



Asia Standard International  
Group Limited



Annual Report  
2016

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# Corporate Information

## DIRECTORS

### Executive

Mr. Fung Siu To, Clement (*Chairman*)

Mr. Poon Jing (*Managing Director and Chief Executive*)

Mr. Poon Hai

Mr. Poon Yeung, Roderick

Mr. Lun Pui Kan

Mr. Kwan Po Lam, Phileas

### Independent Non-executive

Mr. Koon Bok Ming, Alan

Mr. Leung Wai Keung

Mr. Wong Chi Keung

## AUDIT COMMITTEE

Mr. Koon Bok Ming, Alan (*Chairman*)

Mr. Leung Wai Keung

Mr. Wong Chi Keung

## REMUNERATION COMMITTEE

Mr. Wong Chi Keung (*Chairman*)

Mr. Fung Siu To, Clement

Mr. Poon Hai

Mr. Koon Bok Ming, Alan

Mr. Leung Wai Keung

## AUTHORISED REPRESENTATIVES

Mr. Fung Siu To, Clement

Mr. Lun Pui Kan

## COMPANY SECRETARY

Mr. Tung Kwok Lui

## REGISTERED OFFICE

Canon's Court, 22 Victoria Street,  
Hamilton HM12, Bermuda

## PRINCIPAL OFFICE IN HONG KONG

30th Floor, Asia Orient Tower,  
Town Place,

33 Lockhart Road, Wanchai,  
Hong Kong

Telephone 2866 3336

Facsimile 2866 3772

Website <http://www.asiastandard.com>

E-mail [asinfo@asiastandard.com](mailto:asinfo@asiastandard.com)

## PRINCIPAL BANKERS

HSBC

Hang Seng Bank

Industrial and Commercial Bank of  
China (Asia)

Bank of China (Hong Kong)

Chong Hing Bank

The Bank of East Asia

Shanghai Commercial Bank

Barclays Bank

Bank Morgan Stanley

UBS

Bank Julius Baer

Credit Suisse AG

## LEGAL ADVISERS

Stephenson Harwood  
18th Floor, United Centre,  
95 Queensway,  
Hong Kong

Appleby  
2206-19 Jardine House,  
1 Connaught Place, Central,  
Hong Kong

## AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants  
22nd Floor, Prince's Building,  
Central, Hong Kong

## SHARE REGISTRAR IN BERMUDA

MUFG Fund Services  
(Bermuda) Limited  
The Belvedere Building,  
69 Pitts Bay Road,  
Pembroke HM08,  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716, 17th Floor,  
Hopewell Centre,  
183 Queen's Road East, Wanchai,  
Hong Kong

# Financial Highlights

For the year ended 31st March (In HK\$ million, except otherwise indicated)	2016	2015	Change
<b>Consolidated profit and loss account</b>			
Revenue	1,316	1,256	+5%
Operating profit	1,134	1,002	+13%
Profit attributable to shareholders of the Company	721	967	-25%
Earnings per share - basic (HK\$)	0.56	0.77	-27%
<b>Consolidated balance sheet</b>			
Total assets	24,609	22,994	+7%
Net assets	16,566	15,863	+4%
Equity attributable to shareholders of the Company	15,564	14,918	+4%
Net debt	6,676	5,465	+22%

### Supplementary information with hotel properties in operation at valuation (note):

Revalued total assets	32,126	30,589	+5%
Revalued net assets	24,028	23,424	+3%
Equity attributable to shareholders of the Company	20,805	20,228	+3%
Gearing - net debt to revalued net assets	28%	23%	+5%

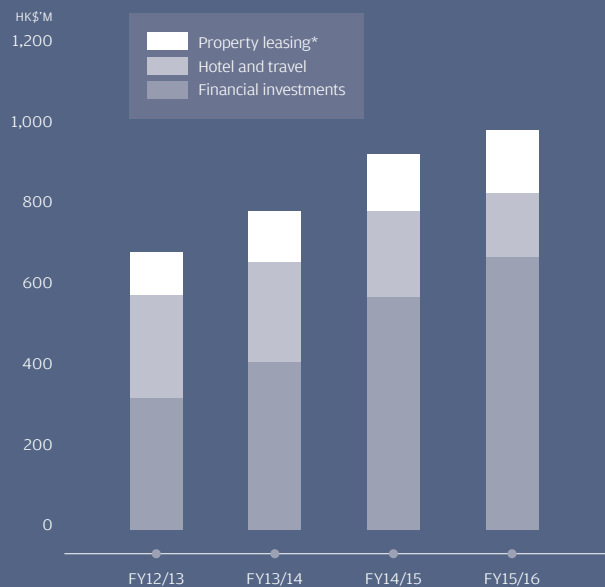
Note: According to the Group's accounting policies, hotel properties were carried at cost less accumulated depreciation. To give further information on the economic substance of its hotel properties investments, the Group hereby presents supplementary unaudited financial information taking into account the fair market value of hotel properties in operation and excluding the corresponding deferred tax on Hong Kong properties as Hong Kong tax jurisdiction does not include capital gain tax.

The four hotel properties in Hong Kong and Canada were revalued by Vigers Appraisal & Consulting Limited and Burgess Cawley Sullivan & Associates Limited (2015: Vigers and CBRE Limited) respectively, independent professional valuers, on an open market value basis.

# Chairman's Statement

The Group is pleased to report a profit attributable to shareholders of HK\$721 million for the year, and increased its equity attributable to shareholders (with operating hotels at valuation) by 3% to HK\$20.8 billion.

## Recurring profit contribution



\* includes share of net rental income from an associated company





The renovated **Asia Orient Tower**

Pre-sale of our joint venture villa development in Shanghai is ongoing and shows remarkably satisfactory result, achieving RMB2.0 billion sales. The hotel subsidiary's two hotel projects in Hong Kong are progressing as scheduled with the one in Causeway Bay opening in third quarter 2016, contributing to the recurrent income base.

Rental income increases following the expansion of our leasing properties portfolio, and is going to increase further with the gradual completion of renovation of our Wanchai headquarter office tower. Financial investment income increases as well with growth in portfolio size. With the set back of the tourism market in Hong Kong, hotel performance decline with decrease in room rates. Overall, the Group's recurring income continues to grow over the year.

Management stays alert among the challenges and uncertainties it faces, and takes this opportunity to thank its staff for their efforts contributed in keeping the Group growing and moving forward.

**Fung Siu To, Clement**

*Chairman*

Hong Kong, 24th June 2016

# Business Model and Strategies





## Business Model and Strategies

The Group is principally engaged in developing and investing properties in prime location in Hong Kong and first-tier cities in China, and has established a well diversified business model across four main operating segments - property development, property leasing, hotel and travel, and financial investments. While our property development arm acts as the core drive for the Company's growth, rental income from our prime investment properties, earnings from our hotels and dividend/coupon payments from our financial investment portfolio provide us with a stable, reliable and recurring income source to the Group. Our business diversification also reduces the adverse impact of market volatility and offset the impact of cyclical to which some of our businesses are exposed.

The Group will stay focus on enhancing the performance of its core business and will continuously generate value to the shareholders by exploring investment opportunities in line with the following strategies:

**(i) Build on our reputation and track record of premium property development in Hong Kong and China**

Our development strategy is to continue to invest primarily in Hong Kong and first-tier cities in China. We will continue to expand the real estate business through carefully selected opportunities in luxury as well as mass market residential development. Leveraging our expertise as a premium residential developer with an international standard, we will continue to look for opportunities to increase our presence in Greater China.

**(ii) Growing recurring income from investment properties and financial investment portfolio**

The Group has a diversified properties and financial investment portfolio generating a recurring and steady income stream. Our investment properties comprise of a mix of commercial and retail spaces

situated in core central business district in Hong Kong. The Group's financial investment portfolio provides a liquidity buffer and recurring income as well as a diversified cash flow stream, enabling us to finance existing projects and seize potential investment as opportunities arise.

**(iii) To expand and grow our hotel business in prime CBDs and to strive for excellence in management and operations**

The Group owns and operates 4 hotels under the "Empire" branding, 3 of which are in Hong Kong and one in Vancouver, Canada. Our 3 hotels in Hong Kong are situated within central hubs and are targeted at business travelers as well as visitors from the PRC. Our hospitality chain has a centralised management team for optimising revenue generation and ensuring efficient deployment of resources for achieving maximum cost benefit. The prime locations allow us to cater to both business visitors and tourists, which together with our competitive pricing has led to a high occupancy level at our hotels.

**(iv) Continue to manage risk effectively, through a prudent financial management policy**

As the Group operates in a capital intensive business, we adopt a comprehensive risk management framework to monitor risk and manage debt exposures in a conservative and prudent manner, seeking to maintain the strength of our balance sheet with reasonably low gearing. We will continuously maintain a strong financial position with a healthy level of liquidity.

We are confident that our strategies will deliver maximum value to the shareholders in the long term.



# Management Discussion and Analysis

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## RESULTS

The Group recorded revenue of HK\$1,316 million (2015: HK\$1,256 million) for the financial year with profit attributable to shareholders of the Company at HK\$721 million (2015: HK\$967 million). The decrease in profit is a combination of increased finance cost and net fair value loss (including that from associated companies) from revaluation of investment properties against surplus of last year, but partially compensated by current year's mark-to-market valuation gain against last year's valuation loss of its financial investment.

## PROPERTIES SALES, DEVELOPMENT AND LEASING

### SALES

The Group's 50% joint venture development in Shanghai commenced presale in July 2015 and contracted over RMB2.0 billion since then. The project is situated in the traditional high end and low-density residential neighborhood of Qingpu district providing over 300 villas and apartments with total construction floor area of approximately 1,080,000 sq. ft. Construction completion certificate has been obtained after financial year end and the units will soon be ready for delivery to the buyers.



Queen's Gate in Shanghai

## DEVELOPMENT

Foundation of the luxurious residential joint venture re-development at Perkins Road in Hong Kong is completed and superstructure construction just commenced. The development will provide 69,000 sq. ft. GFA upon completion in latter half 2017.

The commercial and residential development at Hung Shui Kiu, Yuen Long is currently undergoing land exchange process. Approval for a development scheme under Town Planning Board was obtained. Another residential development at the Lam Tei station nearby is in the process of land exchange application with the government.

During the year, we entered into a 40% joint venture residential project at Po Shan Road in mid-levels, another high rise luxurious re-development. Demolition of the existing building is completed and site investigation for foundation is underway.

Re-development for the 50% joint venture project at Tongzhou in Beijing is currently under preparation. We have contracted to acquire resettlement buildings for the villagers and resettlement is expected to take place in the latter half 2016. Structural and foundation design are ongoing and construction will start once resettlement completes.

The land concession of the Group's development site in Seac Pai Van, Macau expired in December 2015 and has applied for extension of the lease. Further details are given in the Notes to the Financial Statements relating to "Properties held for development for sale".

In December 2015, the subsidiary hotel group entered into an agreement to form a joint venture 40% owned by the subsidiary group. The joint venture paid C\$170 million for the land and buildings located in the West End area of downtown Vancouver. The site is intended to be redeveloped into a high-end residential complex for sale. The completion of the transaction took place on 1st April 2016.



Queen's Gate in Shanghai





Empire Hotel Kowloon  
and adjacent new hotel development



Empire Hotel Kowloon - Executive Club Lounge

## LEASING

Attributable rental income from the Group's 433,000 sq. ft. retail/commercial buildings leasing portfolio in Central, Wan Chai and Causeway Bay amounted to HK\$167 million (2015: HK\$152 million), increased by 10%. Substantial renovation and improvement work of about HK\$100 million is being carried out for the two structurally connected towers in Wanchai to provide much larger floor plate accommodation. The tenant mix is therefore substantially changed and rent increase is expected after renovation.

Investment properties revaluation deficit (mostly from a building owned by an associated company) of HK\$126 million (2015: HK\$978 million gain) was recorded.

## HOTEL

During the financial year, overnight stay visitors to Hong Kong decreased 5% to approximately 26 million. Strong Hong Kong Dollars, anti-mainland visitors campaigns, relaxed visa policies of other tourists destinations all contributed to the decrease. Hotel rooms supply increased 1% to approximately 74,000 rooms as of end March 2016.

Revenue arising from the hotel and travel segment for the year amounted to HK\$485 million (2015: HK\$536 million). Average occupancies for the 3 Hong Kong hotels were approximately 96% for both years while average room rates dropped by 16%. As a result, contribution to segment results before depreciation decreased from HK\$213 million to HK\$159 million.

Superstructure construction of the adjacent new hotel in Causeway Bay was completed, occupation permit obtained in November 2015 and hotel license issued in May 2016. With interior fittings about to finish, 94 rooms will be added upon expected opening in third quarter 2016.

Superstructure work of the other new hotel in Tsimshatsui has commenced during the year, adding another 90 rooms to the portfolio upon completion in 2017.



## Management Discussion and Analysis

### FINANCIAL INVESTMENTS

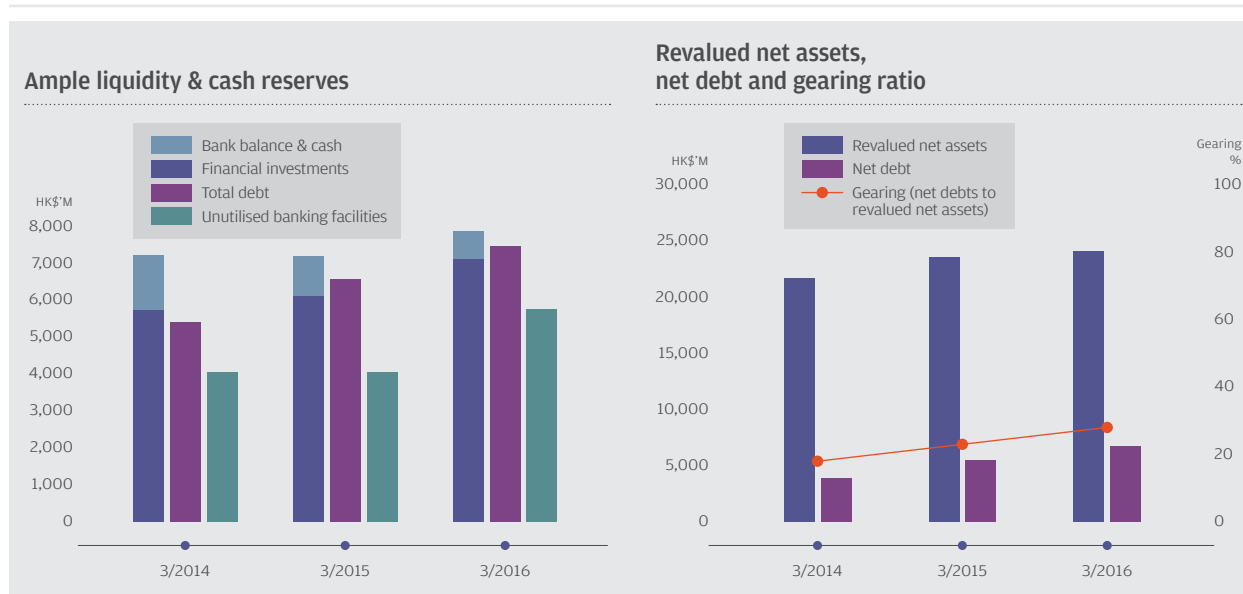
At 31st March 2016, the Group held financial investments of approximately HK\$7,085 million (2015: HK\$6,079 million), with HK\$1,962 million (2015: HK\$1,777 million) held by the listed hotel subsidiary group. The investment portfolio comprise 81% by listed debt securities (mostly were issued by PRC-based real estate companies), and 19% by listed equity securities (of which approximately 79% were issued by major banks). They are denominated in different currencies with 81% in United States dollar, 6% in Sterling, 7% in Renminbi, 5% in Hong Kong dollar and 1% in Euro.

The portfolio increase largely arose from a further investment of HK\$804 million and a mark-to-market valuation net gain of HK\$202 million, comprising HK\$616 million gain from debt securities and HK\$414 million

loss from equity securities. The debt securities of the PRC-based real estate companies have benefitted from the monetary easing, interest rate cut and relaxed restrictions on foreign purchase in the Mainland, while our equity securities have dropped following the general downward trend of the equity securities of global banking sector during the period.

Interest and dividend income from these investments amounted to HK\$659 million (2015: HK\$573 million). The increase is mostly due to the increase in portfolio size of our debt securities investment.

At 31st March 2016, an approximate value of HK\$1,310 million (2015: HK\$1,490 million) of these investments were pledged to banks as collateral for credit facilities granted to the Group.



## FINANCIAL REVIEW

Save for that of the listed hotel subsidiary group which is independently administered, the Group's financing and treasury activities are centrally managed and controlled at the corporate level. At 31st March 2016, it had over HK\$6.4 billion cash and undrawn banking facilities.

At 31st March 2016, the Group's total assets were approximately HK\$24.6 billion, compared to HK\$23.0 billion at end of last financial year. The net assets were HK\$16.6 billion (2015: HK\$15.9 billion). Adopting market value of hotel properties, the revalued total assets and revalued net assets of the Group would be HK\$32.1 billion and HK\$24.0 billion, an increase of 5% and 3% compared to HK\$30.6 billion and HK\$23.4 billion respectively at the end of last financial year.

In April 2015, the Group issued HK\$250 million 5-year floating rate medium term notes out of its medium term note programme, adding to the existing RMB500 million issued in April 2013 and HK\$100 million issued in July 2014.

In February 2016, the Group concluded a 5-year unsecured syndicated bank loan of HK\$1.5 billion, adding liquidity towards general corporate requirements.

Net debt were HK\$6.7 billion (2015: HK\$5.5 billion), including HK\$1.9 billion (2015: HK\$1.7 billion) which belonged to the separately listed hotel subsidiary group. The increase is mainly due to investment in

joint venture development project and further financial investment. Gearing (net debt to revalued net asset value) is approximately 28% (2015: 23%). 72% of the debts are secured and 85% of the debts are at floating rates. As at 31st March 2016, RMB500 million cross currency swap contracts were held to hedge the repayment of the Renminbi medium term notes. Total finance cost increased as a result of increased borrowings and exchange loss on foreign currency borrowings against exchange gain of last year.

Currently the maturities of our debts are well spread over a long period of up to 11 years. Revolving loans account for 8% and term loans secured by financial assets repayable between one to five years account for 5%. Term loans secured by property assets account for 61% with 8% repayable within 1 year, 42% repayable between one to five years and 11% repayable after five years. The remaining 26% comprise unsecured term loans and medium term notes. As at 31st March 2016, the Group had net current assets of HK\$7.2 billion (2015: HK\$6.5 billion).

About 84% of the Group's borrowings are in Hong Kong dollar, 8% in Renminbi, 7% in United States dollar and the remaining 1% in other currencies.

As at 31st March 2016, property assets with an aggregated net book value of HK\$14,000 million (2015: HK\$13,960 million) were pledged to secure banking facilities of the Group. HK\$881 million (2015: HK\$617 million) guarantee was provided to financial institution against credit facilities granted to joint ventures.

## Management Discussion and Analysis

### EMPLOYEES AND REMUNERATION POLICIES

At 31st March 2016, the Group employed approximately 440 (2015: 440) 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

Transactions for mass residential are sluggish as still under the effect of tightening mortgage ratios, punitive tax measures and the interest rates hikes expectation. Luxury segment is less affected, particularly in single lot homes and apartments. Record transacted prices for enbloc commercial properties are reported and registered which reinforce Hong Kong is still a favoured destination for large and SOE corporations. Retail rental inevitably suffered following drop in mainland visitors.

Mainland developments are however experiencing strong recovery with a more favourable mortgage policy and a series of monetary easing in the banking industry. We expect this trend to continue.

Hotel performance is continually under pressure as still adversely affected by the lingering effect of unfriendly atmosphere towards mainland visitors, strong currency and relaxed visas policies from our competing destinations.

Performance for our investment portfolio is generally steady.

Improving rental performance is seen following a new tenant mix upon the gradual completion of upgrading works in our Wanchai office building.

We remain positive to the coming periods as we are counting on gradual but slow U.S. interest rate hikes, while expecting continued quantitative easing by European, Japanese and Mainland central banks.

## Five-year Financial Summary

Year ended 31st March (in HK\$ million)	2016	2015	2014	2013	2012
<b>Results</b>					
Revenue	<b>1,316</b>	1,256	1,220	962	1,002
Gross profit	<b>1,074</b>	1,024	976	779	811
Net investment gain/(loss)	<b>362</b>	(595)	640	732	(1,454)
Fair value gain of investment properties	<b>8</b>	866	214	1,120	900
Share of profits less losses of					
Joint ventures	<b>(7)</b>	(11)	(5)	15	106
Associated companies	<b>(112)</b>	127	75	320	236
Profit attributable to shareholders of the Company	<b>721</b>	967	1,400	2,476	383
<b>Assets and liabilities</b>					
Total assets	<b>24,609</b>	22,994	20,651	17,172	14,989
Total liabilities	<b>(8,043)</b>	(7,131)	(5,668)	(3,683)	(4,151)
Non-controlling interests	<b>(1,002)</b>	(945)	(932)	(840)	(705)
Equity attributable to shareholders of the Company	<b>15,564</b>	14,918	14,051	12,649	10,133
Supplementary information with hotel properties in operation at valuation:					
Revalued total assets	<b>32,126</b>	30,589	27,359	23,500	20,670
Revalued net assets	<b>24,028</b>	23,424	21,652	19,792	16,492
Equity attributable to shareholders of the Company	<b>20,805</b>	20,228	18,724	17,065	14,095



# Principal Properties

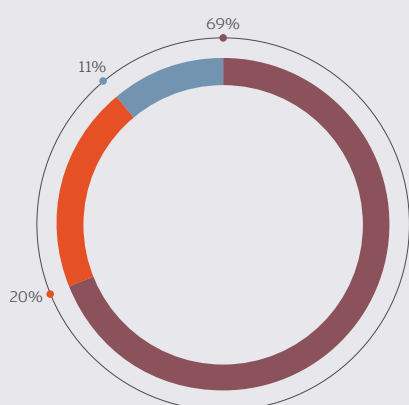


- Properties under development for sale
- Hotel properties
- Investment properties

## Principal Properties

As at 31st March 2016

## Type of principal properties (by area)



## Attributable GFA (sq. ft.)

● Properties under development for sale	2,376,000
● Hotel properties	692,000
● Investment properties	370,000

	Group's interest	Approx. site area (sq.ft.)	Approx. gross floor area (sq.ft.)	Type	
<b>I INVESTMENT PROPERTIES</b>					
01	<b>Asia Standard Tower</b> 59-65 Queen's Road Central, Hong Kong	100%	7,800	133,000	Commercial
02	<b>Asia Orient Tower</b> 33 Lockhart Road, Wanchai, Hong Kong	100%	12,600	202,000	Commercial
03	<b>Goldmark</b> 502 Hennessy Road, Causeway Bay, Hong Kong	33%	6,300	106,000	Commercial
<b>II HOTEL PROPERTIES</b>					
04	<b>Empire Hotel Hong Kong</b> 33 Hennessy Road, Wanchai, Hong Kong	70.2%	10,600	184,000 (363 rooms)	Hotel
05	<b>Empire Hotel Kowloon</b> 62 Kimberley Road, Tsimshatsui, Kowloon	70.2%	11,400	220,000 (343 rooms)	Hotel
06	<b>Empire Hotel Causeway Bay</b> 8 Wing Hing Street, Causeway Bay, Hong Kong	70.2%	6,200	108,000 (280 rooms)	Hotel

## Principal Properties

As at 31st March 2016

		Group's interest	Approx. site area (sq.ft.)	Approx. gross floor area (sq.ft.)	Type	
<b>II HOTEL PROPERTIES</b>						
07	<b>Empire Landmark Hotel</b> 1400 Robson Street, Vancouver B.C., Canada	70.2%	41,000	410,000 (358 rooms)	Hotel	
08	<b>Empire Prestige Causeway Bay (opening soon)</b> 8A Wing Hing Street, Causeway Bay, Hong Kong	70.2%	2,000	31,000 (94 rooms)	Hotel (Expect completion in 2016)	
09	<b>New Hotel (under development)</b> 10-12, Kimberley Street, Tsimshatsui, Kowloon	70.2%	2,800	34,000 (90 rooms)	Hotel (Expect completion in 2017)	
		Group's interest	Approx. site area (sq.ft.)	Approx. gross floor area (sq.ft.)	Type	Stage
<b>III PROPERTIES UNDER DEVELOPMENT FOR SALE</b>						
10	Hung Shui Kiu Yuen Long, New Territories	100%	112,000	519,000	Residential/ Commercial	Planning application
11	Lam Tei Tuen Mun, New Territories	100%	18,500	66,500	Residential	Planning application
12	Sha Ha Sai Kung, New Territories	7.5%	620,000	300,000	Residential	Planning
13	47-49 Perkins Road, Jardine's Lookout, Hong Kong	20%	23,000	69,000	Residential	Superstructure (Expect completion in 2017)
14	2-2A Henderson Road, Jardine's Lookout, Hong Kong	100%	16,000	9,600	Residential	Superstructure (Expect completion in 2017)
15	23 Po Shan Road, Hong Kong	40%	15,000	62,000	Residential	Planning
16	72 Yong Shun Street West, Tongzhou District, Beijing, PRC	50%	550,000	2,360,000	Residential/ Commercial	Preparing land clearance
17	Queen's Gate Qingpu District Shanghai, PRC	50%	1,557,000	1,080,000	Residential	Superstructure (Expect completion in 2016)

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to sustaining its corporate governance standards by emphasising transparency, independence, accountability, responsibility and fairness. The Company exercises corporate governance through the board of directors (the “Board”) and various committees.

## BOARD OF DIRECTORS

The Board consists of six Executive Directors and three Independent Non-executive Directors. The posts of Chairman and Chief Executive are separate and are not held by the same individual. The Chairman, Mr. Fung Siu To, Clement, is responsible for overseeing the functioning of the Board and the strategies and policies of the Group. The Chief Executive and the Managing Director, Mr. Poon Jing, is responsible for managing the Group’s business. The biographical details and relationship of the Directors are disclosed in the biography of Directors set out in the Directors and Senior Management section.

According to the Bye-Laws of the Company (the “Bye-Laws”), at every annual general meeting of the Company, one-third of the Directors (other than the Chairman and the Managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding one-third, shall retire from office by rotation. Pursuant to the Appendix 14 (the “Code”) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Chairman and the Managing Director shall also retire at the annual general meeting every three years. A retiring Director shall be eligible for re-election at the meeting. The Independent Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the Bye-Laws and the Code.

The Board meets quarterly and is responsible for the formulation and reviewing of long-term business directions and strategies, monitoring the operations and financial performance of the Group and performing corporate governance functions set out in the Code. It also considers and approves future strategic plans and budgets for the Group. The management is delegated with the authority to make decisions and responsible for daily operations of the Group under the leadership of the Chief Executive. The management provides explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put forward to the Board for approval. The Chief Executive, working with the other Executive Directors and the head of each division, is responsible for managing the business of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for operations of the Group. All Executive Directors have made full and active contributions to the affairs of the Board.

During the year, the Board has reviewed the Company’s policies and practices on corporate governance, and reviewed and monitored the training and continuous professional development of directors and senior management. The Board has also reviewed and ensured compliance of the relevant legal and regulatory requirements, the code of conducts, the Code and the disclosure in the Corporate Governance Report.

The Directors are responsible for selecting and consistently applying appropriate accounting policies and preparing financial statements which give a true and fair view. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis.

The Board acknowledges that it is its responsibility to prepare the financial statements and to present a balanced, clear and comprehensive assessment to annual and interim reports, other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.



## Corporate Governance Report

During the year, the Board held four meetings. The Directors of the Board and the attendance of each Director at the Board meetings and the general meeting of the Company held during the year are as follows:

Director	Title	Number of meetings attended/ Number of meetings held	
		Board meeting	General meeting
Fung Siu To, Clement	Chairman	4/4	1/1
Lim Yin Cheng	Deputy Chairman (resigned on 11th December 2015)	3/3	1/1
Poon Jing	Managing Director and Chief Executive	3/4	0/1
Poon Hai	Executive Director	4/4	1/1
Poon Yeung, Roderick	Executive Director (appointed on 11th December 2015)	0/1	N/A
Lun Pui Kan	Executive Director	4/4	1/1
Kwan Po Lam, Phileas	Executive Director	4/4	1/1
Koon Bok Ming, Alan	Independent Non-executive Director	4/4	1/1
Leung Wai Keung	Independent Non-executive Director	3/4	0/1
Wong Chi Keung	Independent Non-executive Director	4/4	1/1

## BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In assessing the composition of the Board, the Company will seek to achieve board diversity through the consideration of a number of factors and measurable criteria, including gender, age, cultural and education background, industry experience, qualifications, skills, knowledge, and professional ethics. All Board appointments will be based on meritocracy and the candidates will be considered against objective criteria of their potential contributions to the Board and the Company, having due regard for the benefits of diversity on the Board.

## REMUNERATION COMMITTEE

Mr. Wong Chi Keung, an Independent Non-executive Director of the Company is the Chairman of the Remuneration Committee. The Remuneration Committee currently comprises the Chairman of the Company, Mr. Fung Siu To, Clement, an Executive Director, Mr. Poon Hai and all the three Independent Non-executive Directors. The terms of reference were revised and adopted by the Board in compliance with the Code. The duties of the Committee include making recommendations to the Board on the remuneration policy and structure of the Directors and senior management, approving the remuneration, determining the remuneration packages of all Executive Directors and senior management and approving the compensation to all Directors and senior management on termination or dismissal. The remuneration packages including basic salary, annual bonus, retirement and other benefit such as share options are commensurate with their job nature and experience level. No director may be involved in any decisions as to his own remuneration or other benefit. The Group's remuneration policy seeks to provide a fair market remuneration so as to attract, retain and motivate high quality staff. The remuneration is determined with reference to his duties and responsibility, remuneration benchmark in the industry and prevailing market conditions. During the year, the Committee held one meeting, which all members had attended, to review, discuss and approve the remuneration packages of the Directors and senior management.

## AUDIT COMMITTEE

The Audit Committee currently comprises all the Independent Non-executive Directors, Mr. Koon Bok Ming, Alan (as the Chairman), Mr. Wong Chi Keung and Mr. Leung Wai Keung. The terms of reference were revised and adopted by the Board in compliance with the Code. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process, risk management and internal controls and review of the published financial statements. The Audit Committee meets at least twice a year. During the year, the Audit Committee met twice to review the Company's annual and interim financial statements and the recommendation by the auditor on enhancement of risk management and internal controls. All the members had attended the meetings. The Audit Committee has reviewed the annual financial statements for the year ended 31st March 2016.

## 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 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 2016.

## CORPORATE GOVERNANCE CODE

During the year, the Company has complied with the code provisions of the Code, except the following deviations:

- (1) Code Provision A.4.1 of the 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;
- (2) Code Provision A.5.1 of the 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, the Board may at any time, and from time to 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 retire at the next annual general meeting but shall then be eligible for re-election at the meeting; and
- (3) Code Provision A.6.7 of the Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Leung Wai Keung, an Independent Non-executive Director, was unable to attend the annual general meeting of the Company held on 2nd September 2015 due to his other engagement at the relevant time.

## Corporate Governance Report

### RISK MANAGEMENT AND INTERNAL CONTROLS

It is the responsibility of the Board to ensure that the Group maintains sound and effective risk management and internal controls to safeguard the shareholders' investments and the Group's assets. The Board also oversees the management in the design, implementation and monitoring of the risk management and internal control systems. During the year, the Board reviewed the effectiveness of the risk management and internal control system of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management and internal controls functions of the Group.

### AUDITOR'S REMUNERATION

PricewaterhouseCoopers has been appointed as the auditor of the Company by the shareholders at the annual general meeting. The services provided by PricewaterhouseCoopers include audit, taxation related and other services. A statement by PricewaterhouseCoopers about their reporting responsibilities as the auditor of the Company is included in the Independent Auditor's Report on pages 45 to 46 of this annual report.

An amount of HK\$6,230,000 (2015: HK\$6,507,000) was charged to the financial statements of the Group for their audit services. Taxation services, review on interim results and other services provided by PricewaterhouseCoopers to the Group amounted to HK\$1,048,000 (2015: HK\$1,796,000).

### SHAREHOLDERS' RIGHTS

Subject to the applicable laws and regulations, the Listing Rules and the Bye-Laws as amended from time to time, shareholders ("Shareholders") of the Company may put forward proposals at an annual general meeting (an "AGM") of the Company and convene general meetings of the Company.

#### **(I) PROCEDURE FOR SHAREHOLDER TO MAKE PROPOSALS AT SHAREHOLDERS' MEETING**

The number of Shareholders required to move a resolution at an AGM or to circulate any statement by written request (the "Requisitionists") shall be:

- i. any number of Shareholders representing not less than one-twentieth (1/20) of the total voting rights of all the Shareholders having a right to vote at the AGM or the relevant general meeting; or
- ii. not less than one hundred (100) Shareholders.

The written request (the "Requisition") must state the resolution to be moved at the AGM or the statement of not more than one thousand (1,000) words in relation to any particular resolution being proposed or business to be dealt with in the relevant general meeting of the Company (as the case may be), and signed by all the Requisitionists in one or more document in like form.

A copy of the Requisition, or two or more copies which between them contain the signatures of all the Requisitionists, shall be lodged at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and a copy thereof at the principal office of the Company in Hong Kong at 30/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for the attention of the Company Secretary (i) not less than six (6) weeks before the AGM in the case of a Requisition requiring notice of a resolution, unless an AGM is called for a date six weeks or less after the deposit of the Requisition, in which case the Requisition will be deemed to have been properly deposited; or (ii) not less than one (1) week before the relevant general meeting in the case of any other Requisition.

The Requisitionists must deposit a sum which is reasonably sufficient to meet the Company's expenses in giving effect to the Requisition.

## **(II) PROCEDURE FOR SHAREHOLDER TO CONVENE SPECIAL GENERAL MEETING**

Shareholders holding not less than one-tenth (1/10) of the paid-up capital of the Company carrying the right of voting at the general meetings of the Company (the "SGM Requisitionists") may require the Board to convene a special general meeting of the Company ("SGM") by depositing a written requisition (the "SGM Requisition") at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and a copy thereof at the principal office of the Company in Hong Kong at 30/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for the attention of the Company Secretary.

The SGM Requisition must state the objects of the SGM and be signed by the SGM Requisitionists and may consist of one or more documents in like form, each signed by one or more of the SGM Requisitionists.

Upon receipt of the SGM Requisition, the Directors shall forthwith proceed duly to convene the SGM, and such SGM shall be held within two months after the deposit of the SGM Requisition.

Where, within twenty-one (21) days of the lodging of the SGM Requisition, the Directors do not proceed duly to convene the SGM, the SGM Requisitionists, or any of them representing more than one-half (1/2) of the total voting rights of all of them, may themselves convene the SGM, provided that any SGM so convened shall be held within three (3) months from the date of deposit of the SGM Requisition. The SGM Requisitionists shall convene a SGM in the same manner, as nearly as possible, as that in which SGMs are to be convened by Directors. Under the Bye-Laws and pursuant to the requirements of the Listing Rules, a notice specifying the time and place and the general nature of the proposed business to be transacted at the SGM shall be given to all Shareholders entitled to attend the SGM for consideration in the following manner:

- i. notice of not less than twenty-one (21) clear days or ten (10) clear business days, whichever is longer, if a special resolution is to be passed at the SGM; and
- ii. notice of not less than fourteen (14) clear days or ten (10) clear business days, whichever is longer, in all other cases, provided that a SGM may be called by a shorter notice if it is so agreed by a majority in number of the Shareholders having the right to attend and vote at the SGM, being a majority together holding not less than 95% in nominal value of the issued shares of the Company giving such right.



## Corporate Governance Report

### PROFESSIONAL DEVELOPMENT

Every newly appointed Director will receive briefing and professional development so as to ensure that he has appropriate understanding of the Group's business and of his duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

The Company also provides regular updates and presentation on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, the Company has been encouraging the Directors to enroll in professional development courses and seminars relating to the Listing Rules, Companies Ordinance and corporate governance practices organised by professional bodies or chambers in Hong Kong.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. A summary of training received by the Directors according to the records provided by the Directors are as follows:

Directors	Type of training
Mr. Fung Siu To, Clement	B
Mr. Poon Jing	B
Mr. Poon Hai	B
Mr. Poon Yeung, Roderick	B
Mr. Lun Pui Kan	B
Mr. Kwan Po Lam, Phileas	B
Mr. Koon Bok Ming, Alan	B
Mr. Leung Wai Keung	A,B,C
Mr. Wong Chi Keung	B

A: Attending seminar(s)/training session(s)/conference(s)/forum(s) relevant to directors' profession and/or duties and/or other relevant topics

B: Reading materials in relation to corporate governance, regulatory development and other relevant topics

C: Giving talks at seminar(s) and/or training session(s)/conference(s)/forum(s) relevant to directors' profession and/or duties and/or other relevant topics

### INVESTOR RELATIONSHIP

The Group aims to provide its shareholders and investors with high level of transparency. During the year, the Executive Directors had various meetings with local and institutional investors and analysts. The Board is committed to providing clear and full performance information of the Group to shareholders and the public through the publication of interim and annual reports, announcements, circulars and press releases.

The Company has also maintained a website at <http://www.asiastandard.com> which enables shareholders, investors and public to access to the information of the Company on a timely basis.

## PROCEDURE FOR RAISING ENQUIRIES

Shareholders may at any time send their enquires and concerns to the Board in writing to the principal office of the Company in Hong Kong or by e-mail to [asinfo@asiastandard.com](mailto:asinfo@asiastandard.com) for the attention of the Company Secretary.

## CORPORATE SOCIAL RESPONSIBILITY REPORT

We are committed to contributing to the sustainability of the environment and community in which we conduct business and where our stakeholders live.

### ENVIRONMENTAL PROTECTION

#### (a) Property development

As a responsible developer, the Group is conscious of environmental protection issues on the design and construction of our properties. Over the years, the design and construction of our properties has been in line with the green features as laid down in the Joint Practice Note Nos. 1-2 in relation to “Green and Innovative Buildings” issued jointly by the Buildings Department, Lands Department and Planning Department. The objectives of such green features mainly encompass: (a) to maximise the use of recycled/green building material; (b) to minimise the consumption of energy, in particular those non-renewable types; and (c) to reduce construction and demolition waste. For our development projects in Hung Shui Kiu, Yuen Long and Nos. 47-49 Perkins Road, Jardine’s Lookout, Hong Kong, a number of green features will be designed by our consultants team and implemented in line with the latest government policy in fostering a quality and sustainably built environment, which will lead to BEAM-Plus Certification after the completion of the project. BEAM-Plus is a comprehensive environmental assessment scheme for buildings recognised by The Hong Kong Green Building Council Limited.

#### (b) Hotel business

The design of our hot water system in Empire Hotel in Causeway Bay was divided in three zones for optimal gas supply and energy saving. Air-conditioning in Empire Hotel Causeway Bay and Empire Hotel Kowloon has a zone valve whereby electricity supply will be switched off on idle floors for energy preservation purposes. In our Empire Hotel Kowloon, the two latest renovation floors have an individual electric heater supply system and the system can be switched off individually for energy reduction purposes. In our Empire Hotel Hong Kong, the air cool chiller system has been replaced by a water cool chiller system in 2012, which is environmental friendly and has greater energy efficiency, better controllability, and longer life. In our Empire Hotel Kowloon, replacement of air cool chiller system by a water cool chiller system is in progress and scheduled to be completed in 2016. As regards to the new hotel development at our sites in Causeway Bay and Tsim Sha Tsui, Asia Standard Hotel Group Limited (“Asia Standard Hotel”) has obtained the provisional certificates of BEAM-Plus (Building Environmental Assessment Method) Version 1.1 for New Buildings.

Daily monitoring of energy and fuel consumption to identify areas for energy conservation is in place. Phased replacements of chillers, fan coil units, air handling units, laundry and kitchen equipment, electrical appliances and lighting have been enhanced to more energy-efficient models.

## Corporate Governance Report

### THE COMMUNITY

The Group has during the year made donations of HK\$5,126,000 to a number of charitable organisations, such as Heep Hong Society, Hong Kong Spinal Cord Injury Fund Limited, Suicide Prevention Services Limited, Hong Kong Society for the Protection of Children, St. Stephen's Foundation Limited and Hong Kong Paralympic Committee & Sports Association for the Physically Disabled.

“The Art of Caring” Community Care Program was launched in 2009 by Asia Standard Hotel in conjunction with SAHK, a rehabilitation service organisation. Since then, the Program has been giving support to local children and youth with special needs in their education and rehabilitation through the creation of art pieces and a series of educational workshops, learning events and life enriching activities. During 2015/2016, the following activities were organised:

- Three SAHK secondary school students' visits at Empire Hotels in March 2016 where latest tourism overview and information about hotel's operations and careers were shared.
- OLE<sup>2</sup> (Other Learning Experiences x Opportunities for Life Enrichment) giving six about-to graduate secondary school students an opportunity to real-life work experience at hotel industry. They were assigned to Corporate Sales, Housekeeping and Accounting office, working as Office Assistant, Housekeeping Assistant and Accounts Trainee, respectively during June-July 2016.
- Cupcake Garnishing Workshop held in May 2016 attended by over 40 parents and SAHK pre-school kids.
- “SAHK Angels in the Realm of Empire Glory” musical performances at Empire Hotel Kowloon Tsim Sha Tsui where school bands of three secondary schools from SAHK performed festive Christmas music in the hotel lobby on 21st and 22nd December 2015.



Suicide Prevention Services Charity Walk

Other activities of “The Art of Caring” Community Care Program in the past include: work experience for two students with High Functioning Autistic Spectrum Disorders (HFA).

Joining hands with SAHK, Asia Standard Hotel will continue to expand the breadth and depth of “The Art of Caring” Community Care Program enabling more learning opportunities and rehabilitation support for children and youth with special needs.

In addition, Asia Standard Hotel has been for a seventh year in a row awarded the Caring Company title 2015/16 by The Hong Kong Council of Social Service (HKCSS) in recognition of its contribution to the community. This recognition signifies a solid testimonial and a renewed impetus for the Group on its commitment to making positive contribution to society and communities.

## **RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS**

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. Employee Handbooks outline terms and conditions of employment, expectations for employees’ behaviour and service delivery, employees’ rights and benefits. We establish and implement policies that promote a fair and respectful workplace. We provide ongoing training and development opportunities to enhance our employees’ career progression.

The Group appreciates the importance of maintaining a good relationship with its customers and suppliers to meet its immediate and long-term business goals. The Group values the feedback from customers through daily communication, and address customers’ concern in a timely manner. For the suppliers, the Group assures their performance for delivering quality sustainable products and services through supplier approval process and by spot checks on the delivered goods.

During the year ended 31st March 2016, there is no circumstance of any event between the Group and its employees, customers and suppliers which will have a significant impact on the Group’s business and on which the Group’s success depends.

## **RESPONSIBLE SOURCING**

The Group has adopted high standards for all building materials in our premises construction, and equipment and products varying from more efficient and environmentally-responsible refrigerators in the guest rooms of our Empire Hotel in Causeway Bay, to high-quality, durable linens and towels that are used in all our hotels.

To enhance our procurement of environmentally responsible items, we continue to review options to purchase more products from organic and/or sustainably managed sources, environmentally superior products, as well as local or regional companies to reduce the environmental impact of their manufacture and transportation.

To reduce paper consumption, we maximise the use of electronic communications and file storage systems for general office work, guest logs and daily reports and whenever possible we use e-confirmations for guest reservations.

# Directors and Senior Management

## EXECUTIVE DIRECTORS

### **FUNG SIU TO, CLEMENT**

Aged 67, is the Chairman and a member of the Remuneration Committee of the Company. He is also the Chairman, an executive director and a member of remuneration committee of Asia Orient Holdings Limited (“Asia Orient”) and an executive director of its listed subsidiary, Asia Standard Hotel Group Limited (“Asia Standard Hotel”). Mr. Fung is also a director of certain subsidiaries of the Company. Mr. Fung is a holder of a Bachelor of Applied Science (Civil Engineering) degree and is also a fellow member of the Hong Kong Institution of Engineers. He joined the Company and its subsidiaries (together the “Group”) in 1988 and has over 30 years of experience in project management and construction. He is the uncle of Mr. Poon Hai and Mr. Poon Yeung, Roderick, both of them are Executive Directors of the Company. He is also the brother-in-law of Mr. Poon Jing and Dr. Lim Yin Cheng, the Managing Director of the Company and the Deputy Chairman of Asia Standard Hotel respectively.

### **POON JING**

Aged 61, is the Chief Executive and Managing Director of the Company. He is also the Chief Executive, Managing Director and an executive director of Asia Orient and the Chairman and an executive director of Asia Standard Hotel. Mr. Poon is also a director of certain subsidiaries of the Company. He is the founder of the Group. He is the father of Mr. Poon Hai and Mr. Poon Yeung, Roderick, both of them are Executive Directors of the Company. He is also the brother-in-law of Mr. Fung Siu To, Clement and Dr. Lim Yin Cheng, the Chairman of the Company and the Deputy Chairman of Asia Standard Hotel respectively.

### **POON HAI**

Aged 30, is an Executive Director and a member of the Remuneration Committee of the Company. He is also an executive director of Asia Orient and Asia Standard Hotel. Mr. Poon is also a director of certain subsidiaries of the Company. Mr. Poon holds a Bachelor of Commerce degree from the University of British Columbia. He is responsible for the business development and the project management of the Group. He is the son of Mr. Poon Jing and the brother of Mr. Poon Yeung, Roderick, the Managing Director and an Executive Director of the Company respectively. He is also the nephew of Mr. Fung Siu To, Clement and Dr. Lim Yin Cheng, the Chairman of the Company and the Deputy Chairman of Asia Standard Hotel respectively. He joined the Group in 2009.

### **POON YEUNG, RODERICK**

Aged 27, is an Executive Director of the Company. He is also an executive director of Asia Orient and Asia Standard Hotel. Mr. Poon is also a director of certain subsidiaries of the Company. Mr. Poon holds a Bachelor of Commerce degree with a major in Real Estate from the University of British Columbia. He is responsible for the Group’s project management, investment and business development. He is the son of Mr. Poon Jing and the brother of Mr. Poon Hai, the Managing Director and an Executive Director of the Company respectively. He is also the nephew of Mr. Fung Siu To, Clement and Dr. Lim Yin Cheng, the Chairman of the Company and the Deputy Chairman of Asia Standard Hotel respectively. He joined the Group in 2012.

### **LUN PUI KAN**

Aged 52, is the Finance Director of the Company and Asia Orient. Mr. Lun is also a director of certain subsidiaries of the Company. Mr. Lun has over 30 years of experience in accounting and finance. He is a holder of a Bachelor of Science (Engineering) degree and is an associate member of The Hong Kong Institute of Certified Public Accountants (“HKICPA”) and a fellow member of The Association of Chartered Certified Accountants (“ACCA”). He joined the Group in 1994.

### **KWAN PO LAM, PHILEAS**

Aged 57, is an Executive Director of the Company and Asia Orient. Mr. Kwan is also a director of certain subsidiaries of the Company. Mr. Kwan is a holder of a Bachelor of Business Administration degree. He joined the Group in 1986 and is responsible for property sales and leasing. He has over 30 years of experience in property sales, leasing and real estate management.



## INDEPENDENT NON-EXECUTIVE DIRECTORS

### **KOON BOK MING, ALAN**

Aged 75, is an Independent Non-executive Director, a member of the Remuneration Committee and the Chairman of the Audit Committee of the Company. Mr. Koon is the Chief Executive Officer of a financial advisory firm and has over 30 years of experience in international banking and project and structured finance. He holds a Bachelor degree in Economics and a Master degree in Business Administration. He joined the Group in 1999.

### **LEUNG WAI KEUNG**

Aged 53, is an Independent Non-executive Director, a member of the Remuneration Committee and the Audit Committee of the Company. Mr. Leung is currently a Barrister-at-Law. He has about 9 years of experience in accounting and financial management in several firms and thereafter practicing as a barrister since 1996. He is also an independent non-executive director and a member of the Audit Committee of Asia Standard Hotel. Mr. Leung is a member of HKICPA, The Hong Kong Institute of Chartered Secretaries (“HKICS”), ACCA, Institute of Chartered Secretaries and Administrators (“ICSA”) and The Chartered Institute of Arbitrators. He was admitted to the High Court of Hong Kong as a barrister in 1994. He holds a Master degree in Accounting and Finance from University of Lancaster and obtained a Bachelor of Laws from Manchester Metropolitan University. He was the President of HKICS in 2006. In 2007, Mr. Leung was appointed by the Government to sit on various statutory tribunals such as the Guardianship Board, the Registration of Persons Tribunal, the Board of Review and others. Currently, Mr. Leung also holds the position as the Chairman of the Appeal Board for the Hotel and Guesthouse Accommodation, the Clubs (Safety of Premises) and Bedspace Apartments. Mr. Leung joined the Group in 2004.

### **WONG CHI KEUNG**

Aged 61, is an Independent Non-executive Director, a member of the Audit Committee and the Chairman of the Remuneration Committee of the Company. Mr. Wong holds a Master degree in Business Administration from The University of Adelaide in Australia. He is a fellow member of HKICPA, ACCA and CPA Australia; an associate member of ICSA and The Chartered Institute of Management Accountants.

Mr. Wong was an executive director, the Deputy General Manager, Group Financial Controller and Company Secretary of Yuexiu Property Company Limited (formerly known as Guangzhou Investment Company Limited) which is a company listed on the Stock Exchange, for over ten years. He is an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of Asia Orient. He is also an independent non-executive director and a member of audit committee of Century City International Holdings Limited, China Ting Group Holdings Limited, ENM Holdings Limited, Fortunet e-Commerce Group Limited (formerly know as Changfeng Axle (China) Company Limited), Golden Eagle Retail Group Limited, Nickel Resources International Holdings Company Limited (formerly known as China Nickel Resources Holdings Company Limited), Paliburg Holdings Limited, Regal Hotels International Holdings Limited, TPV Technology Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are listed on the Stock Exchange. Mr. Wong has over 35 years of experience in finance, accounting and management. He joined the Group in 2004.

On 2nd February 2016, Mr. Wong was appointed as an independent non-executive director, a member of each of the audit committee, nomination committee, remuneration committee and investigation committee of China Shanshui Cement Group Limited, a company listed on the Stock Exchange.

On 16th April 2016, Mr. Wong ceased to be a responsible officer for Greater China Capital Limited.

## Directors and Senior Management

### SENIOR MANAGEMENT

#### LIM YIN CHENG

Aged 71, is the Deputy Chairman, Chief Executive, an executive director and a member of the remuneration committee of Asia Standard Hotel. Dr. Lim is also a director of certain subsidiaries of the Company. Dr. Lim is a holder of a Bachelor of Science (Chemical Engineering) and Doctor of Philosophy degrees. He has over 30 years of experience in engineering, project management and administration. He joined the Group in 1992. He is the uncle of Mr. Poon Hai and Mr. Poon Yeung, Roderick, both of them are Executive Directors the Company. He is also the brother-in-law of Mr. Poon Jing and Mr. Fung Siu To, Clement, the Managing Director and the Chairman of the Company respectively.

#### NG SIEW SENG, RICHARD

Aged 64, is the Group General Manager of Asia Standard Hotel. Mr. Ng is also a director of a subsidiary of Asia Standard Hotel. Mr. Ng is responsible for the development and management of the hotel group's hospitality operations. With over 3 decades' extensive experience in hotel and travel industry for both local and overseas markets, Mr. Ng has held senior marketing and operational positions in a number of major international chain hotels and travel agents in Hong Kong and Macau. He joined Asia Standard Hotel Group in September 2007.

#### WOO WEI CHUN, JOSEPH

Aged 52, is an executive director and the Group Financial Controller of Asia Standard Hotel. Mr. Woo is qualified as an U.S. Certified Public Accountant (Illinois) and is an associate member of HKICPA. He holds a Bachelor degree in Accounting with Computing and a Master degree in Business Administration. Mr. Woo has over 25 years of experience in accounting and finance. He joined Asia Standard Hotel Group in 2006.

#### WONG HOI YAN

Aged 43, is the General Manager of Project Management Division of the Company. Ms. Wong holds a Bachelor of Arts degree in Architectural Studies and Master of Architecture from The University of Hong Kong and Master of Science degree in Project Management from The Hong Kong Polytechnic University. She is a Registered Architect in Hong Kong, a Member of The Hong Kong Institute of Architects and an Authorized Person under the Buildings Ordinance. She is also a LEED Accredited Professional and BEAM Pro under the Hong Kong Green Building Council. Ms. Wong is responsible for property development and project management. She has over 16 years of experience in project planning and management. She joined the Group in March 2014.

## Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st March 2016.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 37 to the financial statements.

The activities of the Group are mainly based in Hong Kong. Analysis of the Group's gross income and contribution to operating results by principal activities are set out in note 5 to the financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 47.

The Company did not pay an interim dividend (2015: Nil) for the year ended 31st March 2016.

The Board recommends a final dividend of HK3.5 cents (2015: HK4 cents) per share with a scrip option, totaling HK\$45,470,000 (2015: HK\$50,849,000) for the year ended 31st March 2016.

### FINANCIAL SUMMARY

A five-year financial summary of the results and of the assets and liabilities of the Group is set on page 15.

### EQUITY LINKED AGREEMENTS

Save as disclosed in the subsection "The Company" under "Share Option Scheme" on pages 38 to 39, no equity linked agreements were entered into during the year or subsisted at the end of the year.

### SHARES ISSUED IN THE YEAR

Details of shares of the Company issued in the year ended 31st March 2016 are set out in note 29 to the financial statements.

### DEBENTURE ISSUED DURING THE YEAR

In April 2015, the Group issued a HK\$250 million 5-year floating rate medium term notes ("Notes") under the Group's USD1,000 million Medium Term Note Programme. The proceeds of the Notes issued during the year were used for the purpose of providing general working capital for the Group.

Details of the Notes issued during the year ended 31st March 2016 are set out in note 26 to the financial statements.

## Report of the Directors

### PRINCIPAL PROPERTIES

Details of the principal properties of the Group are set out on pages 16 to 18.

### DONATIONS

During the year, the Group made charitable and other donations of HK\$5,126,000 (2015: HK\$1,248,000).

### DIRECTORS

The Directors of the Company during the year and at the date of this report were:

Mr. Fung Siu To, Clement  
Dr. Lim Yin Cheng (resigned on 11th December 2015)  
Mr. Poon Jing  
Mr. Poon Hai  
Mr. Poon Yeung, Roderick (appointed on 11th December 2015)  
Mr. Lun Pui Kan  
Mr. Kwan Po Lam, Phileas  
Mr. Koon Bok Ming, Alan  
Mr. Leung Wai Keung  
Mr. Wong Chi Keung

Messrs. Lun Pui Kan, Leung Wai Keung and Poon Yeung, Roderick will retire from office by rotation in accordance with the Bye-Laws of the Company (the "Bye-Laws") and Mr. Poon Jing will retire to comply with Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set out on pages 28 to 30.

### DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

No transactions, arrangement and contracts of significance in relation to the Company's business to which the Company, its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director of the Company and his connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## PERMITTED INDEMNITY PROVISIONS

Subject to the Bermuda Companies Act 1981, the Bye-Laws and other relevant statutes, the Directors shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereto. The Company has arranged appropriate Directors' and Officers' Liability Insurance coverage for the Directors and officers of the Group.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the share option schemes of the Company as disclosed on pages 38 to 41, and that of a subsidiary, Asia Standard Hotel Group Limited ("Asia Standard Hotel"), at no time during the year was the Company, its subsidiaries or its fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March 2016, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

### (I) LONG POSITIONS IN SHARES

#### (a) The Company

Director	Number of shares held			Percentage of shares in issue (%)
	Personal interest	Corporate interest	Total	
Poon Jing	1,281,858	669,441,675	670,723,533	51.62

Note:

By virtue of Mr. Poon Jing's controlling interest (50.34%) in Asia Orient Holdings Limited ("Asia Orient"), he is deemed to be interested in the shares of the Company held by Asia Orient as disclosed under the heading "Substantial shareholders and other persons' interests and short positions in shares and underlying shares" below.

## Report of the Directors

### (I) LONG POSITIONS IN SHARES (Continued)

#### (b) Associated corporations

Director	Associated corporation	Number of shares held			Total	Percentage of shares in issue (%)
		Personal interest	Family Interest	Corporate interest		
Poon Jing	Asia Orient	269,194,664	5,233,013	142,871,744 (Notes)	417,299,421	50.34
	Asia Standard Hotel	50,830	-	1,150,365,205 (Notes)	1,150,416,035	73.25
Poon Hai	Asia Orient	10,275,862	-	-	10,275,862	1.23
Fung Siu To, Clement	Asia Orient	15,191,190	-	-	15,191,190	1.83
	Mark Honour Limited	9	-	-	9	0.01

Notes:

- By virtue of Mr. Poon Jing's controlling interest in Asia Orient, he is deemed to be interested in the shares of Asia Standard Hotel held by Asia Orient and the Company.
- By virtue of Mr. Poon Jing's interest in the Company through Asia Orient, he is deemed to be interested in the shares of all the Company's subsidiaries and associated companies.

### (II) LONG POSITIONS IN UNDERLYING SHARES

#### Interests in share options

##### (a) The Company

Director	Outstanding as at 1st April 2015	Granted during the year	Outstanding as at 31st March 2016
Poon Hai (Note 1)	-	3,500,000	3,500,000
Poon Yeung, Roderick (Note 1)	-	3,500,000	3,500,000

Notes:

- Options were granted under 2014 Share Option Scheme (as described under the heading "Share Option Scheme") on 11th December 2015 and exercisable during the period from 11th December 2015 to 10th December 2025 at an exercise price of HK\$1.38 per share. The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$1.39 per share.
- Save as disclosed above, during the year, no options were granted to the Directors and the options were granted to the Directors have not been exercised, cancelled or lapsed.



**(II) LONG POSITIONS IN UNDERLYING SHARES (Continued)****Interests in share options (Continued)***(b) Associated corporations - Asia Orient*

Director	Outstanding as at 1st April 2015	Granted during the year	Outstanding as at 31st March 2016
Fung Siu To, Clement (Note 1)	2,126,301	-	2,126,301
Lun Pui Kan (Note 1)	2,126,301	-	2,126,301
Kwan Po Lam, Phileas (Note 1)	2,126,301	-	2,126,301
Poon Hai (Note 2)	-	3,500,000	3,500,000
Poon Yeung, Roderick (Note 2)	-	3,500,000	3,500,000

Notes:

- Options were granted on 29th March 2007 under a share option scheme adopted by Asia Orient on 11th November 2002 and exercisable during the period from 29th March 2007 to 28th March 2017 at an exercise price of HK\$1.4315 (as adjusted) per share.
- Options were granted on 11th December 2015 under a share option scheme adopted by Asia Orient on 29th August 2014 and exercisable during the period from 11th December 2015 to 10th December 2025 at an exercise price of HK\$1.42 per share. The closing price of the shares of Asia Orient immediately before the date on which the share options were granted was HK\$1.40 per share.
- Save as disclosed above, during the year, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

## Report of the Directors

### (II) LONG POSITIONS IN UNDERLYING SHARES (Continued)

#### Interests in share options (Continued)

(c) Associated corporations – Asia Standard Hotel

Director	Date of grant	Exercise price (HK\$)	Exercise period	Outstanding as at 1st April 2015	Granted during the year	Outstanding as at 31st March 2016
Fung Siu To, Clement	29th March 2007	1.296	29th March 2007 to 28th March 2017	8,000,000	-	8,000,000
Lun Pui Kan	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	8,000,000	-	8,000,000
Kwan Po Lam, Phileas	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	8,000,000	-	8,000,000
Poon Hai (Note 1)	11th December 2015	1.030	11th December 2015 to 10th December 2025	-	4,800,000	4,800,000
Poon Yeung, Roderick (Note 1)	11th December 2015	1.030	11th December 2015 to 10th December 2025	-	4,800,000	4,800,000

Notes:

- The closing price of the shares of Asia Standard Hotel immediately before the date on which the share options were granted was HK\$1.00 per share.
- Save as disclosed above, during the year, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

Save as disclosed above, as at 31st March 2016, none of the Directors or Chief Executive (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31st March 2016, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

### LONG POSITIONS IN SHARES OF THE COMPANY

Shareholder	Capacity	Number of shares held	Total	Percentage (%)
Asia Orient (Note 1)	Beneficial Owner Interests in controlled corporation	50,637,845 618,803,830	669,441,675	51.52
Asia Orient Holdings (BVI) Limited ("Asia Orient BVI") (Note 1)	Interests in controlled corporation	618,803,830	618,803,830	47.63
Asia Orient Company Limited ("AOCL") (Note 2)	Beneficial Owner Interests in controlled corporation	298,076,977 2,408,376	300,485,353	23.12
Kingfisher Inc. and Lipton Investment Limited ("Kingfisher and Lipton") (Note 2)	Interests in controlled corporation	278,504,575	278,504,575	21.43
Dalton Investment LLC	Investment manager	151,625,988	151,625,988	11.67

#### Notes:

1. Asia Orient BVI is a wholly-owned subsidiary of Asia Orient. Accordingly, Asia Orient is deemed to have interest and duplicate the interest in the same 618,803,830 shares held by Asia Orient BVI.
2. AOCL, companies controlled by AOCL, Kingfisher and Lipton are wholly-owned subsidiaries of Asia Orient BVI. Asia Orient BVI is deemed to be interested in and duplicate the interest held by AOCL, Kingfisher and Lipton.

Save as disclosed above, as at 31st March 2016, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under Section 336 of the SFO.

## Report of the Directors

### SHARE OPTION SCHEMES

#### THE COMPANY

##### Share option scheme adopted on 27th August 2004 (the “2004 Share Option Scheme”)

The 2004 Share Option Scheme was adopted on 27th August 2004. Under 2004 Share Option Scheme, the board of Directors of the Company may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiaries or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, acknowledge the contributions of, motivate and maintain relationship with the eligible participants.

The total number of shares available for issue upon exercise of all options granted under 2004 Share Option Scheme must not exceed 71,851,459 shares, representing about 5.53% of the shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under 2004 Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under 2004 Share Option Scheme or any other share option scheme within any 12 months period, must not exceed 1% of the shares in issue from time to time.

Under 2004 Share Option Scheme, there was no requirement for a grantee to hold the option for a certain period before exercising the option unless otherwise determined by the Directors. The exercise period should be any period determined by the board of Directors but in any event the exercise period should not be later than 10 years from the date of grant. The grantee has to accept an option within 21 days from the date of offer by making a non-refundable payment of HK\$1 to the Company.

The subscription price shall be at the discretion of the board of Directors provided that it shall be not less than the highest of (i) the closing price of a share on the relevant date of grant; (ii) the average of the closing prices of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The 2004 Share Option Scheme was effective for 10 years from 27th August 2004 and expired on the tenth anniversary of such adoption date. Following the expiry of 2004 Share Option Scheme, no further share option can be granted thereafter but all outstanding share options granted under 2004 Share Option Scheme and yet to be executed shall remain valid and exercisable.

The following table discloses details of the Company’s options granted under 2004 Share Option Scheme held by employees (including Directors):

Grantee	Outstanding as at 1st April 2015 and 31st March 2016
Other employees	1,000,000

Notes:

- Options were granted on 13th March 2014 and exercisable during the period from 10th March 2017 to 12th March 2024 at an exercise price of HK\$2.00 per share.
- During the year, no option was granted, exercised, cancelled or lapsed.

### Share option scheme adopted on 29th August 2014 (the “2014 Share Option Scheme”)

The 2014 Share Option Scheme was adopted on 29th August 2014. Under 2014 Share Option Scheme, the board of Directors of the Company may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiaries or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, acknowledge the contributions of, motivate and maintain relationship with the eligible participants.

The total number of shares available for issue upon exercise of all options to be granted under 2014 Share Option Scheme must not exceed 125,482,152 shares, representing about 9.65% of the shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under 2014 Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under 2014 Share Option Scheme or any other share option scheme within any 12 months period, must not exceed 1% of the shares in issue from time to time.

Under 2014 Share Option Scheme, there was no requirement for a grantee to hold the option for a certain period before exercising the option unless otherwise determined by the Directors. The exercise period should be any period determined by the board of Directors but in any event the exercise period should not be later than 10 years from the date of grant. The grantee has to accept an option within 21 days from the date of offer by making a non-refundable payment of HK\$1 to the Company.

The subscription price shall be at the discretion of the board of Directors provided that it shall be not less than the highest of (i) the closing price of a share on the relevant date of grant; (ii) the average of the closing prices of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The 2014 Share Option Scheme is effective for 10 years from 29th August 2014.

The following table discloses details of the Company’s options granted under 2014 Share Option Scheme held by employees (including Directors):

Grantee	Outstanding as at 1st April 2015	Granted during the year	Outstanding as at 31st March 2016
Directors (Note 1)	-	7,000,000	7,000,000

Notes:

- These share options were granted on 11th December 2015 and exercisable during the period from 11th December 2015 to 10th December 2025 at an exercise price of HK\$1.38 per share.
- Save as disclosed above, during the year, no option was granted, exercised, cancelled or lapsed.

## Report of the Directors

### SUBSIDIARIES – ASIA STANDARD HOTEL

The share option scheme of Asia Standard Hotel was adopted on 28th August 2006 (the “Asia Standard Hotel Share Option Scheme”). The board of directors of Asia Standard Hotel may grant options to any director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to Asia Standard Hotel, its subsidiaries or any invested entities, their discretionary trust or the companies owned by them. The purpose was to provide incentives, recognise and acknowledge the contributions of, motivate and maintain an ongoing relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Asia Standard Hotel Group.

The total number of shares available for issue upon exercise of all options to be granted under the Asia Standard Hotel Share Option Scheme must not exceed 125,088,061 shares, representing about 7.96% of the Asia Standard Hotel’s shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Asia Standard Hotel Share Option Scheme and any other share option scheme must not exceed 30% of the Asia Standard Hotel’s shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under the Asia Standard Hotel Share Option Scheme or any other share option scheme within any 12 months period, must not exceed 1% of the Asia Standard Hotel’s shares in issue from time to time.

There was no requirement for a grantee to hold the Asia Standard Hotel option for a certain period before exercising the Asia Standard Hotel option unless otherwise determined by the directors of Asia Standard Hotel. The exercise period should be any period determined by the board of directors of Asia Standard Hotel but in any event the exercise period should not be later than 10 years from the date of grant. The grantee has to accept an option within 21 days from the date of offer by making a non-refundable payment of HK\$1 to Asia Standard Hotel.

The subscription price shall be at the discretion of the board of directors of Asia Standard Hotel provided that it shall be not less than the highest of (i) the closing price of a share on the relevant date of grant; (ii) the average of the closing prices of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The Asia Standard Hotel Share Option Scheme is effective for 10 years from 28th August 2006.



The following table discloses details of Asia Standard Hotel options granted under the Asia Standard Hotel Share Option Scheme held by employees (including Directors):

Grantee	Date of grant	Exercise price (HK\$)	Exercise period	Outstanding as at 1st April 2015	Granted during the year	Outstanding as at 31st March 2016
Directors	29th March 2007	1.296	29th March 2007 to 28th March 2017	8,000,000	-	8,000,000
	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	16,000,000	-	16,000,000
	11th December 2015	1.030	11th December 2015 to 10th December 2025	-	9,600,000	9,600,000
Directors of a subsidiary	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	16,000,000	-	16,000,000
Employees	29th March 2007	1.296	29th March 2007 to 28th March 2017	8,000,000	-	8,000,000
	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	30,999,999	-	30,999,999
				78,999,999	9,600,000	88,599,999

Note:

Save as disclosed above, during the year, no option was granted, exercised, cancelled or lapsed.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda in respect of the Company's share capital.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## Report of the Directors

### BUSINESS REVIEW

A fair review of business of the Group, particulars of important events affecting the Group that have occurred since the end of the financial year, if any, an analysis using financial key performance indicators and indication of likely future development of the Group are set out in the section “Management Discussion and Analysis” on pages 8 to 14. Discussion on environmental policies and performance of the Group and the account of the key relationships with its stakeholders are set out in the sections “Corporate Social Responsibility Report” on pages 25 to 27, and “Report of the Directors” on pages 31 to 44.

### COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with laws and regulations. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group.

The Group has been allocating resources to ensure ongoing compliance with rules and regulations and any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Group believes that the factors described below represent the principal risks and uncertainties which may potentially affect its business, financial conditions, operations and future prospect of the business. It does not represent that the factors described below are exhaustive.

#### **Risks pertaining to property sales & leasing**

The Group’s property sales may be influenced by fluctuations of supply and demand in the real estate market, government policies to curb surging property prices such as double and special stamp duty dampen the demand, lowering the mortgage ratio raise the hurdle of financing and hence adversely affect demand. Demand is also sensitive to changes in interest rates.

Economic slowdown would hit retail market and cast downward pressure on property rental and occupancies.

#### **Risks pertaining to hotel and travel operations**

The Group’s hotel and travel agency business may be significantly affected by factors outside our control such as government regulation, changes in market conditions, competition in the industry, excess hotel supply or reduced international or local demand for hotel rooms and associated services, foreign exchange fluctuations, the interest rate environment, and other natural and social factors which may affect the level of global travel and business activity.

As three of the Group’s hotels are located in Hong Kong, the revenue from this business is sensitive to changes in the tourism industry in Hong Kong, which is greatly influenced by the attractiveness of Hong Kong as a destination for tourists, business travellers and conferences, particular for those from the PRC which comprised over 65% of the total overnight visitor arrivals to Hong Kong, and is the major source of business for our hotels.

**Risks pertaining to hotel and property developments**

The Group engages external contractors to provide various services, including the construction of hotel and property development projects. Completion of these projects is subject to the performance of external contractors, including the pre-agreed schedule for completion. Any delay in obtaining or failure to obtain the relevant government approvals or permits also affects completion. Furthermore, the government may re-enter the land if we fail to comply with the land grant conditions.

**Risks pertaining to financial investments**

The Group's financial performance is exposed to financial and capital market risks, including changes in interest rates, foreign exchange rates, credit spreads, equity prices, the performance of the economy in general and other factors outside our control. For further details of such risks and relevant management policies, please refer to note 3 to the financial statements from pages 72 to 80.

**MAJOR CUSTOMERS AND SUPPLIERS**

The percentages of the Group's purchases and sales for the year attributable to major suppliers and customers were as follows:

Percentage of purchases attributable to the Group's largest supplier	32.3%
Percentage of purchases attributable to the Group's five largest suppliers	56.9%
Percentage of sales attributable to the Group's largest customer	13.4%
Percentage of sales attributable to the Group's five largest customers	41.6%

None of the Directors, their associates or shareholders, which to the knowledge of the Directors, held any interests in the share capital of the suppliers or customers noted above.

**INDEPENDENT NON-EXECUTIVE DIRECTORS**

Confirmation of independence pursuant to the independence guidelines under the Listing Rules has been received from each of the Independent Non-executive Directors of the Company and the Company considers all existing Independent Non-executive Directors are independent.

**SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the latest practicable date prior to the issuance of this report.

## Report of the Directors

### AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Fung Siu To, Clement**

*Chairman*

Hong Kong, 24th June 2016

# Independent Auditor's Report

## To the shareholders of Asia Standard International Group Limited

*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Asia Standard International Group Limited (the "Company") and its subsidiaries set out on pages 47 to 132, which comprise the consolidated balance sheet as at 31st March 2016, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Independent Auditor's Report

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31st March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 24th June 2016

# Consolidated Profit and Loss Account

For the year ended 31st March 2016

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Revenue	5	<b>1,316,413</b>	1,256,294
Cost of sales		<b>(242,661)</b>	(232,772)
Gross profit		<b>1,073,752</b>	1,023,522
Selling and administrative expenses		<b>(223,104)</b>	(203,188)
Depreciation		<b>(87,119)</b>	(89,676)
Net investment gain/(loss)	6	<b>362,303</b>	(594,865)
Fair value gain of investment properties		<b>8,096</b>	865,943
Operating profit		<b>1,133,928</b>	1,001,736
Net finance costs	10	<b>(203,388)</b>	(94,252)
Share of profits less losses of			
Joint ventures		<b>(7,039)</b>	(11,144)
Associated companies		<b>(112,019)</b>	127,466
Profit before income tax		<b>811,482</b>	1,023,806
Income tax expense	11	<b>(15,553)</b>	(20,767)
Profit for the year		<b>795,929</b>	1,003,039
Attributable to:			
Shareholders of the Company		<b>721,333</b>	967,016
Non-controlling interests		<b>74,596</b>	36,023
		<b>795,929</b>	1,003,039
Earnings per share (HK\$)			
Basic	13	<b>0.56</b>	0.77
Diluted	13	<b>0.56</b>	0.77

# Consolidated Statement of Comprehensive Income

For the year ended 31st March 2016

	2016 HK\$'000	2015 HK\$'000
Profit for the year	795,929	1,003,039
Other comprehensive (charge)/income		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Net fair value loss on available-for-sale investments	(51,975)	(31,218)
Cash flow hedges		
- fair value loss	(8,005)	(50,537)
- transfer to finance costs	24,646	(468)
Currency translation differences	4,733	(20,963)
Share of currency translation differences of joint ventures	(53,457)	310
	(84,058)	(102,876)
Total comprehensive income for the year	711,871	900,163
Attributable to:		
Shareholders of the Company	651,719	880,606
Non-controlling interests	60,152	19,557
	711,871	900,163

## Consolidated Balance Sheet

As at 31st March 2016

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>Non-current assets</b>			
Investment properties	<i>14</i>	<b>7,531,794</b>	7,627,318
Property, plant and equipment	<i>15</i>	<b>3,381,582</b>	3,175,896
Property held for development for sale	<i>16</i>	<b>798,743</b>	797,485
Joint ventures and associated companies	<i>17</i>	<b>3,377,687</b>	2,860,805
Loan receivables	<i>18</i>	<b>294,704</b>	2,629
Available-for-sale investments	<i>19</i>	<b>170,896</b>	216,159
Financial assets at fair value through profit or loss	<i>22</i>	<b>240,601</b>	296,187
Deferred income tax assets	<i>28</i>	<b>33,554</b>	20,399
		<b>15,829,561</b>	14,996,878
<b>Current assets</b>			
Properties under development for sale	<i>20</i>	<b>1,026,348</b>	990,786
Completed properties held for sale	<i>20</i>	<b>3,511</b>	3,617
Hotel and restaurant inventories		<b>15,342</b>	1,290
Trade and other receivables	<i>21</i>	<b>311,956</b>	351,178
Income tax recoverable		<b>11,550</b>	12,565
Financial assets at fair value through profit or loss	<i>22</i>	<b>6,673,070</b>	5,566,465
Bank balances and cash	<i>23</i>	<b>737,211</b>	1,071,537
		<b>8,778,988</b>	7,997,438
<b>Current liabilities</b>			
Trade and other payables	<i>24</i>	<b>171,676</b>	151,672
Amount due to a joint venture	<i>17</i>	<b>62,403</b>	71,767
Amount due to an associated company	<i>17</i>	<b>224,400</b>	224,400
Income tax payable		<b>14,632</b>	17,558
Borrowings	<i>25</i>	<b>1,104,751</b>	1,037,613
		<b>1,577,862</b>	1,503,010
<b>Net current assets</b>		<b>7,201,126</b>	6,494,428

## Consolidated Balance Sheet

As at 31st March 2016

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>Non-current liabilities</b>			
Long term borrowings	25	5,371,214	4,787,666
Medium term notes	26	936,894	711,020
Derivative financial instruments	27	48,115	40,110
Deferred income tax liabilities	28	108,961	89,428
		<b>6,465,184</b>	5,628,224
<hr style="border-top: 1px dashed black;"/>			
<b>Net assets</b>		<b>16,565,503</b>	15,863,082
<b>Equity</b>			
Share capital	29	12,991	12,712
Reserves	30	15,551,005	14,905,359
Equity attributable to shareholders of the Company		<b>15,563,996</b>	14,918,071
Non-controlling interests		<b>1,001,507</b>	945,011
		<b>16,565,503</b>	15,863,082

**Fung Siu To, Clement**  
*Director*

**Lun Pui Kan**  
*Director*

## Consolidated Statement of Cash Flows

For the year ended 31st March 2016

	Note	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash generated from/(used in) operations	34	179,820	(266,034)
Net income tax paid		(11,086)	(46,655)
Interest paid		(228,925)	(151,660)
Interest received from bank deposit and other receivables		5,046	10,122
Net cash used in operating activities		(55,145)	(454,227)
<b>Cash flows from investing activities</b>			
Addition to investment properties		(18,964)	(1,200,182)
Proceeds on disposal of investment properties		-	6,418
Addition to property, plant and equipment		(160,696)	(103,637)
Proceeds on disposal of property, plant and equipment		2,125	-
Loan to a joint venture partner		(280,000)	-
Increase in investment in an associated company and a joint venture		(615,066)	-
(Advance to)/repayment by associated companies and joint ventures		(93,295)	173,213
Dividend received from an associated company		-	23,100
Net cash used in investing activities		(1,165,896)	(1,101,088)
Net cash used before financing activities		(1,221,041)	(1,555,315)
<b>Cash flows from financing activities</b>			
Drawdown of long term borrowings		1,808,675	1,414,200
Repayment of long term borrowings		(1,048,990)	(485,375)
Net (decrease)/increase in short term borrowings		(99,464)	161,950
Net proceeds of medium term notes		245,528	96,644
Dividend paid		(10,931)	(16,053)
Dividend paid to non-controlling interests		(4,675)	(4,109)
Net cash generated from financing activities		890,143	1,167,257
Net decrease in cash and cash equivalents		(330,898)	(388,058)
Cash and cash equivalents at the beginning of the year		1,066,022	1,452,275
Changes in exchange rates		(435)	1,805
Cash and cash equivalents at the end of the year		734,689	1,066,022
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash (excluding restricted bank balances)	23	734,689	1,066,022



# Consolidated Statement of Changes in Equity

For the year ended 31st March 2016

	Equity attributable to shareholders of the Company			Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000		
At 31st March 2014	12,548	14,038,261	14,050,809	932,160	14,982,969
Net fair value loss on available-for-sale investments	-	(21,031)	(21,031)	(10,187)	(31,218)
Cash flow hedges					
- fair value loss	-	(50,537)	(50,537)	-	(50,537)
- transfer to finance costs	-	(468)	(468)	-	(468)
Currency translation differences	-	(14,374)	(14,374)	(6,279)	(20,653)
Profit for the year	-	967,016	967,016	36,023	1,003,039
Total comprehensive income for the year	-	880,606	880,606	19,557	900,163
2014 final dividend	164	(16,217)	(16,053)	(4,109)	(20,162)
Increase in shareholding in a subsidiary	-	2,597	2,597	(2,597)	-
Share option expense	-	112	112	-	112
Total transactions with owners	164	(13,508)	(13,344)	(6,706)	(20,050)
At 31st March 2015	12,712	14,905,359	14,918,071	945,011	15,863,082
Net fair value loss on available-for-sale investments	-	(35,936)	(35,936)	(16,039)	(51,975)
Cash flow hedges					
- fair value loss	-	(8,005)	(8,005)	-	(8,005)
- transfer to finance costs	-	24,646	24,646	-	24,646
Currency translation differences	-	(50,319)	(50,319)	1,595	(48,724)
Profit for the year	-	721,333	721,333	74,596	795,929
Total comprehensive income for the year	-	651,719	651,719	60,152	711,871
2015 final dividend	279	(11,210)	(10,931)	(4,675)	(15,606)
Share option expense	-	5,137	5,137	1,019	6,156
Total transactions with owners	279	(6,073)	(5,794)	(3,656)	(9,450)
<b>At 31st March 2016</b>	<b>12,991</b>	<b>15,551,005</b>	<b>15,563,996</b>	<b>1,001,507</b>	<b>16,565,503</b>

# Notes to the Financial Statements

## 1 GENERAL INFORMATION

Asia Standard International Group Limited (the “Company”) is a limited liability company incorporated in Bermuda and is listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

## 2 PRINCIPAL ACCOUNTING POLICIES

### (A) BASIS OF PREPARATION

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

The principal accounting policies applied by the Company and its subsidiaries (collectively, the “Group”) in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

### (B) THE ADOPTION OF NEW/REVISED HKFRS AND NEW HONG KONG COMPANIES ORDINANCE (CAP. 622)

The accounting policies and methods of computation used in the preparation of these annual financial statements are consistent with those used in 2015. There are no new or revised standards or interpretations that are effective for the first time for this year which are relevant to the Group’s operation and have a material impact on the Group’s annual financial statements.

## Notes to the Financial Statements

## 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

**(B) THE ADOPTION OF NEW/REVISED HKFRS AND NEW HONG KONG COMPANIES ORDINANCE (CAP. 622) (Continued)**

The following new standards are relevant to the Group's operation but not yet effective

Effective for accounting period beginning on or after:

**1st January 2016**

Amendment to HKAS 1	Presentation of Financial Statements
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**1st January 2018**

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from contracts with customers

**1st January 2019**

HKFRS 16	Leases
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Amendment to HKAS 1 clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Although the amendment does not require specific changes, it clarifies a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users.

HKFRS 9, "Financial Instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39.

## 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (B) THE ADOPTION OF NEW/REVISED HKFRS AND NEW HONG KONG COMPANIES ORDINANCE (CAP. 622) (Continued)

HKFRS 15, “Revenue from contracts with customers” deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 “Revenue” and HKAS 11 “Construction contracts” and related interpretations.

HKFRS 16, “Leases” addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replace HKAS 17 “Leases”, and related interpretations.

The Group has not early adopted the above new standards. The Group has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether they will have substantial change to the Group’s accounting policies and presentation of the financial statements.

#### **New Hong Kong Companies Ordinance (Cap.622)**

The requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap.622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

### (C) BASIS OF CONSOLIDATION

The consolidated financial statements of the Group include the financial statements of the Company and all its subsidiaries made up to 31st March.

The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets.

## Notes to the Financial Statements

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (C) BASIS OF CONSOLIDATION (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the accounting policies adopted by the Group.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### (D) SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

## 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (D) SUBSIDIARIES (Continued)

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### (E) JOINT ARRANGEMENTS

Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in other comprehensive income is recognised in the Group's other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profits less losses of associated companies" in the profit and loss account.



## 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (F) ASSOCIATED COMPANIES

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in other comprehensive income is recognised in the Group's other comprehensive Income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Gain or losses on dilution of equity interest in associated companies are recognised in the profit and loss account.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profits less losses of associated companies" in the profit and loss account.

## 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (G) BALANCES WITH SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

Balances with subsidiaries, joint ventures and associated companies are split into its financial assets/liabilities and equity components at initial recognition. The financial assets/liabilities component is initially stated at fair value and subsequently carried at amortised cost. The equity component is recognised at cost.

### (H) GOODWILL

Goodwill represents the excess of the cost of acquisition over the fair values of the Group's share of the net identifiable assets of the acquired subsidiaries, joint ventures and associated companies at the date of acquisition. If the Group's share of the net identifiable assets of the acquired subsidiaries, joint ventures and associated companies at the date of acquisition is more than the cost of acquisition, the excess will be recognised as a gain in the consolidated profit and loss account. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation and translated at closing rate.

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill on acquisitions of joint ventures and associated companies is included in investments in joint ventures and associated companies respectively. Goodwill as intangible asset is tested for impairment at least annually and whenever there is any impairment indication and carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment losses recognised on goodwill are not reversed.

### (I) FINANCIAL ASSETS/LIABILITIES

The Group classifies its investments and other financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale investments and derivative financial instruments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments and other financial assets at initial recognition.

#### (i) Financial assets at fair value through profit or loss and derivative financial instruments

This category represents financial assets that are either designated in this category at inception by the management or held for trading, i.e. if acquired for the purpose of selling them in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

## 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (I) FINANCIAL ASSETS/LIABILITIES (Continued)

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

#### (iii) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss and available-for-sale investments are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are included in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss and available-for-sale investments is recognised in the profit and loss account when the right to receive payment is established. Changes in the fair value of available-for-sale investments are recognised in other comprehensive income. When securities classified as available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as “net investment gain or loss”.

## 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (I) FINANCIAL ASSETS/LIABILITIES (Continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale investments, a significant or prolonged decline in the fair value of the securities below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss - is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment test of receivables is described in note 2(P).

Derivatives financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivative financial instruments not applying hedge accounting are recognised immediately in the profit and loss account.

The accounting policy for derivative financial instruments designated as cash flow hedges is described in note 2(AG).

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables or held-to-maturity investments out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## Notes to the Financial Statements

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (J) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Remaining lease term
Hotel and other buildings in Hong Kong	Shorter of 50 years or the remaining lease period of the land on which the buildings are located
Hotel buildings in overseas	25 years
Other equipment	3 to 10 years

No depreciation is provided for buildings under development.

Freehold land is not amortised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss on disposal of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(K)).

## 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (K) IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life or are not yet available for use are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (L) INVESTMENT PROPERTIES

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property. Investment property comprises land and buildings. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment properties are measured initially at its cost, including related transaction costs. After initial recognition, investment properties are carried at fair value and are valued at least annually by independent valuers. The valuations are on an open market basis, related to individual properties, and separate values are not attributed to land and buildings. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Investment property that is being redeveloped for continuing use as investment property continues to be measured at fair value. Changes in fair values are recognised in the profit and loss account.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

## Notes to the Financial Statements

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### **(M) PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTY HELD FOR DEVELOPMENT FOR SALE**

Properties under development for sale are included in current assets and comprise leasehold land, construction costs, interest and other direct costs attributable to such properties and are stated at the lower of cost and net realisable value.

Property held for development for sale are stated at the lower of cost and net realisable value. Cost comprises leasehold land, construction costs, interest and other direct expenses capitalised during the course of development. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

#### **(N) COMPLETED PROPERTIES HELD FOR SALE**

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises leasehold land, construction costs, interest and other direct expenses capitalised during the course of development. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

#### **(O) HOTEL AND RESTAURANT INVENTORIES**

Hotel inventories comprise consumables and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

#### **(P) TRADE AND OTHER RECEIVABLES**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within "selling and administrative expenses". When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against "selling and administrative expenses" in the profit and loss account. Trade and other receivables in the balance sheet are stated net of such provision.



## 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (Q) TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (R) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

### (S) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account or capitalised when applicable (note 2(Z)) over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### (T) EMPLOYEE BENEFITS

#### (i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) Retirement benefit obligations

The Group contributes to several defined contribution retirement schemes which are available to employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group has no further payment obligations once the contributions have been paid. The Group's contributions to these schemes are expensed as incurred.

## Notes to the Financial Statements

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (T) EMPLOYEE BENEFITS (Continued)

##### (iii) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

When the options are exercised, the Company will issue new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

#### (U) CURRENT AND DEFERRED INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associated companies and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

## 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (U) CURRENT AND DEFERRED INCOME TAX (Continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associated companies, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (V) SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### (W) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources, assessing performance of the operating segments and making strategies decisions, is identified as the Board of Directors of the Company.

### (X) REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is recognised as follows:

#### (i) Properties

Revenue from sales of properties is recognised upon the later of completion of the properties and the sale and purchase contracts, where the risks and rewards of the properties are transferred to the purchasers. Deposits and installments received on properties sold prior to the date of revenue recognition are included under current liabilities.

## Notes to the Financial Statements

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (X) REVENUE RECOGNITION (Continued)

##### (ii) Investment properties

Rental income from investment properties is recognised on a straight line basis over the terms of the respective leases.

##### (iii) Hotel, travel agency and management services businesses

Revenue from hotel and catering operations is recognised upon provision of services.

Revenue from sale of air tickets is recognised as agency commission earned when the tickets are issued.

Revenue from incentive travel tours is recognised as gross when the service is delivered.

Revenue from hotel reservation arrangement is recognised as agency commission earned when the confirmation document is issued.

Management service fee income is recognised when services are rendered.

##### (iv) Financial investments

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

#### (Y) FOREIGN CURRENCY TRANSLATION

##### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which are the Company's functional and the Group's presentation currency.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges.

## 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (Y) FOREIGN CURRENCY TRANSLATION (Continued)

#### (ii) Transactions and balances (Continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the profit and loss account, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the profit and loss account as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

#### (iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (c) all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, currency translation differences arising from the translation of the net investment in foreign operations, are taken to other comprehensive income. When a foreign operation is sold, all of the differences accumulated in equity are reclassified to profit and loss account as part of the gain or loss on disposal.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

## Notes to the Financial Statements

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### **(Z) BORROWING COSTS**

Borrowing costs incurred on properties under development that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of the properties under development. Capitalisation of borrowing costs is suspended during the extended periods in which the Group suspends active development of properties under development.

All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

#### **(AA) OPERATING LEASES**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors), are charged in the profit and loss account on a straight-line basis over the period of the lease.

#### **(AB) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

#### **(AC) RELATED PARTIES**

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, joint ventures and associated companies and key management (including close members of their families), where the individual, company or group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

#### **(AD) DIVIDEND DISTRIBUTION**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

## 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

### **(AE) SCRIP DIVIDEND**

Where the Company pays its dividends in the form of shares or gives the shareholders the options to receive a dividend in either cash or ordinary shares (referred to as scrip dividend), the shares issued are recognised at fair value.

### **(AF) FINANCIAL GUARANTEE (INSURANCE CONTRACTS)**

The Company assesses at each balance sheet date the liabilities under its financial guarantee contracts using current estimates of future cash flows. Changes in carrying amount of these liabilities are recognised in the profit and loss account.

The Company accounts for its financial guarantee contracts in respect of guarantees provided to its subsidiaries and joint ventures in accordance with HKFRS 4, "Insurance Contracts".

### **(AG) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account within "net finance costs".

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account.



## Notes to the Financial Statements

### 3 FINANCIAL RISK MANAGEMENT

#### (I) FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

##### (a) Market risk

###### (i) Foreign exchange risk

The Group's operations are mainly in Hong Kong. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group has certain investments in foreign operations including Canada, Macau and Mainland China, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates. The Group entered into cross currencies swap contracts to reduce the foreign currency exposure of its Renminbi denominated medium term notes.

Currency risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

The Group is also exposed to foreign currency risk with respect to financial assets at fair value through profit or loss, derivative financial instruments, bank balances and borrowings which are denominated in United States dollar, Sterling pound, Euro, Renminbi and Japanese Yen.

At 31st March 2016, the Group's entities with functional currency of Hong Kong dollar had United States dollar net monetary assets of HK\$5,473,422,000 (2015: HK\$4,554,389,000). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to United States dollar, management considers that there is no significant foreign exchange risk with respect to United States dollar.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (I) FINANCIAL RISK FACTORS (Continued)

##### (a) Market risk (Continued)

###### (i) Foreign exchange risk (Continued)

If the foreign currency had strengthened/weakened by 5%, with all other variables held constant, the Group's post tax profit would have the following changes:

	2016			2015		
	Net monetary assets/ (liabilities) amount HK\$'000	Increase/(decrease) in result attributable to the shareholders of the Company if exchange rate changes by		Net monetary assets/ (liabilities) amount HK\$'000	Increase/(decrease) in result attributable to the shareholders of the Company if exchange rate changes by	
		+5%	-5%		+5%	-5%
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sterling	415,536	18,710	(18,710)	595,741	26,508	(26,508)
Euro	80,619	2,837	(2,837)	(255,123)	(9,190)	9,190
Renminbi	491,387	24,459	(24,459)	651,787	28,971	(28,971)
Japanese Yen	(43,869)	(1,286)	1,286	(43,870)	(1,286)	1,286

###### (ii) Price risk

The Group is exposed to equity and debt securities price risk from the Group's available-for-sale investments, financial assets at fair value through profit or loss and derivative financial instruments. The performance of the Group's investments are closely monitored, together with an assessment of their relevance to the Group's long term strategic plans.

The Group's listed investments in equity and debt securities of other entities (classified as "available-for-sale investments" and "financial assets at fair value through profit or loss") are traded in the Hong Kong Stock Exchange, London Stock Exchange, New York Stock Exchange, Singapore Stock Exchange and Luxembourg Stock Exchange. The price of the Group's unlisted investments are quoted from brokers. Gains and losses arising from changes in fair value of available-for-sale investments and financial assets at fair value through profit or loss are dealt with in other comprehensive income and the profit and loss account respectively.

## Notes to the Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## (I) FINANCIAL RISK FACTORS (Continued)

## (a) Market risk (Continued)

## (ii) Price risk (Continued)

For every 10% increase/decrease in the prices of financial instruments or underlying assets, with all other variables held constant, the Group's post tax profit would have the following changes:

	2016				2015			
	Increase/(decrease) in result attributable to shareholders of the Company if price changes by		Increase/(decrease) in available-for-sale investment reserve of the Company if price changes by		Increase/(decrease) in result attributable to shareholders of the Company if price changes by		Increase/(decrease) in available-for-sale investment reserve of the Company if price changes by	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss	631,537	(631,537)	-	-	526,708	(526,708)	-	-
Available-for-sale investments	-	-	12,815	(12,815)	-	-	15,937	(15,937)

## (iii) Cash flow interest rate risk

Other than bank balances and deposits, financial investments with fixed coupons, mortgage loans receivable, loans receivable and advances to a joint ventures (collectively "Interest Bearing Assets"), the Group has no other significant interest bearing assets. The Group's interest rate risk also arises from borrowings ("Interest Bearing Liabilities").

Interest Bearing Assets are mostly at fixed rates. Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk. The Group manages this risk by limited use of floating-to-fixed interest rate swaps.

At 31st March 2016, with all other variables held constant, if the interest rate had increased/decreased by 10 basis point, the Group's post tax profit attributable to shareholders of the Company would have been HK\$4,795,000 (2015: HK\$3,734,000) lower/higher.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (I) FINANCIAL RISK FACTORS (Continued)

##### (b) Credit risk

The credit risk of the Group mainly arises from bank balances and cash (note 23), financial assets at fair value through profit or loss (note 22), derivative financial instruments (note 27), as well as credit exposures to mortgage loans receivable and trade and other receivables.

Sales of properties are made to customers with appropriate mortgage arrangements. Other sales are either made in cash, via major credit cards or to customers with appropriate credit history.

The Group has limited its credit exposure by restricting their selection of financial institutions. Trade and other receivable, mortgage loans receivable and debt securities are assessed based on the credit quality of the debtors, taking into account their financial position, past experience and other factors. Individual risk limits are set by management and the utilisation of credit limits is regularly monitored.

##### (c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group closely monitors its liquidity through maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and compliance of financial covenants of borrowings. The Group maintains flexibility in funding by keeping credit lines available and maintaining a reasonable level of marketable securities to meet any unexpected and material cash requirements in the course of ordinary business and to provide contingency liquidity support. At 31st March 2016, the unutilised credit facilities available to the Group amounted to HK\$5,704,000,000.

The relevant maturity groupings on the contractual undiscounted cash flows based on the remaining period at the balance sheet date to the contractual maturity date of the Group's and the Company's financial liabilities are analysed in the financial statements.

The tables below analyse the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual face value without applying discounted cash flow model based on the earliest date on which the Group is required to pay.

## Notes to the Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## (I) FINANCIAL RISK FACTORS (Continued)

## (c) Liquidity risk (Continued)

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates.

	On demand HK\$'000	Within 1 year HK\$'000	Between 1 to 5 years HK\$'000	After 5 years HK\$'000	Total undiscounted cash flow HK\$'000
<b>At 31st March 2016</b>					
<b>Non-derivative</b>					
Trade and other payables	-	171,819	-	-	171,819
Amount due to a joint venture	-	62,403	-	-	62,403
Amount due to an associated company	-	224,400	-	-	224,400
Borrowings	70,816	1,191,493	4,829,882	878,316	6,970,507
Medium term notes	-	52,685	1,049,128	-	1,101,813
	70,816	1,702,800	5,879,010	878,316	8,530,942
<b>Derivative</b>					
Cross currency swap					
- Inflow	-	(38,988)	(658,236)	-	(697,224)
- Outflow	-	34,553	678,887	-	713,440
	70,816	1,698,365	5,899,661	878,316	8,547,158
<b>At 31st March 2015</b>					
<b>Non-derivative</b>					
Trade and other payables	-	151,672	-	-	151,672
Amount due to a joint venture	-	71,767	-	-	71,767
Amount due an associated company	-	224,400	-	-	224,400
Borrowings	156,660	1,006,761	3,615,539	1,452,135	6,231,095
Medium term notes	-	45,389	842,652	-	888,041
	156,660	1,499,989	4,458,191	1,452,135	7,566,975
<b>Derivative</b>					
Cross currency swap					
- inflow	-	(40,589)	(725,872)	-	(766,461)
- Outflow	-	34,550	713,372	-	747,922
	156,660	1,493,950	4,445,691	1,452,135	7,548,436

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (I) FINANCIAL RISK FACTORS (Continued)

##### (c) Liquidity risk (Continued)

The table that follows summarise the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Within 1 year HK\$'000	Between 1 to 5 years HK\$'000	After 5 years HK\$'000	Total undiscounted cash flow HK\$'000
31st March 2016	9,168	15,561	-	24,729
31st March 2015	9,630	25,334	-	34,964

#### (II) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio against revalued net assets. Revalued net assets are prepared having taken into account the fair value of hotel properties, net of relevant deferred income taxes, in addition to the net assets shown in the consolidated balance sheet prepared in accordance with HKFRS. According to the Group's accounting policies, no properties other than investment properties are to be carried at valuation. Details of the valuation of the hotel properties, prepared for readers' information only, are set out in note 15(a) to the financial statements.

The gearing ratio against Revalued net assets is calculated as net debt divided by Revalued net assets. Net debt is calculated as total borrowings (including current and non-current as shown in the consolidated balance sheet) and medium term notes less bank balances and cash.

## Notes to the Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (Continued)

**(II) CAPITAL RISK MANAGEMENT (Continued)**

The gearing ratios at 31st March 2016 and 2015 were as follows:

	2016 HK\$'000	2015 HK\$'000
Borrowings (note 25)	6,475,965	5,825,279
Medium term notes (note 26)	936,894	711,020
Less: bank balances and cash (note 23)	(737,211)	(1,071,537)
Net debt	6,675,648	5,464,762
Revalued net assets	24,028,000	23,424,000
Gearing ratio against revalued net assets	28%	23%

**(III) FAIR VALUE ESTIMATION**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).



### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (III) FAIR VALUE ESTIMATION (Continued)

The following table presents the Group's financial instruments that are measured at fair value at 31st March.

	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
<b>2016</b>			
<b>Assets</b>			
Financial assets at fair value through profit or loss	1,183,373	5,730,298	6,913,671
Available-for-sale investments	143,587	27,309	170,896
	1,326,960	5,757,607	7,084,567
<b>Liabilities</b>			
Derivative financial instruments	-	48,115	48,115
<b>There were no transfers between levels 1 and 2 during the year.</b>			
<b>2015</b>			
<b>Assets</b>			
Financial assets at fair value through profit or loss	1,602,056	4,260,596	5,862,652
Available-for-sale investments	190,757	25,402	216,159
	1,792,813	4,285,998	6,078,811
<b>Liabilities</b>			
Derivative financial instruments	-	40,110	40,110

## Notes to the Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (III) FAIR VALUE ESTIMATION (Continued)

##### (i) Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. These instruments are included in level 1.

##### (ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (over-the-counter investments and derivatives) is determined by using latest available transaction price or valuation techniques. Judgements as to whether there is an active market may include, but not restricted to, consideration of factors such as the magnitude and frequency of trading activities, the availability of prices and the size of bid/offer spreads. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (A) ESTIMATE OF FAIR VALUE OF INVESTMENT PROPERTIES

At 31st March 2016, the Group had investment properties with fair value of HK\$7,531,794,000 (2015: HK\$7,627,318,000). The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the amount is determined within a range of reasonable fair value estimates. Information from a variety of sources is considered in making the judgement:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

Details of the judgement and assumptions has been disclosed in note 14.

### (B) IMPAIRMENT OF PROPERTY HELD FOR DEVELOPMENT FOR SALE

The Group's property held for development for sale is stated at lower of cost and net realisable value. The amount represents a 100% interest in a piece of land ("Property") situated in Seac Pai Van, Coloane, Macau. As at 31st March 2016, the carrying amount of the Property amounts to HK\$799 million (2015: HK\$797 million) and is included under non-current assets (note 16). The land concession was granted for a term of 25 years from 7th December 1990, for industrial use, and is renewable, under certain conditions, for further terms until 19th December 2049. The land concession period ended on 7th December 2015, and the Group has applied for extension of the concession but there is no reply from the Macau government. Up to date, there is no declaration of the lease expiry in the official gazette of Macau or written notice to the concessionaire. As at 31st March 2016, the concessionaire continues to be the registered owner of the land.

The land is included by Macau government in a published list in which non-development of those land is not attributable to the concessionaires. The Macau government is finding solutions to resolve the expiry issue, as detailed in note 16. After taking into consideration the legal advice from external lawyers, the Directors are of the opinion that no provision for the Property is necessary as at 31st March 2016.

### (C) IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

The policy for provision for impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis and by management judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables.

## Notes to the Financial Statements

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

#### (D) INCOME TAXES

The Group is subject to income taxes in Hong Kong and other jurisdictions. Judgement is required in certain provision for income taxes for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

Recognition of deferred income tax assets (note 28), which principally relate to tax losses, depends on the management's expectations of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

#### (E) FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments (note 27) that are not traded in active markets are determined by using valuation techniques. Judgements as to whether there is an active market may include, but not restricted to, consideration of factors such as the magnitude and frequency of trading activities, the availability of prices and the size of bid/offer spreads. Where valuation techniques are used to determine fair values, they are periodically reviewed. To the extent practical, models use only observable data, however areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the fair values of derivative financial instruments.

#### (F) IMPAIRMENT OF AVAILABLE-FOR-SALE INVESTMENTS

The Group follows the guidance of HKAS 39 to determine when an available-for-sale investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors the duration and extent to which the fair value of an investment is less than its cost.

#### (G) REVENUE RECOGNITION ON A GROSS VERSUS NET BASIS FOR TRAVEL OPERATION

Determining whether the Group is acting as a principal or as an agent requires judgement and consideration of all relevant facts and circumstances, including the factors whether (1) the Group is the primary obligor in the provision of travel related services from the perspective of the customer; (2) the Group retains the general inventory risk of air tickets or hotel room bookings before and after the customer order; (3) the Group has the latitude in establishing ticket pricing, hotel room rate or tour pricing; and (4) the Group bears the credit risk for collecting cash from customers. If the conclusion reaches that the Group acts as an agent without assuming all the risks and rewards of travel related services rendered/to be rendered, revenue recognised by the Group should only be its commission.

## 5 SEGMENT INFORMATION

The Group is principally engaged in property development and investment, hotel, travel operation and securities investments. Revenue includes revenue from property sales and leasing, hotel and travel operation, management services, interest income and dividend income.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by the chief operating decision-maker. The Group is organised into four main operating segments, comprising property sales, property leasing, hotel and travel and financial investments. Segment assets consist primarily of property, plant and equipment, investment properties, available-for-sale investments, other non-current assets, hotel inventories, properties, trade and other receivables and financial assets at fair value through profit or loss. Segment liabilities comprise mainly borrowings.

	Property sales HK\$000	Property leasing HK\$000	Hotel and travel HK\$000	Financial investments HK\$000	Others HK\$000	Total HK\$000
<b>2016</b>						
Gross income	630	136,721	651,944	2,132,581	18,193	2,940,069
Segment revenue	630	136,721	484,833	676,036	18,193	1,316,413
Contribution to segment results	(137)	123,737	158,653	674,887	16,746	973,886
Depreciation	-	-	(82,739)	-	(4,380)	(87,119)
Net investment gain	-	-	-	362,303	-	362,303
Fair value gain of investment properties	-	8,096	-	-	-	8,096
Share of profits less losses of Joint ventures	(3,896)	-	-	-	(3,143)	(7,039)
Associated companies	-	(111,888)	-	-	(131)	(112,019)
Segment results	(4,033)	19,945	75,914	1,037,190	9,092	1,138,108
Unallocated corporate expenses						(123,238)
Net finance costs						(203,388)
Profit before income tax						811,482

## Notes to the Financial Statements

## 5 SEGMENT INFORMATION (Continued)

	Property sales HK\$'000	Property leasing HK\$'000	Hotel and travel HK\$'000	Financial investments HK\$'000	Others HK\$'000	Total HK\$'000
2015						
Gross income	-	128,944	726,750	1,898,441	11,158	2,765,293
Segment revenue	-	128,944	535,867	580,325	11,158	1,256,294
Contribution to segment results	6,924	115,779	213,222	577,868	13,139	926,932
Depreciation	-	-	(85,347)	-	(4,329)	(89,676)
Net investment loss	-	-	-	(594,865)	-	(594,865)
Fair value gain of investment properties	-	865,943	-	-	-	865,943
Share of profits less losses of Joint ventures	(3,918)	-	-	-	(7,226)	(11,144)
Associated companies	-	127,457	-	-	9	127,466
Segment results	3,006	1,109,179	127,875	(16,997)	1,593	1,224,656
Unallocated corporate expenses						(106,598)
Net finance costs						(94,252)
Profit before income tax						1,023,806

## Notes:

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

## 5 SEGMENT INFORMATION (Continued)

	Business segments						Total HK\$'000
	Property sales HK\$'000	Property leasing HK\$'000	Hotel and travel HK\$'000	Financial investments HK\$'000	Others HK\$'000	Unallocated HK\$'000	
<b>2016</b>							
<b>Assets</b>	3,739,241	9,024,473	3,482,824	7,224,066	382,173	755,772	24,608,549
<b>Assets include:</b>							
Joint ventures and associated companies	1,910,373	1,462,596	-	-	1,043	3,675	3,377,687
<b>Addition to non-current assets*</b>	470,074	18,964	157,872	-	62,629	801	710,340
<b>Liabilities</b>							
Borrowings	1,650,996	973,499	1,694,789	1,178,739	280,000	697,942	6,475,965
Other unallocated liabilities							1,567,081
							8,043,046
<b>2015</b>							
<b>Assets</b>	3,102,949	9,229,695	3,256,806	6,221,895	85,637	1,097,334	22,994,316
<b>Assets include:</b>							
Joint ventures and associated companies	1,260,785	1,574,485	-	-	1,025	24,510	2,860,805
<b>Addition to non-current assets*</b>	-	1,200,182	99,800	-	18,514	-	1,318,496
<b>Liabilities</b>							
Borrowings	1,449,808	992,651	1,625,799	1,070,146	-	686,875	5,825,279
Other unallocated liabilities							1,305,955
							7,131,234

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

## Notes to the Financial Statements

## 5 SEGMENT INFORMATION (Continued)

	2016 HK\$'000	2015 HK\$'000
<b>Revenue</b>		
Hong Kong	567,499	592,198
Overseas	748,914	664,096
	<b>1,316,413</b>	1,256,294
<b>Non-current assets*</b>		
Hong Kong	13,645,742	13,364,176
Overseas	1,444,064	1,097,328
	<b>15,089,806</b>	14,461,504

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



## 6 NET INVESTMENT GAIN/(LOSS)

	2016 HK\$'000	2015 HK\$'000
Financial assets at fair value through profit or loss		
- net unrealised gain/(loss) from market price movements	<b>281,378</b>	(448,029)
- net unrealised exchange loss	<b>(27,086)</b>	(141,044)
- net realised gain/(loss) (note)	<b>108,011</b>	(5,792)
	<b>362,303</b>	(594,865)
Note:		
Net realised gain/(loss) on financial assets at fair value through profit or loss		
Gross consideration	<b>1,456,545</b>	1,318,116
Cost of investments	<b>(1,270,919)</b>	(1,174,742)
Total gain	<b>185,626</b>	143,374
Less: net unrealised gain recognised in prior years	<b>(77,615)</b>	(149,166)
Net realised gain/(loss) recognised in current year	<b>108,011</b>	(5,792)

## Notes to the Financial Statements

## 7 INCOME AND EXPENSES BY NATURE

	2016 HK\$'000	2015 HK\$'000
<b>Income</b>		
Net rental income (note)	123,737	115,779
Interest income		
- Listed investments	634,028	533,340
- Loan receivables	15,730	3,437
- Bank deposits	1,495	6,685
Dividend income		
- Listed investments	25,271	40,098
<b>Expenses</b>		
Auditor's remuneration	6,230	6,507
Cost of properties and goods sold	76,847	71,480
Employee benefit expense including Director's emoluments (note 8)	212,042	185,926
Loss on disposal of property, plant and equipment	461	10
Operating lease rental expense for land and buildings	1,176	1,387
Note:		
Gross rental income		
Investment properties	136,428	128,894
Properties held for sale	293	50
	136,721	128,944
Outgoings	(12,984)	(13,165)
Net rental income	123,737	115,779

## 8 EMPLOYEE BENEFIT EXPENSE

	2016 HK\$'000	2015 HK\$'000
Wages and salaries	199,782	180,432
Share option expenses	6,156	112
Retirement benefits costs (note (a))	6,104	5,632
	<b>212,042</b>	186,176
Capitalised under properties under development	-	(250)
	<b>212,042</b>	185,926

Staff costs are stated inclusive of Directors' emoluments and are included in cost of sales and administrative expenses.

Notes:

### (a) Retirement benefits costs

	2016 HK\$'000	2015 HK\$'000
Gross contributions	5,776	5,492
Termination benefit	328	140
Net contributions	<b>6,104</b>	5,632

The Group participates in various types of defined contribution schemes for employees, namely the Mandatory Provident Fund ("MPF") Scheme and Occupational Retirement Scheme Ordinance ("ORSO") Scheme in Hong Kong, Canada Pension Plan ("CPP") in Canada and retirement plans in Mainland China.

In Hong Kong, the Group participates in several defined contribution schemes under the ORSO which are available to employees joining before 1st December 2000. Under these schemes, contribution of 5% of the employee's monthly salaries are made by the employees and by the Group. The Group's contributions may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

## Notes to the Financial Statements

## 8 EMPLOYEE BENEFIT EXPENSE (Continued)

## (a) Retirement benefits costs (Continued)

The Group also participates in the MPF scheme, which are available to all employees not joining the ORSO schemes in Hong Kong and in the CPP organised by the Canadian Government for all employees in Canada. Monthly contributions to the MPF scheme and CPP are made equal to 5% (2015: 5%) or a fixed sum and 4.95% (2015: 4.95%) respectively, of the employee's relevant income in accordance with the local legislative requirements.

As at 31st March 2016, no forfeiture (2015: Nil) was available to reduce the Group's future contributions to the ORSO Scheme.

## (b) Share options

The Company and Asia Standard Hotel Group Limited ("Asia Standard Hotel"), a listed subsidiary, operate share option schemes, whereby options may be granted to employees of the Group, including the Executive Directors, to subscribe for shares of the Company and Asia Standard Hotel respectively. The consideration to be paid on each grant of option is HK\$1 for the Company and Asia Standard Hotel respectively.

## Company

Details of share options held under the share option scheme of the Company are as follows:

Date of grant	Exercise price per share	Expiry date	Number of share options		
			Outstanding at 1st April 2015	Granted during the year	Outstanding at 31st March 2016
13th March 2014					
Employee	HK\$2.00	12th March 2024	1,000,000	-	1,000,000
11th December 2015					
Directors	HK\$1.38	10th December 2025	-	7,000,000	7,000,000
			1,000,000	7,000,000	8,000,000

During the year, 7,000,000 (2015: Nil) options to subscribe for shares of the Company were granted. No options were exercised, cancelled or lapsed except 11,341,965 options lapsed in 2015.

## 8 EMPLOYEE BENEFIT EXPENSE (Continued)

### (b) Share options (Continued)

The fair value of the options granted and vested in the current year determined using the Binomial option pricing model is HK\$2,620,100 and is recognised in the profit and loss account. The following assumptions were used to calculate the fair values of share options granted on 11th December 2015:

Closing share price at the date of grant (HK\$)	1.35
Exercise price (HK\$)	1.38
Expected life of options (years)	5
Expected volatility (%) - note (i)	30.41%
Expected dividend yield (%) - note (ii)	2.96%
Risk free rate (%)	1.027%

#### Notes:

- (i) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over one year immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the expected life of the options and the historical volatility of the shares.
- (ii) It is based on prospective dividend yield of the shares at 10th December 2015.

## Notes to the Financial Statements

## 8 EMPLOYEE BENEFIT EXPENSE (Continued)

## (b) Share options (Continued)

## Asia Standard Hotel

Details of share options held under the share option scheme of Asia Standard Hotel as at 31st March 2016 are as follows:

Date of grant	Exercise price per share	Expiry date	Number of share options		
			Outstanding at 1st April 2015	Movement during the year	Outstanding at 31st March 2016
29th March 2007	HK\$1.296	28th March 2017			
Director			8,000,000	-	8,000,000
Employee			8,000,000	-	8,000,000
			16,000,000	-	16,000,000
2nd April 2007	HK\$1.300	1st April 2017			
Directors			24,000,000	(8,000,000) <sup>1</sup>	16,000,000
Directors of Asia Standard Hotel			8,000,000	8,000,000 <sup>1</sup>	16,000,000
Employees			30,999,999	-	30,999,999
			62,999,999	-	62,999,999
11th December 2015					
Directors	HK\$1.030	10th December 2025	-	9,600,000 <sup>2</sup>	9,600,000
			<b>78,999,999</b>	<b>9,600,000</b>	<b>88,599,999</b>

Notes:

<sup>1</sup> A Director of the Company resigned on 11th December 2015. He remains as Director of Asia Standard Hotel and Director of certain subsidiaries of the Company.

<sup>2</sup> During the year, 9,600,000 (2015: Nil) options to subscribe for shares of Asia Standard Hotel were granted. No options were exercised, cancelled or lapsed for both years.

## 8 EMPLOYEE BENEFIT EXPENSE (Continued)

### (b) Share options (Continued)

The fair value of the options granted and vested in the current year determined using the Binomial option pricing model is HK\$3,423,360 and is recognised in the profit and loss account. The following assumptions were used to calculate the fair values of share options granted on 11th December 2015:

Closing share price at the date of grant (HK\$)	1.03
Exercise price (HK\$)	1.03
Expected life of options (years)	5
Expected volatility (%) – note (i)	38.06%
Expected dividend yield (%) – note (ii)	0.97%
Risk free rate (%)	1.027%

#### Notes:

- (i) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over one year immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the expected life of the options and the historical volatility of the shares.
- (ii) It is based on prospective dividend yield of the shares at 10th December 2015.

## Notes to the Financial Statements

## 9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amount of emoluments paid and payable to Directors of the Company for the years ended 31st March 2016 and 2015 are set out as follows:

Name of Director	Fees	Salaries	Discretionary bonuses	Housing and other allowances	Estimated money value of other benefits	Employer's contribution to retirement benefit scheme	Total emoluments
<b>2016 (in HK\$'000)</b>							
<b>Executive</b>							
Mr. Fung Siu To, Clement	-	1,239	-	1,249	369	42	2,899
Dr. Lim Yin Cheng	-	832	-	689	-	42	1,563
Mr. Poon Jing	-	1,303	10,400	9,154	1,323	18	22,198
Mr. Poon Hai	-	2,760	10,000	-	3,296	36	16,092
Mr. Poon Yeung, Roderick	-	423	1,839	-	3,136	5	5,403
Mr. Lun Pui Kan	-	1,321	500	1,044	-	118	2,983
Mr. Kwan Po Lam, Phileas	-	1,716	300	-	649	81	2,746
	-	9,594	23,039	12,136	8,773	342	53,884
<b>Independent Non-executive</b>							
Mr. Koon Bok Ming, Alan	250	-	-	-	-	-	250
Mr. Leung Wai Keung	350	-	-	-	-	-	350
Mr. Wong Chi Keung	200	-	-	-	-	-	200
	800	-	-	-	-	-	800
	800	9,594	23,039	12,136	8,773	342	54,684



## 9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

- (a) The aggregate amount of emoluments paid and payable to Directors of the Company for the years ended 31st March 2016 and 2015 are set out as follows: (Continued)

Name of Director	Fees	Salaries	Discretionary bonuses	Housing and other allowances	Estimated money value of other benefits	Employer's contribution to retirement benefit scheme	Total emoluments
<b>2015 (in HK\$'000) (Restated)</b>							
Certain of the comparative information previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirement by the Hong Kong Companies Ordinance (Cap.622).							
<b>Executive</b>							
Mr. Fung Siu To, Clement	-	1,239	-	1,222	119	42	2,622
Dr. Lim Yin Cheng	-	1,200	-	937	-	60	2,197
Mr. Poon Jing	-	1,303	8,640	9,059	-	18	19,020
Mr. Poon Hai	-	1,950	7,000	-	-	35	8,985
Mr. Lun Pui Kan	-	1,239	600	1,044	-	103	2,986
Mr. Kwan Po Lam, Phileas	-	1,546	1,700	-	420	73	3,739
	-	8,477	17,940	12,262	539	331	39,549
<b>Independent Non-executive</b>							
Mr. Koon Bok Ming, Alan	250	-	-	-	-	-	250
Mr. Leung Wai Keung	350	-	-	-	-	-	350
Mr. Wong Chi Keung	200	-	-	-	-	-	200
	800	-	-	-	-	-	800
	800	8,477	17,940	12,262	539	331	40,349

## Notes to the Financial Statements

## 9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

- (a) The aggregate amount of emoluments paid and payable to Directors of the Company for the years ended 31st March 2016 and 2015 are set out as follows: (Continued)

Notes:

- (i) Dr. Lim Yin Cheng resigned as executive Director and the Deputy Chairman of the Company on 11th December 2015, he remains as Deputy Chairman and Chief Executive of Asia Standard Hotel and director of certain subsidiaries of the Company. Mr. Poon Yeung Roderick was appointed as executive director on 11th December 2015.
- (ii) Other benefits include insurance premium, staff quarters, holiday passage and HK\$6,043,000 fair value of share options, which was determined by using binomial pricing model and credited to share options reserve at the grant of share options.
- (iii) During the year, HK\$17,810,000 (2015: HK\$14,964,000) out of the total emoluments was paid and payable by Asia Standard Hotel.
- (iv) During the year, no emolument was paid or is payable by the Group to any of the above directors in respect of accepting office as a director or as compensation for loss of office (2015: Nil).
- (v) No transactions, arrangement and contracts of significance in relation to the Company's business to which its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director of the Company and his connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: Nil).
- (b) The five highest paid individuals in the Group for the year include five (2015: five) Directors whose emoluments are already reflected in the analysis presented above.
- (c) Senior management remuneration by band

The emoluments of the senior management fell within the following band:

	Number of individuals	
	2016	2015
HK\$1,000,001 - HK\$2,000,000	3	2
HK\$2,000,001 - HK\$3,000,000	1	1
HK\$4,000,001 - HK\$5,000,000	-	1
HK\$5,000,001 - HK\$6,000,000	1	-

## Notes to the Financial Statements

## 10 NET FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest expense		
Long term bank loans	(134,867)	(120,495)
Short term bank loans and overdrafts	(4,722)	(1,791)
Medium term notes	(52,628)	(44,128)
Interest income from hedging derivative financial instruments	4,730	5,802
Interest capitalised (note)	39,486	47,012
	<b>(148,001)</b>	(113,600)
Other incidental borrowing costs	(23,407)	(20,185)
Net foreign exchange (loss)/gain on borrowings	(7,334)	38,084
Fair value (loss)/gain on derivative financial instruments		
- cash flow hedge, transfer from reserve (note 30)	(24,646)	468
- not applying hedge accounting	-	981
	<b>(203,388)</b>	(94,252)

Note:

Borrowing costs were capitalised at rates ranging from 1.9% to 3.7% (2015: 1.6% to 3.6%) per annum.

## 11 INCOME TAX EXPENSE

	2016 HK\$'000	2015 HK\$'000
Current income tax expense		
Hong Kong profits tax	(13,383)	(23,925)
Over provision in prior years	4,208	3,827
	<b>(9,175)</b>	(20,098)
Deferred income tax expense	(6,378)	(669)
	<b>(15,553)</b>	(20,767)

## Notes to the Financial Statements

## 11 INCOME TAX EXPENSE (Continued)

Hong Kong profits tax is provided at the rate of 16.5% (2015: 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.

Shares of income tax expense of joint ventures and associated companies for the year of nil (2015: Nil) and HK\$4,198,000 (2015: HK\$2,741,000) are included in the profit and loss account as share of profits less losses of joint ventures and associated companies respectively.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2016 HK\$'000	2015 HK\$'000
Profit before income tax	811,482	1,023,806
Share of profits less losses of joint ventures and associated companies	119,058	(116,322)
	<b>930,540</b>	907,484
Calculated at a tax rate of 16.5% (2015: 16.5%)	<b>(153,539)</b>	(149,735)
Over provision in prior years	4,208	3,827
Effect of different tax rates in other countries	(321)	1,877
Income not subject to income tax	166,911	195,145
Expenses not deductible for tax purposes	<b>(33,450)</b>	(68,880)
Tax losses not recognised	<b>(10,966)</b>	(2,904)
Utilisation of previously unrecognised tax losses	2,651	952
Recognition of previously unrecognised tax losses	1,480	-
Others	7,473	(1,049)
Income tax expense	<b>(15,553)</b>	(20,767)

## Notes to the Financial Statements

## 12 DIVIDENDS

	2016 HK\$'000	2015 HK\$'000
Interim, nil (2015: Nil)	-	-
Final, proposed, of HK3.5 cents (2015: HK4 cents) per share	<b>45,470</b>	50,849
	<b>45,470</b>	50,849

At a meeting held on 24th June 2016, the Board of Directors has proposed to pay a final dividend for the year ended 31st March 2016 of HK3.5 cents (2015: HK4 cents) per share with a scrip option. The proposed dividend is not reflected in the financial statements, but will be reflected as an appropriation of revenue reserve in the year ending 31st March 2017.

The amount of HK\$45,470,000 is based on 1,299,150,233 issued shares as at 24th June 2016.

## 13 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$721,333,000 (2015: HK\$967,016,000) and divided by the weighted average number of 1,283,972,396 (2015: 1,262,601,165) shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31st March 2016 was based on HK\$721,284,000 equalling to the profit attributable to shareholders of the Company of HK\$721,333,000 less HK\$49,000 assuming the Company's listed subsidiary's share options had been converted at the beginning of the year and divided by 1,283,972,396 shares. The Company's outstanding share options did not have a dilutive effect on the earnings per share.

For the years ended 31st March 2015, the Company and its listed subsidiary's outstanding share options did not have a dilution effect on the earnings per share, so the basic and diluted earnings per share were equal.

## 14 INVESTMENT PROPERTIES

	2016 HK\$'000	2015 HK\$'000
At the beginning of the year	<b>7,627,318</b>	5,567,131
Addition	<b>18,964</b>	1,200,182
Disposal	-	(5,938)
Transferred to property, plant and equipment (note 15)	<b>(122,584)</b>	-
Fair value gain	<b>8,096</b>	865,943
At the end of the year	<b>7,531,794</b>	7,627,318

## Notes to the Financial Statements

## 14 INVESTMENT PROPERTIES (Continued)

The aggregate net book value of investment properties pledged as securities for loans amounted to HK\$7,531,794,000 (2015: HK\$7,627,318,000).

All of the fair value measurements of the Group's investment properties were categorised into level 3 of the fair value hierarchy. There were no transfers into or out of level 3 during the year.

**VALUATION TECHNIQUES AND PROCESS**

Investment properties were revalued by Prudential Surveyors International Limited, independent professional valuers, on an open market value basis as at 31st March 2016 and 2015.

Fair value of investment properties is generally derived using the direct comparison method. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration. There were no change to the valuation techniques during the year.

**INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS**

	Valuation techniques	Unobservable inputs	Range of unobservable inputs	
			2016	2015
Office	Direct comparison	Adjusted market price (HK\$/square feet)	<b>15,800-20,600</b>	13,100-18,500
Retail - Ground floor	Direct comparison	Adjusted market price (HK\$/square feet)	<b>39,600-137,200</b>	40,200-182,200
Retail - others	Direct comparison	Adjusted market price (HK\$/square feet)	<b>23,900-26,600</b>	23,600-31,100

## 15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land of a hotel in Canada HK\$'000	Leasehold land in Hong Kong HK\$'000	Hotel buildings HK\$'000	Other buildings HK\$'000	Other equipments HK\$'000	Total HK\$'000
<b>Cost</b>						
At 31st March 2014	71,613	2,652,887	1,528,583	60,345	116,500	4,429,928
Currency translation differences	(9,226)	-	(56,162)	-	2	(65,386)
Additions	-	6,061	91,615	17,558	3,081	118,315
Disposals	-	-	(221)	-	-	(221)
At 31st March 2015	62,387	2,658,948	1,563,815	77,903	119,583	4,482,636
<b>Accumulated depreciation</b>						
At 31st March 2014	-	438,568	790,793	8,590	21,733	1,259,684
Currency translation differences	-	-	(42,409)	-	1	(42,408)
Charge for the year	-	27,111	50,338	1,046	11,181	89,676
Disposals	-	-	(212)	-	-	(212)
At 31st March 2015	-	465,679	798,510	9,636	32,915	1,306,740
<b>Net book value</b>						
At 31st March 2015	62,387	2,193,269	765,305	68,267	86,668	3,175,896
<b>Cost</b>						
At 31st March 2015	62,387	2,658,948	1,563,815	77,903	119,583	4,482,636
Currency translation differences	(1,364)	-	(8,457)	-	(97)	(9,918)
Additions	-	2,685	154,597	12,801	6,387	176,470
Transferred from investment properties (note 14)	-	109,452	-	13,132	-	122,584
Disposals	-	-	(4,755)	-	(7,776)	(12,531)
<b>At 31st March 2016</b>	<b>61,023</b>	<b>2,771,085</b>	<b>1,705,200</b>	<b>103,836</b>	<b>118,097</b>	<b>4,759,241</b>
<b>Accumulated depreciation</b>						
At 31st March 2015	-	465,679	798,510	9,636	32,915	1,306,740
Currency translation differences	-	-	(6,202)	-	(53)	(6,255)
Charge for the year	-	27,435	46,654	1,219	11,811	87,119
Disposals	-	-	(2,177)	-	(7,768)	(9,945)
<b>At 31st March 2016</b>	<b>-</b>	<b>493,114</b>	<b>836,785</b>	<b>10,855</b>	<b>36,905</b>	<b>1,377,659</b>
<b>Net book value</b>						
<b>At 31st March 2016</b>	<b>61,023</b>	<b>2,277,971</b>	<b>868,415</b>	<b>92,981</b>	<b>81,192</b>	<b>3,381,582</b>

## Notes to the Financial Statements

## 15 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) Total carrying values of hotel properties comprise the following:

	2016 HK\$'000	2015 HK\$'000
<b>Hotel properties</b>		
Hotel buildings	868,415	765,305
Hotel freehold land	61,023	62,387
Hotel leasehold land	2,081,666	2,105,310
	<b>3,011,104</b>	2,933,002

Supplementary information with hotel properties in operation at valuation:

The aggregate open market value, on a highest and best use basis, of the four hotel properties in Hong Kong and Canada based on valuations conducted by Vigers Appraisal & Consulting Limited ("Vigers") and Burgess Cawley Sullivan & Associates Ltd ("BCS") (2015: Vigers and CBRE Limited ("CBRE")) respectively, independent professional valuers, amounted to HK\$9,658,292,000 (2015: HK\$9,798,616,000), is regarded as level 3 hierarchy for disclosure purpose under HKFRS 13.

The hotel properties portfolio in Hong Kong comprised 3 hotels. Vigers used the discounted cash flow ("DCF") method, which is considered the most appropriate valuation approach for assessing the market value of the properties as it would better reflect specific characteristics of the income-producing properties such as occupancies, average room rates, potential income growth and all out-goings, subject to future economic conditions in the markets. The direct comparison method was also used as a check on the valuation arrived at from the DCF method. For the hotel property in Canada, BCS (2015: CBRE) used the direct comparison method for assessing the market value of the property taking into account of its re-development potential. This approach directly uses market comparable transactions to determine the market value. Appropriate adjustments are applied to the comparable transactions to adjust for the discrepancies between the property and the comparables.

The supplementary information with hotel properties at valuation is for readers' information only. It does not constitute a disclosure requirement under HKAS 16 and HKAS 17.

- (b) As at 31st March 2016, the aggregate net book value of property, plant and equipment pledged as security for loans amounted to HK\$3,229,333,000 (2015: HK\$3,018,171,000).
- (c) As at 31st March 2016, the cost of hotel properties under development amounted to HK\$870,106,000 (2015: HK\$728,640,000). The addition during the year amounted to HK\$141,466,000 (2015: HK\$86,705,000).



## 16 PROPERTY HELD FOR DEVELOPMENT FOR SALE

The amount represents a 100% interest, acquired by the Group in 2010, in a piece of land (the "Land") situated in Seac Pai Van, Coloane, Macau. The land concession was granted for a term of 25 years from 7th December 1990 for industrial use. It is renewable, under certain conditions including the completion of development before the concession expiry date, for further terms until 19th December 2049. In 1993, the Macau government notified the concessionaire their decision and the concessionaire has accepted to change the district to residential use. Since then, despite repeated request, the Macau government has not issued the new master zoning plan of the district and so the Land has not been developed. During this period, the Group has engaged professional architects and liaised with the Lands, Public Works and Transport Bureau of the Macau government in various occasions to prepare the development plans.

In October 2015, the Group submitted to the Macau government a request for extension or renewal of the land concession, no reply was received from the Macau government. The land concession period ended on 7th December 2015. Up to date, no declaration of the lease expiry has been published in the Official Gazette of Macau or notified to the registered owner, a wholly owned subsidiary of the Group. As such, the subsidiary remains the registered owner of the Land as at 31st March 2016.

The Group has sought advice from two legal experts. They considered that the Group has strong grounds to challenge the legitimacy if Macau government reclaims the land without compensation. They also advise that the Group would have a reasonable likelihood of success in recovering damages and loss of profits should that arises. The Land is included by Macau government in a published list in which non-development of those land is not attributable to the concessionaires. The Directors and the Group understand that Macau government is finding an administrative or legal solution through existing Macau land law or to amend the law with the purpose of re-granting or extending these land concession.

Considering the above, the Directors are of the opinion that no provision is required for this property as at 31st March 2016.

At 31st March 2016, properties amounting to HK\$798,743,000 (2015: HK\$797,485,000) were pledged to banks to secure certain banking facilities of the Group.

## Notes to the Financial Statements

## 17 JOINT VENTURES AND ASSOCIATED COMPANIES

	2016 HK\$'000	2015 HK\$'000
Joint ventures	1,910,218	1,282,215
Associated companies	1,467,469	1,578,590
	<b>3,377,687</b>	2,860,805

## (A) JOINT VENTURES

	2016 HK\$'000	2015 HK\$'000
Share of net assets	1,200,721	661,934
Advance to joint ventures	854,261	765,119
Provision on advances to joint ventures	(144,764)	(144,838)
	<b>1,910,218</b>	1,282,215
Amount due to joint ventures included in current liabilities	(62,403)	(71,767)
	<b>1,847,815</b>	1,210,448

Advances to joint ventures are made to finance property development projects. The advances to joint ventures are denominated in Hong Kong dollar. As at 31st March 2016, except for an amount of HK\$205,943,000 (2015: HK\$194,129,000) and HK\$174,682,000 (2015: Nil) advance to joint ventures which is bearing interest at 1% above The Hong Kong and Shanghai Banking Corporation ("HSBC") prime rate per annum and 15% per annum respectively, the advances to joint ventures are unsecured, interest free and have no fixed terms of repayment. The carrying amounts of the advances approximate their fair values. The Group has provided financial guarantee for banking facilities granted to certain joint ventures (note 33). There are no contingent liabilities relating to the Group's interests in joint ventures.

Details of the principal joint ventures are set out in note 37.

## 17 JOINT VENTURES AND ASSOCIATED COMPANIES (Continued)

**(A) JOINT VENTURES (Continued)**

Aggregate information for the Group's joint ventures that are not individually material:

	2016 HK\$'000	2015 HK\$'000
Loss before income tax	(7,039)	(11,144)
Income tax expense	-	-
Loss for the year	(7,039)	(11,144)
Other comprehensive (charge)/income	(53,457)	310
Total comprehensive charge for the year	(60,496)	(10,834)

There is no joint venture as at 31st March 2016 and 2015, which in the opinion of the Directors, is individually material to the Group.

**(B) ASSOCIATED COMPANIES**

	2016 HK\$'000	2015 HK\$'000
Share of net assets (note (a))	1,466,271	1,577,410
Advance to associated companies	422,025	422,007
Provision for advances to associated companies	(420,827)	(420,827)
Amount due to an associated company included in current liabilities	1,467,469 (224,400)	1,578,590 (224,400)
	1,243,069	1,354,190

As at 31st March 2016 and 2015, the shares in an associated company are pledged to secure the loan facilities granted to the Group.

Advances to associated companies are made to finance property development projects. The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment. The advances to associated companies are denominated in Hong Kong dollar.

## Notes to the Financial Statements

## 17 JOINT VENTURES AND ASSOCIATED COMPANIES (Continued)

**(B) ASSOCIATED COMPANIES (Continued)**

Details of the principal associated companies are set out in note 37.

There are no contingent liabilities relating to the Group's interests in associated companies.

Aggregate information for the Group's associated companies that are not individually material:

	2016 HK\$'000	2015 HK\$'000
(Loss)/profit before income tax (note (b))	<b>(107,821)</b>	130,207
Income tax expenses	<b>(4,198)</b>	(2,741)
(Loss)/profit and total comprehensive (charge)/income for the year	<b>(112,019)</b>	127,466

Notes:

- (a) Mainly represented share of net assets of an associated company holding an investment property.
- (b) Mainly represented share of fair value (loss)/gain arising from the revaluation of an investment property held by an associated company. The investment property was revalued by Prudential Surveyors International Limited, independent professional valuers, on an open market value basis as at 31st March 2016 and 2015.

## 17 JOINT VENTURES AND ASSOCIATED COMPANIES (Continued)

**(B) ASSOCIATED COMPANIES (Continued)**

The significant unobservable inputs used are as follows:

	Valuation techniques	Unobservable inputs	Range of unobservable inputs	
			2016	2015
Office	Direct comparison	Adjusted market price (HK\$/square feet)	11,800-15,800	9,300-14,300
Retail - Ground floor	Direct comparison	Adjusted market price (HK\$/square feet)	331,900-552,300	371,500-502,300
Retail - Others	Direct comparison	Adjusted market price (HK\$/square feet)	16,300-66,900	23,000-69,600

## 18 LOAN RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Loan to a joint venture partner	292,179	-
Mortgage loans receivable	3,225	3,069
Less: current portion included in current assets	(700)	(440)
	<b>294,704</b>	2,629

The loans receivables carry interest at rates ranged from HSBC prime rate plus 1.5% to fixed rate 8% (2015: HSBC prime rate plus 1.5% to HSBC prime rate plus 2%) per annum. The effective interest rate at 31st March 2016 ranged from 6.1% to 8% (2015: 6.49%) per annum. The loan receivables are denominated in Hong Kong dollar. The carrying amounts of the loan receivables approximate their fair values.

## Notes to the Financial Statements

## 19 AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK\$'000	2015 HK\$'000
Equity securities		
- Listed in Hong Kong	143,587	190,757
- Unlisted	27,309	25,402
	<b>170,896</b>	216,159

No impairment provision on available-for-sale investments was made during the year (2015: Nil).

## 20 PROPERTIES UNDER DEVELOPMENT FOR SALE AND COMPLETED PROPERTIES HELD FOR SALE

	2016 HK\$'000	2015 HK\$'000
Properties under development for sale		
Leasehold land	886,077	799,282
Development costs	140,271	191,504
	<b>1,026,348</b>	990,786
Completed properties held for sale		
Leasehold land	2,781	2,791
Development costs	730	826
	<b>3,511</b>	3,617

Notes:

- (a) At 31st March 2016, properties amounting to HK\$975,307,000 (2015: HK\$941,041,000) were pledged to banks to secure certain banking facilities of the Group.
- (b) At 31st March 2016 and 2015, all the properties under development for sale were not scheduled for completion within twelve months.

## Notes to the Financial Statements

## 21 TRADE AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables		
Fully performing	33,989	43,710
Past due but not impaired	14,298	10,079
	<b>48,287</b>	53,789
Accrued interest and dividend receivable	137,448	140,370
Loan receivables	55,271	55,011
Prepayments	21,070	8,137
Deposit for setting up a joint venture	-	50,000
Utility and other deposits	19,969	18,446
Other receivables	29,911	25,425
	<b>311,956</b>	351,178

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

	2016 HK\$'000	2015 HK\$'000
0 months to 6 months	45,047	50,229
7 months to 12 months	-	614
More than 12 months	3,240	2,946
	<b>48,287</b>	53,789

## Notes to the Financial Statements

## 21 TRADE AND OTHER RECEIVABLES (Continued)

The past due but not impaired trade receivables relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2016 HK\$'000	2015 HK\$'000
0 month to 6 months	11,058	6,806
7 months to 12 months	-	668
More than 12 months	3,240	2,605
	<b>14,298</b>	10,079

As at 31st March 2016, no trade receivables (2015: Nil) were impaired.

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.

The carrying amounts of trade and other receivables approximate their fair values. They are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollar	167,771	207,591
United States dollar	122,863	117,775
Renminbi	11,798	17,338
Canadian dollar	9,147	7,268
Others	377	1,206
	<b>311,956</b>	351,178

Loan receivables were interest bearing from HSBC prime rate to 2% above HSBC prime rate per annum (2015: same).

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.



## 22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK\$'000	2015 HK\$'000
Equity securities		
- Listed in Europe	415,032	591,946
- Listed in the USA	521,265	644,197
- Listed in Hong Kong	6,475	69,726
	<b>942,772</b>	1,305,869
Debt securities		
- Listed in Singapore	5,268,157	3,304,877
- Listed in Hong Kong	374,160	743,700
- Listed in Europe	79,560	203,524
	<b>5,721,877</b>	4,252,101
Unlisted fund	8,421	8,495
Total amount included in current assets	<b>6,673,070</b>	5,566,465
Equity securities included in non-current assets		
- Listed in Hong Kong	240,601	296,187
	<b>6,913,671</b>	5,862,652

## Notes to the Financial Statements

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS  
(Continued)

Notes:

- (a) The debt securities carry fixed coupon ranging from 3% to 13.875% (2015: from 2% to 13.875%) per annum and their nominal values are equivalent to HK\$5,563,471,000 (2015: HK\$4,731,620,000).
- (b) At 31st March 2016, financial assets at fair value through profit or loss equivalent to HK\$1,330,201,000 (2015: HK\$1,493,328,000) were pledged as security for borrowings.
- (c) Financial assets at fair value through profit or loss are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
United States dollar	5,691,106	4,121,379
Sterling	415,032	591,946
Hong Kong dollar	247,076	365,914
Renminbi	480,897	579,889
Euro	79,560	203,524
	<b>6,913,671</b>	5,862,652

## 23 BANK BALANCES AND CASH

	2016 HK\$'000	2015 HK\$'000
Cash at bank and in hand	647,720	238,374
Short term bank deposits	86,969	827,648
Cash and cash equivalents	734,689	1,066,022
Restricted bank balances	2,522	5,515
	<b>737,211</b>	1,071,537

The carrying amounts of the bank balances and cash are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollar	527,381	755,072
United States dollar	128,960	168,602
Renminbi	69,491	134,724
Canadian dollar	6,969	6,492
Sterling	504	3,795
Others	3,906	2,855
	<b>737,211</b>	1,071,540

## Notes to the Financial Statements

## 24 TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables	19,275	15,230
Accrual and other payables	103,136	82,593
Rental and management fee deposits	28,805	34,311
Medium term notes interest payable	20,460	19,538
	<b>171,676</b>	151,672

Aging analysis of trade payables is as follows:

	2016 HK\$'000	2015 HK\$'000
0 day to 60 days	18,725	14,460
61 days to 120 days	141	495
More than 120 days	409	275
	<b>19,275</b>	15,230

The carrying amounts of trade and other payables approximate their fair values. Majority of trade and other payables are denominated in Hong Kong dollar.

## Notes to the Financial Statements

## 25 BORROWINGS

	2016 HK\$'000	2015 HK\$'000
<b>Current liabilities</b>		
Short term bank loans, secured	438,958	506,442
Current portion of long term bank loans	650,571	506,716
Portion of long term bank loans containing a repayment on demand clause	15,222	24,455
	<b>1,104,751</b>	1,037,613
<b>Non-current liabilities</b>		
Long term bank loans		
Secured	4,338,341	4,095,541
Unsecured	1,032,873	692,125
	<b>5,371,214</b>	4,787,666
	<b>6,475,965</b>	5,825,279

The maturities of the long term bank loans, based on the scheduled repayment dates set out in the loan agreements and ignoring the effect of any repayment on demand clause, are as follows:

	2016 HK\$'000	2015 HK\$'000
Repayable within one year	650,571	506,716
Repayable between one and two years	1,411,466	1,424,904
Repayable between two to five years	3,147,972	2,472,237
Repayable after five years	826,998	914,980
	<b>6,037,007</b>	5,318,837
Current portion included in current liabilities	<b>(650,571)</b>	(506,716)
	<b>5,386,436</b>	4,812,121

## Notes to the Financial Statements

## 25 BORROWINGS (Continued)

The carrying amount of the borrowings are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollar	5,908,331	4,820,249
United States dollar	496,817	465,240
Euro	-	462,537
Japanese Yen	46,896	43,906
Canadian dollar	23,921	33,347
	<b>6,475,965</b>	5,825,279

The interest rates of the borrowings at the balance sheet date range from 0.5% to 3.73% (2015: 0.6% to 3.74%) per annum.

The carrying amounts of the short term and long term borrowings approximate their fair values.

## 26 MEDIUM TERM NOTES

	2016 HK\$'000	2015 HK\$'000
Listed in Hong Kong		
RMB500 million at coupon of 6.5% per annum due April 2018 (note (a))	599,808	624,454
Unlisted		
HKD100 million at coupon of 4.8% per annum due July 2019	100,000	100,000
HKD250 million at coupon of 3% above HIBOR per annum due April 2020	250,000	-
	<b>949,808</b>	724,454
Less: deferred issue expenses	<b>(12,914)</b>	(14,434)
	<b>936,894</b>	711,020

Notes:

- (a) Cross currencies swap contracts into United States dollar and Hong Kong dollar were entered into simultaneously to hedge the principal amount repayment and interest payments.
- (b) The carrying amounts of these notes approximate their fair values.

## 27 DERIVATIVE FINANCIAL INSTRUMENTS

	2016 HK\$'000	2015 HK\$'000
Liability		
Cross currencies swap contracts (cash flow hedges)	48,115	40,110

The principal amounts of the outstanding Renminbi versus United States dollar and Hong Kong dollar swaps were RMB500,000,000 (2015: RMB500,000,000). The full fair values of these hedging derivatives are classified as non-current as the remaining maturity of the hedged items (i.e. medium term notes) is more than 12 months.

The Group's derivative financial instruments are settled on a gross basis.

The maximum exposure to credit risk at the balance sheet date is the fair value of the derivative assets in the balance sheet.

## 28 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax jurisdiction. The offset amounts are as follows:

	2016 HK\$'000	2015 HK\$'000
Deferred income tax assets	33,554	20,399
Deferred income tax liabilities	(108,961)	(89,428)
	(75,407)	(69,029)

## Notes to the Financial Statements

## 28 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

## DEFERRED INCOME TAX ASSETS

	Tax loss		Difference in cost base of properties		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
At the beginning of the year	24,409	2,038	56,066	56,066	80,475	58,104
Recognised in the profit and loss account	8,162	22,371	-	-	8,162	22,371
At the end of the year	32,571	24,409	56,066	56,066	88,637	80,475

## DEFERRED INCOME TAX LIABILITIES

	Accelerated tax depreciation		Fair value adjustments		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
At the beginning of the year	(77,694)	(64,211)	(71,810)	(62,253)	(149,504)	(126,464)
Recognised in the profit and loss account	(3,307)	(13,483)	(11,233)	(9,557)	(14,540)	(23,040)
At the end of the year	(81,001)	(77,694)	(83,043)	(71,810)	(164,044)	(149,504)

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$61 million (2015: HK\$71 million) in respect of losses amounting to HK\$360 million (2015: HK\$426 million) that can be carried forward against future taxable income. Except for tax losses of HK\$357 million (2015: HK\$422 million) which have no expiry date, the balance will expire at various dates up to and including 2029 (2015: 2029).



## 29 SHARE CAPITAL

Shares of HK\$0.01 each	Number of shares	Amount HK\$'000
Authorised:		
At 31st March 2016 and 2015	400,000,000,000	4,000,000

	Number of shares		Amount	
	2016	2015	2016 HK\$'000	2015 HK\$'000
Issued and fully paid:				
At the beginning of the year	1,271,235,217	1,254,821,525	12,712	12,548
Scrip dividend (note 1 and 2)	27,915,016	16,413,692	279	164
At the end of the year	1,299,150,233	1,271,235,217	12,991	12,712

## Notes:

- In October 2015, 27,915,016 new shares were allotted and issued at HK\$1.43 per share in lieu of final dividend for the year ended 31st March 2015.
- In October 2014, 16,413,692 new shares were allotted and issued at HK\$2.08 per share in lieu of final dividend for the year ended 31st March 2014.

## Notes to the Financial Statements

## 30 RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Available- for-sale investments reserve HK\$'000	Contributed surplus HK\$'000	Hedging reserve HK\$'000	Currency translation reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
<b>Group</b>									
At 31st March 2014	2,067,581	44,190	16,644	66,407	2,782,836	13,841	75,824	8,970,938	14,038,261
Net fair value loss on available- available-for-sale investments	-	-	-	(21,031)	-	-	-	-	(21,031)
Cash flow hedges:									
- fair value loss	-	-	-	-	-	(50,537)	-	-	(50,537)
- transfer to finance costs (note 10)	-	-	-	-	-	(468)	-	-	(468)
Currency translation differences	-	-	-	-	-	-	(14,374)	-	(14,374)
Profit for the year	-	-	-	-	-	-	-	967,016	967,016
2014 final dividend	33,976	-	-	-	-	-	-	(50,193)	(16,217)
Increase in shareholding in an subsidiary	-	-	-	-	-	-	-	2,597	2,597
Share option expense	-	-	112	-	-	-	-	-	112
At 31st March 2015	2,101,557	44,190	16,756	45,376	2,782,836	(37,164)	61,450	9,890,358	14,905,359
Representing:									
2015 final dividend proposed	-	-	-	-	-	-	-	50,849	50,849
Others	2,101,557	44,190	16,756	45,376	2,782,836	(37,164)	61,450	9,839,509	14,854,510
At 31st March 2015	2,101,557	44,190	16,756	45,376	2,782,836	(37,164)	61,450	9,890,358	14,905,359
At 31st March 2015	2,101,557	44,190	16,756	45,376	2,782,836	(37,164)	61,450	9,890,358	14,905,359
Net fair value loss on available- available-for-sale investments	-	-	-	(35,936)	-	-	-	-	(35,936)
Cash flow hedges:									
- fair value loss	-	-	-	-	-	(8,005)	-	-	(8,005)
- transfer to finance costs (note 10)	-	-	-	-	-	24,646	-	-	24,646
Currency translation differences	-	-	-	-	-	-	(50,319)	-	(50,319)
Profit for the year	-	-	-	-	-	-	-	721,333	721,333
2015 final dividend	39,639	-	-	-	-	-	-	(50,849)	(11,210)
Share option expense	-	-	5,137	-	-	-	-	-	5,137
<b>At 31st March 2016</b>	<b>2,141,196</b>	<b>44,190</b>	<b>21,893</b>	<b>9,440</b>	<b>2,782,836</b>	<b>(20,523)</b>	<b>11,131</b>	<b>10,560,842</b>	<b>15,551,005</b>
Representing:									
2016 final dividend proposed	-	-	-	-	-	-	-	45,470	45,470
Others	2,141,196	44,190	21,893	9,440	2,782,836	(20,523)	11,131	10,515,372	15,505,535
<b>At 31st March 2016</b>	<b>2,141,196</b>	<b>44,190</b>	<b>21,893</b>	<b>9,440</b>	<b>2,782,836</b>	<b>(20,523)</b>	<b>11,131</b>	<b>10,560,842</b>	<b>15,551,005</b>

## 31 CAPITAL COMMITMENTS

Capital commitments at the balance sheet date are as follows:

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for		
Investment properties	39,244	1,697
Property, plant and equipment	399,681	276,327
Joint ventures	137,956	349,694
	<b>576,881</b>	<b>627,718</b>

## 32 OPERATING LEASE ARRANGEMENTS

### (A) LESSOR

At 31st March 2016, the future aggregate minimum rental receipts receivable under non-cancellable operating leases were as follows:

	2016 HK\$'000	2015 HK\$'000
In respect of land and buildings:		
Within one year	123,142	148,899
In the second to fifth year inclusive	129,194	157,575
	<b>252,336</b>	<b>306,474</b>

### (B) LESSEE

At 31st March 2016, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	2016 HK\$'000	2015 HK\$'000
In respect of land and buildings:		
Within one year	1,941	1,452
In the second to fifth year inclusive	1,552	925
	<b>3,493</b>	<b>2,377</b>

## Notes to the Financial Statements

## 33 FINANCIAL GUARANTEES

	2016 HK\$'000	2015 HK\$'000
Guarantees for the banking and loan facilities of joint ventures	<b>881,036</b>	616,956

## 34 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before income tax to net cash generated from/(used in) operations

	2016 HK\$'000	2015 HK\$'000
Profit before income tax	<b>811,482</b>	1,023,806
Share of profits less losses of		
Joint ventures	<b>7,039</b>	11,144
Associated companies	<b>112,019</b>	(127,466)
Depreciation	<b>87,119</b>	89,676
Net investment (gain)/loss	<b>(362,303)</b>	594,865
Fair value gain on investment properties	<b>(8,096)</b>	(865,943)
Employee share option expense	<b>6,156</b>	112
Gain on disposal of investment properties	-	(480)
Loss on disposal of property, plant and equipment	<b>461</b>	10
Net foreign exchange loss/(gain) on borrowings	<b>31,979</b>	(38,552)
Interest income	<b>(17,226)</b>	(10,122)
Interest expense	<b>148,001</b>	112,619
Operating profit before working capital changes	<b>816,631</b>	789,669
(Increase)/decrease in mortgage loans receivable	<b>(157)</b>	225
Increase in properties under development for sale (excluding interest expense capitalised)	<b>(13,001)</b>	(18,001)
(Increase)/decrease in hotel and restaurant inventories	<b>(14,052)</b>	279
Decrease/(increase) in trade and other receivables	<b>51,202</b>	(65,563)
Increase in financial assets at fair value through profit or loss	<b>(688,716)</b>	(984,909)
Decrease in restricted bank balances	<b>2,993</b>	3,443
Increase in trade and other payables	<b>24,920</b>	8,823
Net cash generated from/(used in) operations	<b>179,820</b>	(266,034)

## 35 RELATED PARTY TRANSACTIONS

The major shareholder of the Group is Asia Orient Holdings Limited (“Asia Orient”), a company incorporated in Bermuda and listed in Hong Kong. Asia Orient directly own 51.2% of the Company’s shares, the remaining 48.8% shares are widely held.

In addition to the related party information shown elsewhere in the financial statements, the following transactions were carried out with related parties:

### (A) SALES AND PURCHASE OF GOODS AND SERVICES

	2016 HK\$'000	2015 HK\$'000
Income from/(expense to) subsidiaries of Asia Orient		
Rental income (note (a))	1,074	962
Building management fee expense (note (b))	(2,454)	(1,646)
Cleaning expense (note (c))	(4,421)	(1,112)
Income from joint ventures		
Interest income (note 17)	11,868	11,039

Notes:

- (a) Rental income is subject to terms agreed by the parties involved, which are at a fixed monthly fee.
- (b) Building management fee expense is charged for building management services rendered at a mutually agreed fee.
- (c) Cleaning expense is subject to terms agreed by the parties involved, which are at a fixed monthly fee.
- (d) The balances with joint ventures are disclosed in note 17.
- (e) No significant transactions have been entered with the Directors of the Company (being the key management personnel) during the year other than the emoluments paid to them as disclosed in note 9.

## Notes to the Financial Statements

## 35 RELATED PARTY TRANSACTIONS (Continued)

**(B) KEY MANAGEMENT COMPENSATION**

	2016 HK\$'000	2015 HK\$'000
Fee	800	800
Salaries and other short-term employee benefits	65,140	48,946
Employer's contribution to retirement benefits scheme	427	401
	<b>66,367</b>	50,147

Key management includes the Company's Directors and five (2015: four) senior management members of the Group.

## Notes to the Financial Statements

## 36 BALANCE SHEET OF THE COMPANY

As at 31st March 2016

	2016 HK\$'000	2015 HK\$'000
Non-current assets		
Subsidiaries (note a)	1,229,076	1,229,076
Advance to a subsidiary	979,598	751,740
	<b>2,208,674</b>	1,980,816
Current assets		
Amounts due from subsidiaries	5,431,944	5,279,877
Trade and other receivables	159	152
Income tax recoverable	27	24
Bank balances and cash	723	505
	<b>5,432,853</b>	5,280,558
Current liabilities		
Trade and other payables	21,836	21,121
Net current assets	<b>5,411,017</b>	5,259,437
Non-current liabilities		
Medium term notes	949,808	724,454
Net assets	<b>6,669,883</b>	6,515,799
Equity		
Share capital	12,991	12,712
Reserves (note b)	6,656,892	6,503,087
	<b>6,669,883</b>	6,515,799

Fung Siu To, Clement  
Director

Lun Pui Kan  
Director

## Notes to the Financial Statements

## 36 BALANCE SHEET OF THE COMPANY (Continued)

Notes:

- (a) As at 31st March 2016, the shares of certain subsidiaries are pledged to secure loan facilities granted to the Group.

Details of the principal subsidiaries are set out in note 37.

Extracts of published financial information of Asia Standard Hotel in which the Group has material non-controlling interest is set out in note 39.

- (b) Reserve movement of the Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31st March 2014	2,066,430	44,190	2,796,995	6	1,345,548	6,253,169
Profit for the year	-	-	-	-	266,023	266,023
2014 final dividend	33,976	-	-	-	(50,193)	(16,217)
Share option expense	-	-	-	112	-	112
At 31st March 2015	2,100,406	44,190	2,796,995	118	1,561,378	6,503,087
At 31st March 2015	2,100,406	44,190	2,796,995	118	1,561,378	6,503,087
Profit for the year	-	-	-	-	162,282	162,282
2015 final dividend	39,639	-	-	-	(50,849)	(11,210)
Share option expense	-	-	-	2,733	-	2,733
<b>At 31st March 2016</b>	<b>2,140,045</b>	<b>44,190</b>	<b>2,796,995</b>	<b>2,851</b>	<b>1,672,811</b>	<b>6,656,892</b>

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is also distributable.



## 37 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

Listed below are the principal subsidiaries, joint ventures and associated companies which, in the opinion of the Directors, principally affect the results and/or net assets of the Group.

### SUBSIDIARIES

(Unless indicated otherwise, they are indirectly wholly-owned by the Group and have their principal place of operations in Hong Kong.)

Name	Principal activity	Issued and fully paid share capital
<i>Incorporated in Hong Kong</i>		
Asia Standard (Beijing) Company Limited	Investment holding	HK\$2
Asia Standard Development (Holdings) Limited	Investment holding	HK\$10 and non-voting deferred share capital of HK\$426,303,279
Asia Standard Development (Real Estate Agencies) Limited	Real estate agency services	HK\$2
Asia Standard Finance Company Limited	Financing services	HK\$1,000,000
Asia Standard International Limited <sup>1</sup>	Investment holding	HK\$1,216,067,627
Asia Standard Management Services Limited	Management services	HK\$2
Asia Standard Project Management Company Limited	Project management	HK\$2
Cheer Selection Limited	Securities investment	HK\$2
Get Rich Enterprises Limited	Property development	HK\$2
Glory Ocean Limited	Property development	HK\$2
Hoi Chak Properties Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$2
JBC Travel Company Limited (70.2% owned)	Travel agency	HK\$2,500,000
Juno Cliff Limited	Property development	HK\$2
Mark Honour Limited (99.9% owned)	Property development	HK\$100,000
Master Asia Enterprises Limited (70.2% owned)	Hotel holding	HK\$10,000
Pacific Crown Enterprises Limited (70.2% owned)	Hotel investment	HK\$1
Perfect Wave Limited (70.2% owned)	Catering operation	HK\$2
Stone Pole Limited (70.2% owned)	Hotel holding	HK\$10
Sure Luck Development Limited (70.2% owned)	Hotel investment	HK\$1
Tilpifa Company Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$10,000
Union Rich Resources Limited	Property development	HK\$2
Vinstar Development Limited (70.2% owned)	Hotel holding	HK\$2
Winfast Engineering Limited	Construction	HK\$2

## Notes to the Financial Statements

## 37 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES (Continued)

## SUBSIDIARIES (Continued)

Name	Principal activity	Issued and fully paid share capital
<i>Incorporated in Bermuda</i>		
Asia Standard Hotel Group Limited (70.2% owned)	Investment holding	HK\$31,407,737
<i>Incorporated in the British Virgin Islands</i>		
Enrich Enterprises Limited (70.2% owned) <sup>2</sup>	Hotel holding	US\$1
Global Gateway Corp. (70.2% owned) <sup>2</sup>	Hotel operation	US\$1
Glory Ventures Enterprises Inc. (70.2% owned) <sup>2</sup>	Hotel holding	US\$1
Greatime Limited (70.2% owned)	Securities investment	US\$1
Onrich Enterprise Limited (70.2% owned)	Securities investment	US\$1
Techfull Properties Corp.	Securities investment	US\$1
Topshine Investment Holdings Limited (70.2% owned)	Securities investment	US\$1
<i>Incorporated and operates in Macau</i>		
國際石廠發展有限公司	Property development	MOP3,000,000
<i>Incorporated and operates in Canada</i>		
ASNA Alberni Holdings Limited (70.2% owned)	Investment holding	CAD100

<sup>1</sup> Direct subsidiary of the Company

<sup>2</sup> Operates in Canada

## 37 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES (Continued)

### ASSOCIATED COMPANIES

(Unless indicated otherwise, they are all incorporated and operates in Hong Kong.)

Name	Principal activity	Issued and fully paid share capital	Group equity interest
Perfect Pearl Company Limited	Property investment	HK\$1,000 and non-voting deferred share capital of HK\$10,000	33%

### JOINT VENTURES

(Unless indicated otherwise, they are all incorporated and operates in Hong Kong.)

Name	Principal activity	Issued and fully paid share capital/ paid-up capital	Group equity interest
Imperial Time Limited	Property development	HK\$1	20%
Best Prosper Investment Limited	Property development	HK\$1	40%
<i>Incorporated and operates in the PRC</i>			
北京黃海房地產開發有限公司	Property development	RMB569,750,000	50%
上海廣南房地產發展有限公司	Property development	US\$120,000,000	50%
<i>Incorporated in the British Virgin Islands</i>			
Gallop Worldwide Limited	Investment holding	US\$2	50%
Chater Capital Limited	Investment holding	US\$4	50%
<i>Incorporated and operates in Canada</i>			
1488 Alberni Holdings Limited	General partner	CAD100	28.1%
1488 Alberni Development Holdings Limited Partnership	Property development	CAD18,500,000	28.1%
1488 Alberni Investment Limited Partnership	Property development	CAD973,683	28.1%

## 38 ULTIMATE HOLDING COMPANY

The ultimate holding company is Asia Orient, a company incorporated in Bermuda and listed in Hong Kong.

## Notes to the Financial Statements

## 39 EXTRACTS FROM THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA STANDARD HOTEL GROUP LIMITED

Asia Standard Hotel is a principal subsidiary of the Company. It is incorporated in Bermuda and listed in Hong Kong and its subsidiaries are principally engaged in hotel, travel operations and securities investments.

Set out below are the summary of the audited consolidated financial statements of Asia Standard Hotel in which 29.8% is owned by non-controlling interests, that are material to the Group for the year ended 31st March 2016.

The information below is the amount before inter-company eliminations.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the year ended 31st March 2016

	2016 HK\$'000	2015 HK\$'000
Revenue	676,989	699,633
Cost of sales	(231,618)	(226,475)
Gross profit	445,371	473,158
Selling and administrative expenses	(138,540)	(132,990)
Depreciation	(84,153)	(87,428)
Net investment gain/(loss)	70,579	(104,763)
Operating profit	293,257	147,977
Finance costs	(33,237)	(10,241)
Share of losses of joint ventures	(140)	-
Profit before income tax	259,880	137,736
Income tax expense	(9,268)	(17,675)
Profit for the year attributable to shareholders	250,612	120,061
Profit for the year allocated to non-controlling interests	74,602	36,023
Dividend paid to non-controlling interests	4,675	4,109
Total comprehensive income for the year	202,088	65,052

## Notes to the Financial Statements

## 39 EXTRACTS FROM THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA STANDARD HOTEL GROUP LIMITED (Continued)

**CONSOLIDATED BALANCE SHEET**

As at 31st March 2016

	2016 HK\$'000	2015 HK\$'000
Non-current assets		
Property, plant and equipment	3,131,745	3,064,217
Joint venture	221,124	-
Available-for-sale investments	143,587	190,757
Deferred income tax assets	3,364	5,213
	<b>3,499,820</b>	3,260,187
Current assets		
Inventories	15,342	1,290
Trade and other receivables	135,864	127,015
Income tax recoverable	1,949	1,457
Financial assets at fair value through profit or loss	1,817,819	1,586,394
Bank balances and cash	316,981	182,388
	<b>2,287,955</b>	1,898,544
Current liabilities		
Trade and other payables	103,920	80,928
Borrowings	268,331	238,143
Income tax payable	14,918	17,437
	<b>387,169</b>	336,508
Net current assets	<b>1,900,786</b>	1,562,036
Non-current liabilities		
Long term borrowings	1,898,481	1,510,968
Deferred income tax liabilities	47,584	46,521
	<b>1,946,065</b>	1,557,489
Net assets	<b>3,454,541</b>	3,264,734
Equity		
Share capital	31,408	31,408
Reserves	3,423,133	3,233,326
	<b>3,454,541</b>	3,264,734
Supplementary information with hotel properties in operation at valuation		
Revalued total assets	<b>13,263,000</b>	12,709,000
Revalued net assets	<b>10,875,000</b>	10,782,000

## Notes to the Financial Statements

## 39 EXTRACTS FROM THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA STANDARD HOTEL GROUP LIMITED (Continued)

## STATEMENT OF CASH FLOW

For the year ended 31st March 2016

	2016 HK\$'000	2015 HK\$'000
Net cash generated before working capital changes	306,741	335,036
Change in working capital	(210,919)	(145,223)
Net cash generated from operating activities	95,822	189,813
Net cash used in investing activities	(353,680)	(85,849)
Net cash generated from/(used in) financing activities	392,305	(36,593)
Net increase in cash and cash equivalents	134,447	67,371
Cash and cash equivalents at the beginning of the year	182,388	113,015
Changes in exchange rates	146	2,002
Cash and cash equivalents at the end of the year	316,981	182,388

## 40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 24th June 2016.

