows:

	2020	2019
	HK\$'000	HK\$'000
0 month to 6 months	10,350	21,950
7 months to 12 months	80	206
More than 12 months	586	588
	11,016	22,744

The figures in respect of the Group's consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31st March 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group's revenue for the year amounted to HK\$2,632 million (2019: HK\$2,420 million), with profit attributable to shareholders of the Company at HK\$554 million (2019: HK\$810 million). The increase in investment income has well compensated the income reduction in our hotel segment, resulting in a net increase of 9% in total revenue. Furthermore, the Group recorded a revaluation loss from its investment properties, which when compared with the surplus last year, resulted in a decrease in profit attributable to shareholders.

PROPERTIES SALES, DEVELOPMENT AND LEASING

SALES AND DEVELOPMENT

Mainland China

In Tongzhou, Beijing, sub-structure works for the residential towers of our 2.3 million sq. ft. GFA joint venture mixed-use development has been completed shortly after interim period. Superstructure works have also commenced this year and is well in progress. Presale of the residential units has commenced since mid-July 2019 and has been well received. Up to end of May 2020, the project recorded a contracted sales of approximately RMB1.7 billion. Profit recognition will begin upon delivery of the flats to its buyers.

In Shanghai's Queen's Gate, a high-end joint venture villas and apartments development, sales of the last phase has also begun in mid-July 2019. Up to end of May 2020, more than 90% units of this phase has been sold, resulted in a contracted sales of approximately RMB0.9 billion. Approximately 80% of these sales was recognised in the year.

Hong Kong

In Jardine's Lookout, the Group has continued its sales and marketing efforts of the joint venture residential development, Dukes Place, which comprises sixteen residential apartments ranging from 2,850 sq. ft to over 6,800 sq. ft. Up to end of May 2020, sales have amounted to approximately HK\$1.2 billion. The related profits will be accounted for in the coming financial year when these units are delivered to the homebuyers.

On Po Shan Road, foundation works of another luxurious joint venture residential development had just completed, while superstructure works is due to commence.

In Hung Shui Kiu Yuen Long, provisional basic terms of land exchange for the commercial and residential development has been concluded. We are now in the course of land premium negotiation with Lands Department. The development will provide approximately 520,000 sq. ft. of GFA, of which approximately 90% are of residential apartments for sale. Another residential development at Lam Tei light-rail station nearby is in the early stage of land exchange application with the government. The development has approximately 67,000 sq. ft. of residential GFA.

In Kowloon Bay, the commercial building Octa Tower has been renamed to “Harbourside HQ”. The commercial building provides approximately 800,000 sq. ft. leaseable GFA. The building is undergoing renovation and refurbishment and completion is expected to be towards the 4th quarter of 2020.

During the year, the Group, through a joint venture, has accumulated some agricultural land in the New Territories, which is zoned as “residential use” under the current outline zoning plan.

In March 2020, the Group with its 50% joint venture partner acquired a detached house in Repulse Bay, which would be re-developed into brand new single-family estate.

Canada (development through hotel subsidiary group)

Demolition of our Empire Landmark Hotel is substantially completed and excavation and shoring works are ongoing. Upon completion, the redevelopment of the hotel will provide approximately 400,000 sq. ft. GFA mixed-use development with two residential towers (“Landmark on Robson”). Since the launch of presale in 2018, the development had achieved a contracted sales of CAD140 million up to 31st March 2020.

Development permit of a joint venture redevelopment of high-end residential complex of approximate 627,000 sq. ft. GFA in Alberni Street, downtown Vancouver has been submitted, where the Prior-to Letter outlining the conditions for approval was received from local city council in June 2019.

Another joint venture development that is also located on Alberni Street in downtown Vancouver is in the planning stage for development into premium residential units for sale. The rezoning package has been submitted to the City in early 2020.

LEASING

Leasing income of YF Life Tower (previously MassMutual Tower), 33 Lockhart Road in Wanchai and Asia Standard Tower in Queen’s Road Central has slightly increased comparing to last year. Average occupancies of these office towers remained high at above 95% for both financial years.

Overall leasing income attributable to Asia Standard International for the year was HK\$236 million (2019: HK\$235 million). Net revaluation loss (taking into account our share of revaluation loss (2019: gain) from the investment property owned by an associated company) of HK\$274 million (2019: gain of HK\$885

million) was recorded.

HOTEL

During the financial year, overnight stay visitors to Hong Kong had decreased by 42.5% to approximately 17.3 million. Mainland visitors, which traditionally dominated this segment with 68% share, also saw their arrivals decreased by 43% from last year. Total hotel rooms in Hong Kong are approximately 84,000 rooms, an increase of 1% over last year.

Following the local socio-political events in the second half of 2019 and the worldwide lockdowns from the outbreak of COVID-19 in January 2020, our hotel operation was severely impacted with annual revenue declined by 45% to HK\$297 million (2019: HK\$543 million). During the financial year, average occupancies for our hotels were approximately 61% (2019: 93%) while average room rates fell by one third. The losses increased drastically in the first quarter 2020 and management took immediate action to reduce operational costs, deferred capital spending plans, preserve cash resources and retain adequate banking facilities to finance working capital needs. Overall, contribution to segment results before depreciation decreased from HK\$210 million to HK\$24 million, a decrease of 88%.

FINANCIAL INVESTMENTS

At 31st March 2020, the Group held financial investments of approximately HK\$16,331 million (2019: HK\$17,609 million), with HK\$14,436 million (2019: HK\$15,601 million) held by the two listed subsidiary group. The investment portfolio comprised of 96% listed debt securities (mostly issued by PRC-based real estate companies), 2% by listed equity securities and 2% unlisted investments. They are denominated in different currencies with 96% in United States dollar, 4% in other currencies (mostly Hong Kong dollar).

The portfolio's decrease was due to net addition of HK\$1,198 million and a mark-to-market valuation net loss of HK\$2,476 million, of which a net investment loss of HK\$157 million was charged to profit and loss while the remaining HK\$2,319 million were recognized in the investment reserve account. The net investment loss comprised net fair value losses of listed equity securities, exchange losses, and provisions for expected credit loss and impairment charges, compensated by realised gain upon partial disposal/redemption of the securities. The drop in market price is mainly due to the significant market sell-off in March 2020 following the COVID-19 pandemic outbreak. Afterwards in April and May 2020, the market experienced a strong rebound.

Income from this investment portfolio amounted to HK\$2,060 million (2019: HK\$1,635 million). The increase was resulted from further investment in debt securities.

At 31st March 2020, an approximate value of HK\$2,560 million (2019: HK\$2,120 million) of these investments were pledged to banks as collateral for credit facilities granted to the Group.

FINANCIAL REVIEW

At 31st March 2020, the Group had over HK\$6.2 billion (2019: HK\$7.7 billion) cash and undrawn banking facilities. The financing and treasury activities of our three listed groups are independently administered.

At 31st March 2020, the Group's total assets were approximately HK\$43.9 billion (2019: HK\$43.7 billion), the net assets were HK\$23.1 billion (2019: HK\$24.8 billion). Adopting market value of hotel properties in operation, the revalued total assets were HK\$49.4 billion (2019: HK\$49.7 billion), a decrease of 1%, and the revalued net assets were HK\$29.2 billion (2019: HK\$31.4 billion), a decrease of 7%.

Net debt was HK\$17.9 billion (2019: HK\$16.4 billion), of which HK\$0.6 billion (2019: HK\$0.7 billion) was attributable to the parent group. Total interest cost increased as a result of increased borrowings together with market interest rate hikes. Currently, the Group's gearing ratio (net debt to revalued net asset value) is approximately 61% (2019: 52%). As at 31st March 2020, the Group had net current assets of HK\$11.5 billion (2019: HK\$14.7 billion) and the HK\$17.4 billion aggregate amount of marketable securities and cash together represented 2.7 times of the HK\$6.4 billion current debt repayable within 12 months.

64% of the debts are secured and 99% of the debts are at floating rates. As at 31st March 2020, about 25% of these floating rates debts have been hedged against HIBOR fluctuations by entering into various interest rate swap contracts of HK\$4,900 million in total, with approximately 84% having maturities of 5 years, and the remaining between 2 and 10 years. The maturities of our debts spread over a long period of up to 6 years, with 3% repayable after 5 years and 64% repayable between one to five years. The remaining 33% comprise medium term notes, overdraft, revolving and short-term loans and are repayable within 1 year. The medium term notes were fully redeemed in April 2020.

Approximately 94% of the Group's borrowings are in Hong Kong dollars and the remaining 6% in United States dollars and Canadian dollars.

As at 31st March 2020, property assets with an aggregate net book value of HK\$21.5 billion (2019: HK\$20.0 billion) were pledged to secure banking facilities of the Group. HK\$2,999 million (2019: HK\$2,733 million) guarantees were provided to financial institutions and third parties against outstanding loans of joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

At 31st March 2020, the Group employed approximately 340 (2019: 470) employees. The remuneration packages including basic salary, annual bonus, share options, retirement and other benefits are commensurate with their job nature and level of experience.

FUTURE PROSPECT

Since the start of 2020, economies worldwide were adversely affected by the corona-virus outbreak. Economic recession data were repeatedly reported during periods of social lockdown. Central governments have since rolled out stimulus packages in an effort to sustain employment and survival of various industries. As the governments have experienced success in containing the pandemic, they are cautiously re-opening their economies, aiming to restore the economy to its original state before the outbreak.

Hong Kong's economy has been adversely impacted by local political event since the second half of 2019, and was deeply worsened following the pandemic outbreak. The impact has already demonstrated in our hotel operation performance and also in most service sectors. The leasing segment, especially the retail portion, has also been negatively affected. With the pandemic under control in Hong Kong, we are seeing a gradual re-opening of various economies. On the other hand, Hong Kong's residential property market remains very strong, as seen in the encouraging sales of our Jardine Lookout project lately.

Property sales of our Beijing and Shanghai joint venture projects is satisfactory following the resumption of sales activities after the lockdown. The Shanghai projects was almost fully sold and with the stabilisation of mainland property market, we expect the performance of the Beijing project would remain favourable for its remaining phases.

Financial markets continue to be volatile, especially from the Sino-US trade disputes, now further exaggerated by the US accusation of China on various fronts. The US Federal Reserve and other central banks have made deep interest rates cut to counteract the negative economic impact brought by the pandemic which, together with the tremendous liquidity injected into the financial system, has helped sustain the upward momentum. Our investment in fixed income securities continues to be a strong pillar in providing a stable income stream and liquidity and enables us to capitalise on any other investment and development opportunities should they arise.

Management exert tremendous caution and prudence to alleviate and mitigate any negative impact in this restless environment.

DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31st March 2020 (2019: HK1.8 cents per share). No interim dividend was declared during the year (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 21st August 2020 to Wednesday, 26th August 2020 both days inclusive, for the purpose of determining the identity of members who are entitled to attend and vote at the 2020 annual general meeting to be held on 26th August 2020 (the “Annual General Meeting”). During which period no transfer of shares of the Company will be registered and no shares will be allotted and issued on the exercise of the subscription rights attached to the outstanding share options granted by the Company. In order to qualify for attending the Annual General Meeting, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 20th August 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year, and they all confirmed that they have fully complied with the required standard set out in the Model Code throughout the year ended 31st March 2020.

CORPORATE GOVERNANCE CODE

During the year, the Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules, except the following deviations:

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

2. Code Provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive directors of the Company are not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with the Bye-Laws of the Company; and
3. Code Provision A.5.1 of the CG Code provides that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. The Company does not have a nomination committee. The Board as a whole is responsible for assessing the independence of independent non-executive directors, reviewing the structure, diversity, size and composition of the Board, the appointment of new directors and the nomination of directors for re-election by shareholders at the general meeting of the Company. Under the Bye-Laws of the Company, the Board may from time to time and at any time 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.

AUDIT COMMITTEE

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

By order of the Board
Asia Orient Holdings Limited
Fung Siu To, Clement
Chairman

Hong Kong, 26th June 2020

As at the date of this announcement, the executive directors of the Company are Mr. Fung Siu To, Clement, Mr. Poon Jing, Mr. Poon Hai, Mr. Poon Yeung, Roderick, Mr. Lun Pui Kan and Mr. Kwan Po Lam, Phileas; and the independent non-executive directors of the Company are Mr. Cheung Kwok Wah, Mr. Hung Yat Ming and Mr. Wong Chi Keung.