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## ASIA STANDARD INTERNATIONAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 129)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2017

#### FINANCIAL HIGHLIGHTS

(In HK\$ million, except otherwise indicated)

	2017	2016 (Restated)	Change
Revenue	<b>1,686</b>	1,337	+26%
Operating profit	<b>1,726</b>	1,134	+52%
Profit attributable to shareholders of the Company	<b>1,451</b>	721	+101%
Earnings per share – basic (HK\$)	<b>1.11</b>	0.56	+98%
Total assets	<b>26,179</b>	24,609	+6%
Net assets	<b>17,699</b>	16,566	+7%
Equity attributable to shareholders of the Company	<b>17,037</b>	15,564	+9%
Net debt	<b>7,024</b>	6,676	+5%
Supplementary information with hotel properties in operation at valuation:			
Revalued total assets	<b>34,467</b>	32,126	+7%
Revalued net assets	<b>25,886</b>	24,028	+8%
Equity attributable to shareholders of the Company	<b>23,808</b>	20,805	+14%
Gearing - net debt to revalued net assets	<b>27%</b>	28%	-1%

The Directors of Asia Standard International Group Limited (the “Company”) announce that the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2017 together with the comparative figures for the year ended 31st March 2016 were as follows:

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2017

	<i>Note</i>	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000 (Restated)
Revenue	2	<b>1,685,718</b>	1,336,878
Cost of sales		<b>(301,978)</b>	(267,366)
Gross profit		<b>1,383,740</b>	1,069,512
Selling and administrative expenses		<b>(252,349)</b>	(218,864)
Depreciation		<b>(120,706)</b>	(87,119)
Net investment gain	3	<b>834,197</b>	362,303
Fair value gain of investment properties		<b>679,366</b>	8,096
Other exceptional charge	9	<b>(798,743)</b>	-
Operating profit		<b>1,725,505</b>	1,133,928
Net finance costs	5	<b>(242,274)</b>	(203,388)
Share of profits less losses of Joint ventures Associated companies		<b>90,744</b> <b>(41,507)</b>	(7,039) (112,019)
Profit before income tax		<b>1,532,468</b>	811,482
Income tax expense	6	<b>(3,846)</b>	(15,553)
Profit for the year		<b>1,528,622</b>	795,929
Attributable to:			
Shareholders of the Company		<b>1,451,468</b>	721,333
Non-controlling interests		<b>77,154</b>	74,596
		<b>1,528,622</b>	795,929
Earnings per share (HK\$)			
Basic	8	<b>1.11</b>	0.56
Diluted	8	<b>1.11</b>	0.56

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31st March 2017

	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
Profit for the year	<b>1,528,622</b>	795,929
Other comprehensive income/(charge)		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Net fair value gain/(loss) on available-for-sale investments	<b>49,767</b>	(51,975)
Revaluation gain arising from transfer of property, plant and equipment to investment properties	<b>24,891</b>	-
Cash flow hedges		
- fair value loss	<b>(33,214)</b>	(8,005)
- transfer to finance costs	<b>46,149</b>	24,646
Currency translation differences	<b>(5,611)</b>	4,733
Share of currency translation differences of joint ventures	<b>(84,264)</b>	(53,457)
	<b>(2,282)</b>	(84,058)
Total comprehensive income for the year	<b>1,526,340</b>	711,871
Attributable to:		
Shareholders of the Company	<b>1,443,271</b>	651,719
Non-controlling interests	<b>83,069</b>	60,152
	<b>1,526,340</b>	711,871

**CONSOLIDATED BALANCE SHEET**

As at 31st March 2017

	<i>Note</i>	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
<b>Non-current assets</b>			
Investment properties		<b>8,273,154</b>	7,531,794
Property, plant and equipment		<b>4,097,103</b>	3,381,582
Property held for development for sale	9	-	798,743
Joint ventures and associated companies		<b>3,562,493</b>	3,377,687
Loan receivables		<b>317,786</b>	294,704
Available-for-sale investments		<b>225,299</b>	170,896
Financial assets at fair value through profit or loss		<b>328,646</b>	240,601
Deferred income tax assets		<b>43,937</b>	33,554
		<b>16,848,418</b>	15,829,561
<b>Current assets</b>			
Properties under development for sale		<b>629,877</b>	1,026,348
Completed properties held for sale		<b>3,501</b>	3,511
Hotel and restaurant inventories		<b>15,351</b>	15,342
Trade and other receivables	10	<b>361,803</b>	311,956
Income tax recoverable		<b>5,698</b>	11,550
Financial assets at fair value through profit or loss		<b>7,631,601</b>	6,673,070
Bank balances and cash		<b>682,379</b>	737,211
		<b>9,330,210</b>	8,778,988
<b>Current liabilities</b>			
Trade and other payables	11	<b>196,713</b>	171,676
Amount due to a joint venture		<b>134,311</b>	62,403
Amount due to an associated company		<b>224,400</b>	224,400
Income tax payable		<b>12,078</b>	14,632
Borrowings		<b>1,210,619</b>	1,104,751
		<b>1,778,121</b>	1,577,862
<b>Net current assets</b>		<b>7,552,089</b>	7,201,126
<b>Non-current liabilities</b>			
Long term borrowings		<b>5,863,550</b>	5,371,214
Medium term notes		<b>632,253</b>	936,894
Convertible notes		<b>6,266</b>	-
Derivative financial instruments		<b>76,924</b>	48,115
Deferred income tax liabilities		<b>122,787</b>	108,961
		<b>6,701,780</b>	6,465,184
<b>Net assets</b>		<b>17,698,727</b>	16,565,503
<b>Equity</b>			
Share capital		<b>13,197</b>	12,991
Reserves		<b>17,023,960</b>	15,551,005
Equity attributable to shareholders of the Company		<b>17,037,157</b>	15,563,996
Non-controlling interests		<b>661,570</b>	1,001,507
		<b>17,698,727</b>	16,565,503

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Basis of preparation

- (i) 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.

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

Amendment to HKAS 1            Presentation of Financial Statements

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

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

- (ii) Prior to 1 April 2016, the Group had recognised building management fees received from third party tenants and the related building management expenses on a net basis. During the year ended 31 March 2017, the Group re-assessed the relevant accounting treatment and considered it more appropriate to present it on a gross basis. Accordingly adjustments have been made to the comparative figures to conform to the current year accounting treatment. These changes have been applied retrospectively in accordance with HKAS 8 and there was no net impact on the profit for the year ended 31 March 2016. The impact on the consolidated income statement for the year ended 31 March 2016 are to increase revenue by HK\$20,465,000, increase cost of sales by HK\$24,705,000, decrease gross profit by HK\$4,240,000 and decrease selling and administrative expenses by HK\$4,240,000.

## 2 Segment information

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

	Property sales HK\$'000	Property leasing HK\$'000	Hotel and travel HK\$'000	Financial investments HK\$'000	Others HK\$'000	Total HK\$'000
<b>2017</b>						
Gross income	600	153,381	638,526	3,758,148	93,641	4,644,296
Segment revenue	<u>600</u>	<u>153,381</u>	<u>502,457</u>	<u>935,639</u>	<u>93,641</u>	<u>1,685,718</u>
Contribution to segment results	590	115,493	167,917	933,785	66,649	1,284,434
Depreciation	-	-	(114,754)	-	(5,952)	(120,706)
Net investment gain	-	-	-	834,197	-	834,197
Fair value gain of investment properties	-	679,366	-	-	-	679,366
Other exceptional charge	(798,743)	-	-	-	-	(798,743)
Share of profits less losses of						
Joint ventures	82,278	-	-	-	8,466	90,744
Associated companies	-	(41,435)	-	-	(72)	(41,507)
Segment results	(715,875)	753,424	53,163	1,767,982	69,091	1,927,785
Unallocated corporate expenses						(153,043)
Net finance costs						(242,274)
Profit before income tax						<u>1,532,468</u>
<b>2016 (Restated)</b>						
Gross income	630	157,186	651,944	2,132,581	18,193	2,960,534
Segment revenue	<u>630</u>	<u>157,186</u>	<u>484,833</u>	<u>676,036</u>	<u>18,193</u>	<u>1,336,878</u>
Contribution to segment results	(137)	121,544	158,653	674,887	16,746	971,693
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)	17,752	75,914	1,037,190	9,092	1,135,915
Unallocated corporate expenses						(121,045)
Net finance costs						(203,388)
Profit before income tax						<u>811,482</u>

Notes:

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

## 2 Segment information (continued)

	Business segments						Unallocated HK\$'000	Total HK\$'000
	Property sales HK\$'000	Property leasing HK\$'000	Hotel and travel HK\$'000	Financial investments HK\$'000	Others HK\$'000			
<b>2017</b>								
Assets	2,628,543	9,724,154	3,431,770	8,328,732	598,743	1,466,686	26,178,628	
Assets include:								
Joint ventures and associated companies	1,994,900	1,411,262	-	-	152,729	3,602	3,562,493	
Addition to non-current assets*	107,934	42,538	46,699	-	22,996	-	220,167	
Liabilities								
Borrowings	1,402,964	954,054	1,737,087	1,013,546	280,000	1,686,518	7,074,169	
Other unallocated liabilities							<u>1,405,732</u>	
							<u>8,479,901</u>	
<b>2016</b>								
Assets	3,739,241	9,024,473	3,482,824	7,224,066	382,173	755,772	24,608,549	
Assets include:								
Joint ventures and associated companies	1,910,373	1,462,596	-	-	1,043	3,675	3,377,687	
Addition to non-current assets*	470,074	18,964	157,872	-	62,629	801	710,340	
Liabilities								
Borrowings	1,650,996	973,499	1,694,789	1,178,739	280,000	697,942	6,475,965	
Other unallocated liabilities							<u>1,567,081</u>	
							<u>8,043,046</u>	

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

## 2 Segment information (continued)

	2017 HK\$'000	2016 HK\$'000 (Restated)
<b>Revenue</b>		
Hong Kong	609,236	587,964
Overseas	<u>1,076,482</u>	<u>748,914</u>
	<u><b>1,685,718</b></u>	<u>1,336,878</u>
<b>Non-current assets*</b>		
Hong Kong	14,534,378	13,645,742
Overseas	<u>1,398,372</u>	<u>1,444,064</u>
	<u><b>15,932,750</b></u>	<u>15,089,806</u>

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

## 3 Net investment gain

	2017 HK\$'000	2016 HK\$'000
Financial assets at fair value through profit or loss		
- net unrealised gain from market price movements	809,763	281,378
- net unrealised exchange loss	(45,293)	(27,086)
- net realised gain (note)	<u>69,727</u>	<u>108,011</u>
	<u><b>834,197</b></u>	<u>362,303</u>
Note:		
Net realised gain on financial assets at fair value through profit or loss		
Gross consideration	2,822,509	1,456,545
Cost of investments	<u>(2,612,786)</u>	<u>(1,270,919)</u>
Total gain	209,723	185,626
Less: net unrealised gain recognised in prior years	<u>(139,996)</u>	<u>(77,615)</u>
Net realised gain recognised in current year	<u><b>69,727</b></u>	<u>108,011</u>



#### 4 Income and expenses by nature

	2017 HK\$'000	2016 HK\$'000
<b>Income</b>		
Interest income		
- Listed investments	889,730	634,028
- Loan receivables	25,685	15,730
- Bank deposits	2,468	1,495
Dividend income		
- Listed investments	28,527	25,271
	<u>28,527</u>	<u>25,271</u>
<b>Expenses</b>		
Cost of properties and goods sold	72,463	76,847
Operating lease rental expenses for land and buildings	2,439	1,176
	<u>72,463</u>	<u>76,847</u>

#### 5 Net finance costs

	2017 HK\$'000	2016 HK\$'000
Interest expense		
Long term bank loans	(166,288)	(134,867)
Short term bank loans and overdrafts	(1,641)	(4,722)
Medium term notes	(47,373)	(52,628)
Interest income from hedging derivative financial instruments	2,585	4,730
Interest capitalised	31,734	39,486
	<u>(180,983)</u>	<u>(148,001)</u>
Other incidental borrowing costs	(47,464)	(23,407)
Net foreign exchange gain/(loss) on borrowings	32,322	(7,334)
Fair value loss on derivative financial instruments		
Cash flow hedge, transfer from reserve	(33,808)	(24,646)
Discontinuation of hedge accounting	(12,341)	-
	<u>(242,274)</u>	<u>(203,388)</u>

#### 6 Income tax expense

	2017 HK\$'000	2016 HK\$'000
Current income tax expense		
Hong Kong profits tax	(8,504)	(13,383)
Over provision in prior years	8,101	4,208
	<u>(403)</u>	<u>(9,175)</u>
Deferred income tax expense	(3,443)	(6,378)
	<u>(3,846)</u>	<u>(15,553)</u>

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

## 7 Dividends

	2017 HK\$'000	2016 HK\$'000
Interim, nil (2016: Nil)	-	-
Final, proposed, of HK3.0 cents (2016: HK3.5 cents) per share	<u>39,593</u>	<u>45,470</u>
	<u><u>39,593</u></u>	<u><u>45,470</u></u>

At a meeting held on 28th June 2017, the Board of Directors has proposed to pay a final dividend for the year ended 31st March 2017 of HK3.0 cents per share (2016: HK3.5 cents per share with 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 2018.

The amount of HK\$39,593,000 is based on 1,319,782,288 issued shares as at 28th June 2017.

## 8 Earnings per share

	2017 HK\$'000	2016 HK\$'000
Profit attributable to shareholders of the Company for calculation of basic earnings per share	1,451,468	721,333
Effect on dilutive potential shares:		
A portion of share options of the Company's listed subsidiary assume to be exercised	<u>(883)</u>	<u>(49)</u>
Profit for calculation of diluted earnings per share	<u><u>1,450,585</u></u>	<u><u>721,284</u></u>

### Number of shares

Weighted average number of shares for calculation of		
Basic earnings per share	1,308,081,369	1,283,972,396
Effect on dilutive potential shares:		
A portion of share options of the Company assume to be exercised	<u>791,967</u>	<u>-</u>
	<u><u>1,308,873,336</u></u>	<u><u>1,283,972,396</u></u>

## 9 Other exceptional charge / Property held for development for sale

The amount represents impairment for property held for development for sale which comprised a piece of land (the “Property” or “Land”) situated in Seac Pai Van, Coloane, Macau.

The Group acquired 100% interest of the Land in 2010. 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 of their decision to change the use of the lots situated in the district at issue to residential use, which the concessionaire has accepted. Since then, despite repeated requests, the Macau government has never issued the new master zoning plan of the district and so the Property 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. However, no reply was received from the Macau government before the land concession period ended on 7th December 2015. The Land is included by the Macau government in a published list in which the responsibility of the non-development of the lands is not attributable to the concessionaires. In February 2017, the declaration of expiry of the land concession was published in the official Gazette of Macau, and notification letter was received by the Group, according to which the Land was to be reclaimed by the Macau government.

In March 2017, the Group filed an appeal to the Second Instance Court of Macau against the Macau government’s decision to declare the expiry of the land concession. The case is now pending at the court. Our legal representative is of the view that the Group has strong legal grounds to challenge the decision of the Macau SAR.

As Macau government has officially declared expiry of the concession and reclaimed the land, full provision for the Property was made.

## 10 Trade and other receivables

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

Trade receivables of the Group amounted to HK\$90,607,000 (2016: HK\$48,287,000). The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluation of customers are performed periodically.

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

	<b>2017</b>	2016
	<b>HK\$’000</b>	HK\$’000
0 month to 6 months	<b>89,768</b>	45,047
7 months to 12 months	-	-
More than 12 months	<b>839</b>	3,240
	<b>90,607</b>	48,287

## 11 Trade and other payables

Trade and other payables of the Group include trade payables, rental and management fee deposits, retentions payable of construction costs and various accruals. Trade payables of the Group amounted to HK\$32,965,000 (2016: HK\$19,275,000).

Aging analysis of trade payables is as follows:

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
0 day to 60 days	<b>32,085</b>	18,725
61 days to 120 days	<b>411</b>	141
More than 120 days	<b>469</b>	409
	<b>32,965</b>	19,275

The figures in respect of the Group's consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31st March 2017 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS**

The Group recorded revenue of HK\$1,686 million (2016: HK\$1,337 million) for the financial year with profit attributable to shareholders of the Company at HK\$1,451 million (2016: HK\$721 million). The increase in profit is mainly due to increase in income from and mark-to-market valuation gain of its financial investment, coupled with increase in net fair value surplus from revaluation of investment properties, while partially reduced by provision for impairment charges on the Macau project.

### **PROPERTIES SALES, DEVELOPMENT AND LEASING**

#### **Sales and Development**

Presale of the Group's 50% joint venture development, Queen's Gate in Shanghai, commenced in July 2015 and about RMB2.7 billion sales were contracted up to the end of this financial year, for about 70% of the saleable area. Construction of the 320 villas and apartments development was completed during the year and are being gradually delivered to its customers.

The Group recognised its share of profit relating to RMB1.7 billion sales contracts completed in the current financial year. Sales will continue to be recognised once the contracts are completed. Management is monitoring the market and regulatory conditions and is planning for the sale of the remaining units.

Superstructure construction is in progress for the residential joint venture re-development at Perkins Road, Jardine's Lookout in Hong Kong. This is a development with target completion date in 2018.

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 also in the process of land exchange application with the government. These two projects will provide approximately 590,000 sq. ft. of developable GFA.

During the year, foundation construction has commenced for a luxurious residential development at Po Shan Road, mid-level, a 40% JV development with target completion date in 2019.

Site clearance for the 50% joint venture project at Tongzhou in Beijing is close to finish and structural and foundation design are underway and construction will start when the permit is obtained.

In February 2017, the Macau government gazetted the expiry of the lease of the Group's site in Seac Pai Van, Macau. The Group lodged a judicial appeal against the declaration of expiry by the Macau government. More details are given in the Notes to the Financial Statements relating to "Other exceptional charge". Full provision on the carrying value of the site has been made.

The hotel subsidiary group's acquisition of the land and buildings in the West End area of downtown Vancouver as mentioned in last annual report was completed during the year. This is a joint venture redevelopment project of a high-end residential complex for sale, currently application for re-zoning of the land is in progress.

The Group will redevelop its Empire Landmark Hotel into residential building with retail and commercial elements. Redevelopment application was approved by the Vancouver City Council and demolition will commence as soon as practicable after its closure at end September 2017.

Additional plots in the vicinity were acquired in January 2017, also intended to be redeveloped into residential units.

## **Leasing**

During the year, no. 33 Lockhart Road in Wanchai underwent extensive renovation and upgrade. New leases entered with considerable increase in rent per square feet. The full year rental from these tenancies will be more adequately reflected in the coming financial year.

Leasing income from Asia Standard Tower in Central and that generated from Goldmark in Causeway Bay was maintained at a similar level compared to last year.

Overall attributable leasing income for the two years is similar. Net revaluation gain (taking into account our share of revaluation deficit from the investment property owned by an associated company) of HK\$615 million (2016: net deficit HK\$126 million) was recorded.

## **HOTEL**

During the year, the Group acquired additional shares in the separately listed hotel subsidiary company. Further to the bonus issue of the listed hotel subsidiary and the Group's election of convertible notes in lieu of bonus shares, the Group currently holds 64.4% equity interests in the hotel subsidiary group. As the convertible notes are entitled to dividends declared by the subsidiary and will be converted into shares of the listed subsidiary upon its winding up, the economic interests in the hotel subsidiary group is 82.7% and is accounted for accordingly.

During the year, overnight stay visitors to Hong Kong increased 2% to approximately 27 million. Mainland visitors dominate this segment with 76% share, a drop of 2% from last year, resulting from the continuing relaxed visa policies of other popular tourists destinations and strong Hong Kong Dollars vs Renminbi. Total hotel rooms in Hong Kong are approximately 76,000 rooms, an increase of 3% over last year.

Revenue arising from the hotel and travel segment for the year amounted to HK\$502 million (2016: HK\$485 million). Average occupancies for the 3 Hong Kong hotels were approximately 96% for both periods while average room rates increased 1%. The new Empire Prestige Hotel adjacent to the Group's existing Empire Causeway Bay Hotel achieved 94% occupancy for its first 6 months operation. Overall, contribution to segment results before depreciation increased from HK\$159 million to HK\$168 million.

The exterior facade and interior fitting works of our new hotel in Tsimshatsui is in progress, adding another 90 rooms to the portfolio towards completion in late 2017.

## **FINANCIAL INVESTMENTS**

At 31st March 2017, the Group held financial investments of approximately HK\$8,186 million (2016: HK\$7,085 million), with HK\$2,410 million (2016: HK\$1,962 million) held by the listed hotel subsidiary group. The investment portfolio comprise 78% by listed debt securities (mostly were issued by PRC-based real estate companies), 21% by listed equity securities (of which approximately 77% were issued by major banks) and 1% unlisted funds and securities. They are denominated in different currencies with 86% in United States dollar, 8% in Hong Kong dollar, 5% in Sterling and 1% in Euro.

The portfolio increase largely arose from a further investment of HK\$287 million and a mark-to-market valuation net gain of HK\$814 million, comprising HK\$499 million gain from debt securities (mostly PRC-based real estate companies) and HK\$315 million gain from equity securities (largely a US-based global bank listed in US and a Macau-based gaming resort listed in Hong Kong). The debt securities of

the PRC-based real estate companies continue to benefit from a strong property market in the Mainland and ample liquidity in the investment market, while the gain on equity securities in the US/HK benefit from the recovery of US economy and the return of visitors to Macau with the opening of new resorts.

Income from these investment portfolio amounted to HK\$936 million (2016: HK\$676 million). The increase is mostly due to a special one-time coupon income of certain debt securities from a PRC-based real estate issuer.

At 31st March 2017, an approximate value of HK\$730 million (2016: HK\$1,310 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 2017, it had over HK\$7.6 billion (2016: HK\$6.4 billion) cash and undrawn banking facilities.

At 31st March 2017, the Group's total assets were approximately HK\$26.2 billion, compared to HK\$24.6 billion last year. The net assets were HK\$17.7 billion (2016: HK\$16.6 billion). Adopting market value of hotel properties in operation, the revalued total assets and revalued net assets of the Group would be HK\$34.5 billion and HK\$25.9 billion, an increase of 7% and 8% compared to HK\$32.1 billion and HK\$24.0 billion respectively at 2016.

In Dec 2016, a 5-years syndicated bank loan of HK\$2.7 billion was arranged and HK\$600 million was drawn down before the financial year end. In January 2017, the Group repurchased and cancelled RMB245 million medium term notes due April 2018.

Net debt was HK\$7.0 billion (2016: HK\$6.7 billion), including HK\$2.2 billion (2016: HK\$1.9 billion) which belonged to the separately listed hotel subsidiary group. Currently, the Group's gearing (net debt to revalued net asset value) is approximately 27% (2016: 28%). 63% of the debts are secured and 90% of the debts are at floating rates. Total interest cost increased as a result of increased borrowings.

Currently the maturities of our debts spread over a long period of up to 10 years. Revolving loans account for 1% and term loans secured by financial assets repayable between one to five years account for 5%. Term loans secured by property assets account for 57% with 11% repayable within 1 year, 37% repayable between one to five years and 9% repayable after five years. The remaining 37% comprise unsecured term loans and medium term notes. As at 31st March 2017, the Group had net current assets of HK\$7.6 billion (2016: HK\$7.2 billion).

About 89% of the Group's borrowings are in Hong Kong dollar, 4% in Renminbi, 5% in United States dollar and the remaining 2% in other currencies.

As at 31st March 2017, property assets with an aggregate net book value of HK\$14,000 million (2016: HK\$14,000 million) were pledged to secure banking facilities of the Group. HK\$1,206 million (2016: HK\$881 million) guarantees were provided to financial institutions against outstanding bank loans of joint ventures.

## **EMPLOYEES AND REMUNERATION POLICIES**

At 31st March 2017, the Group employed approximately 440 (2016: 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**

Responding to the continual rising property prices in the last financial year resulting from a very strong demand in the market place coupled with low interest rate, Hong Kong introduced a new round of punitive measures by raising of stamp duties taxes in November 2016, followed by reduced bank mortgage lending ratios to developers recently. Demand for both commercial and residential properties are still actively pursued.

The property prices in Mainland cosmopolitans and developing urban areas continue to rise over the past financial year. Mainland government imposed more stringent restrictive measures on property purchases.

With the beginning of interest rate up-cycle, management stays alert to the impact of these punitive measures to the local and Mainland property markets.

Hotel performance is continually under pressure but have regained some momentum in the latter half of last financial year. With the completion of more tourism and infrastructure projects, and the new initiatives to promote tourism by the Hong Kong Tourism Board, the long-term prospects of the Hong Kong hospitality industry remain positive.

Equity securities market continue to be volatile, affected by locality specific events.

Improving rental performance will be evidenced with a new tenant mix following upgrading and renovation works in our Wanchai office headquarter. Further improvement is expected when occupancies pick up in the coming financial year. Demand for retail space dependent on tourism is less robust and undergo a period of consolidation.

The new administration in US are bringing forth changing policies affecting both financial and monetary landscape in an interest rate up-cycle environment. Management remain cautious in the rapidly changing environment and is affirmative with the Group's performance.

## **DIVIDEND**

The Board of Directors recommend the payment of a final dividend for the year ended 31st March 2017 of HK3.0 cents per share (2016: HK3.5 cents per share with scrip option). No interim dividend was declared during the year (2016: Nil). Total dividend for the year amounts to HK3.0 cents per share (2016: HK3.5 cents per share).

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Friday, 25th August 2017 to Wednesday, 30th August 2017 both days inclusive, for the purpose of determining the identity of members who are entitled to attend and vote at the Annual General Meeting. During which period no transfer of shares of the Company will be registered and no shares will be allotted and issued on the exercise of the subscription rights attached to the outstanding share options granted by the Company. In order to qualify for attending the Annual General Meeting, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 24th August 2017.



The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is 6th September 2017. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 5th September 2017 to Wednesday, 6th September 2017 both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 4th September 2017. The final dividend will be paid on 26th September 2017.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year, the Company had repurchased an aggregate amount of RMB245,000,000, out of the 6.50% senior notes due 2018 in the principal amount of RMB500,000,000 (the "2018 Notes"), and all of such repurchased notes had been cancelled. After cancellation of the repurchased notes, an aggregate amount of RMB255,000,000 of the 2018 Notes remains outstanding at the end of the year. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year, and they all confirmed that they have fully complied with the required standard set out in the Model Code throughout the year ended 31st March 2017.

## **CORPORATE GOVERNANCE CODE**

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

- (1) Code Provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive directors of the Company are not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with the Bye-Laws of the Company;
- (2) Code Provision A.5.1 of the CG Code provides that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. The Company does not have a nomination committee. The Board as a whole is responsible for assessing the independence of independent non-executive directors, reviewing the structure, diversity, size and composition of the Board, the appointment of new Directors and the nomination of Directors for re-election by shareholders at the general meeting of the Company. Under the Bye-Laws of the Company, the Board may 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 C.2.5 of the CG Code provides that issuers should have an internal audit function. The Company's internal audit function was carried out by the internal auditor who has resigned and left the Company in September 2016. A new internal auditor has been recruited and reported to duty in June 2017.

## **AUDIT COMMITTEE**

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

By Order of the Board  
**Asia Standard International Group Limited**  
**Fung Siu To, Clement**  
*Chairman*

Hong Kong, 28th June 2017

*As at the date of this announcement, the executive directors of the Company are Mr. Fung Siu To, Clement, Mr. Poon Jing, Mr. Poon Hai, Mr. Poon Yeung, Roderick, Mr. Lun Pui Kan and Mr. Kwan Po Lam, Phileas and the independent non-executive directors are Mr. Koon Bok Ming, Alan, Mr. Leung Wai Keung and Mr. Wong Chi Keung.*