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ASIA STANDARD HOTEL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 292)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2013

FINANCIAL HIGHLIGHTS

(In HK\$ million, except otherwise indicated)

	Six months ended 30th September		Change
	2013	2012	
Revenue	439	420	+5%
Contribution from hotel operation	125	133	-6%
Net investment gain	138	29	+376%
Profit for the period attributable to shareholders	236	141	+67%
Earnings per share – basic (HK cents)	15.3	9.1	+68%
	30th September 2013	31st March 2013	
Total assets	4,959	4,718	+5%
Net assets	3,121	2,896	+8%
Net debt	1,562	1,551	+1%
Supplementary information with hotel properties in operation at valuation:			
Revalued total assets	11,515	10,998	+5%
Revalued net assets	9,653	9,152	+5%
Revalued net assets per share (HK\$)	6.23	5.90	+6%
Gearing – net debt to revalued net assets	16%	17%	-1%

The Directors of Asia Standard Hotel Group Limited (the “Company”) announce that the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30th September 2013 together with the comparative figures for the six months ended 30th September 2012 were as follows :

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

For the six months ended 30th September

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000
Revenue	2	438,703	420,299
Cost of sales		(207,527)	(177,873)
Gross profit		231,176	242,426
Selling and administrative expenses		(67,484)	(67,166)
Depreciation		(41,787)	(41,222)
Net investment gain	3	137,955	28,814
Operating profit		259,860	162,852
Net finance costs		(8,385)	(9,329)
Profit before income tax		251,475	153,523
Income tax expense	5	(15,015)	(12,877)
Profit for the period attributable to shareholders		236,460	140,646
Earnings per share (HK cents)			
Basic and diluted	7	15.3	9.1

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30th September

	2013 HK\$'000	2012 HK\$'000
Profit for the period	<u>236,460</u>	<u>140,646</u>
Other comprehensive income		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Impairment of available-for-sale investments charged to profit and loss account	-	395
Net fair value gain on available-for-sale investments	6,417	12,199
Currency translation differences	<u>(2,530)</u>	<u>3,151</u>
	<u>3,887</u>	<u>15,745</u>
Total comprehensive income for the period attributable to shareholders	<u>240,347</u>	<u>156,391</u>

CONDENSED CONSOLIDATED BALANCE SHEET - UNAUDITED

	<i>Note</i>	30th September 2013 HK\$'000	31st March 2013 HK\$'000
Non-current assets			
Property, plant and equipment		3,014,345	3,023,706
Available-for-sale investments		230,340	223,923
		3,244,685	3,247,629
Current assets			
Inventories		1,673	2,218
Trade and other receivables	8	125,124	141,883
Income tax recoverable		464	636
Financial assets at fair value through profit or loss		1,453,364	1,189,406
Bank balances and cash		133,413	136,071
		1,714,038	1,470,214
Current liabilities			
Trade and other payables	9	64,173	63,981
Derivative financial instruments		-	338
Borrowings		380,095	332,826
Income tax payable		32,613	24,573
		476,881	421,718
Net current assets		1,237,157	1,048,496
Total assets less current liabilities		4,481,842	4,296,125
Non-current liabilities			
Long term borrowings		1,315,052	1,354,629
Deferred income tax liabilities		46,074	45,629
		1,361,126	1,400,258
Net assets		3,120,716	2,895,867
Equity			
Share capital		30,997	30,997
Reserves		3,089,719	2,864,870
		3,120,716	2,895,867

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Basis of preparation

The unaudited condensed consolidated interim financial information (“Interim Financial Information”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and should be read in conjunction with the annual financial statements for the year ended 31st March 2013.

The accounting policies and methods of computation used in the preparation of this Interim Financial Information are consistent with those used in the annual financial statements for the year ended 31st March 2013, except for the adoption of new standards, which are relevant to the Group’s operation and are applicable to the Group’s accounting period beginning on 1st April 2013.

The following new standards are relevant to the Group’s operations and are mandatory for accounting periods beginning on or after 1st January 2013:

Amendment to HKAS1	Presentation of Items of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 13	Fair Value Measurement

The adoption of new standards in the current period did not have any significant effect on the Interim Financial Information or result in any substantial changes in the Group’s significant accounting policies.

2. Turnover and segment information

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

Revenue is after elimination of inter-segment revenue. The amount eliminated for Hotel operation is HK\$4,644,000 (2012: HK\$2,435,000) and Travel operation is HK\$258,000 (2012: HK\$193,000).

	Six months ended 30th September	
	2013	2012
	HK\$’000	HK\$’000
Turnover		
Revenue		
Hotel operation	242,094	245,607
- Room rentals	204,075	205,348
- Food and beverages	28,335	29,860
- Ancillary services	2,249	2,784
- Space rental	7,435	7,615
Travel operation	136,862	114,851
Financial investments	56,238	51,812
Other operations	3,509	8,029
	438,703	420,299
Gross consideration from disposal of financial assets at fair value through profit or loss	33,359	193,338
	472,062	613,637

2. Turnover and segment information (continued)

	Hotel operation HK\$'000	Travel operation HK\$'000	Financial investments HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30th September 2013					
Turnover	242,094	136,862	89,597	3,509	472,062
Segment revenue	242,094	136,862	56,238	3,509	438,703
Contribution to segment results	125,070	(277)	56,440	(6,691)	174,542
Depreciation	(41,573)	(152)	-	(62)	(41,787)
Net investment gain	-	-	137,955	-	137,955
Segment results	83,497	(429)	194,395	(6,753)	270,710
Unallocated corporate expenses					(10,850)
Operating profit					259,860
Net finance costs					(8,385)
Profit before income tax					251,475
Income tax expense					(15,015)
Profit for the period attributable to shareholders					236,460
Six months ended 30th September 2012					
Turnover	245,607	114,851	245,150	8,029	613,637
Segment revenue	245,607	114,851	51,812	8,029	420,299
Contribution to segment results	132,631	(153)	51,726	(40)	184,164
Depreciation	(41,070)	(85)	-	(67)	(41,222)
Net investment gain	-	-	28,814	-	28,814
Segment results	91,561	(238)	80,540	(107)	171,756
Unallocated corporate expenses					(8,904)
Operating profit					162,852
Net finance costs					(9,329)
Profit before income tax					153,523
Income tax expense					(12,877)
Profit for the period attributable to shareholders					140,646

2. Turnover and segment information (continued)

	Hotel operation HK\$'000	Travel operation HK\$'000	Financial investments HK\$'000	Others HK\$'000	Total HK\$'000
At 30th September 2013					
Segment assets	3,046,379	21,538	1,720,465	36,464	4,824,846
Other unallocated assets					133,877
					<u>4,958,723</u>
Segment liabilities					
Borrowings	1,442,788	-	252,359	-	1,695,147
Other unallocated liabilities					142,860
					<u>1,838,007</u>
Additions to non-current assets* for the six months ended 30th September 2013					
	<u>36,651</u>	<u>319</u>	<u>-</u>	<u>6</u>	<u>36,976</u>
At 31st March 2013					
Segment assets	3,057,469	18,387	1,471,212	34,068	4,581,136
Other unallocated assets					136,707
					<u>4,717,843</u>
Segment liabilities					
Borrowings	1,474,202	-	213,253	-	1,687,455
Other unallocated liabilities					134,521
					<u>1,821,976</u>
Additions to non-current assets* for the six months ended 30th September 2012					
	<u>200,852</u>	<u>800</u>	<u>-</u>	<u>35</u>	<u>201,687</u>

* These amounts exclude financial instruments.

2. Turnover and segment information (continued)

	Six months ended 30th September	
	2013 HK\$'000	2012 HK\$'000
Revenue		
Hong Kong	345,701	319,705
Overseas	93,002	100,594
	<u>438,703</u>	<u>420,299</u>
	30th September 2013 HK\$'000	31st March 2013 HK\$'000
Non-current assets*		
Hong Kong	2,801,947	2,798,834
Overseas	212,398	224,872
	<u>3,014,345</u>	<u>3,023,706</u>

* These amounts exclude financial instruments.

3. Net investment gain

	Six months ended 30th September	
	2013 HK\$'000	2012 HK\$'000
Financial assets at fair value through profit or loss		
- net unrealised gain from market price movements	116,340	30,530
- net unrealised exchange gain/(loss)	20,788	(3,913)
- net realised gain (note)	827	2,592
Available-for-sale investments		
- impairment	-	(395)
	<u>137,955</u>	<u>28,814</u>

Note:

Net realised gain on financial assets at fair value through profit or loss		
Gross consideration	33,359	193,338
Cost of investments	(29,212)	(145,532)
Total gain	4,147	47,806
Less: net unrealised gain recognised in prior years	(3,320)	(45,214)
Net realised gain recognised in current period	<u>827</u>	<u>2,592</u>

4. Income and expenses by nature

	Six months ended 30th September	
	2013	2012
	HK\$'000	HK\$'000
Income		
Interest income		
- Listed investments	51,309	45,375
- Loan receivables	877	923
- Bank deposits	362	199
Dividend income		
- Listed investments	4,929	6,226
	<u>110,072</u>	<u>98,797</u>
Expenses		
Cost of goods sold	110,072	98,797
Operating lease rental expense for land and buildings	4,281	3,756
	<u>4,281</u>	<u>3,756</u>

5. Income tax expense

	Six months ended 30th September	
	2013	2012
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	(14,011)	(17,685)
Overseas profits tax	(571)	-
Over provision in prior years	12	-
	<u>(14,570)</u>	<u>(17,685)</u>
Deferred income tax	(445)	4,808
	<u>(15,015)</u>	<u>(12,877)</u>

Hong Kong profits tax is provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period. Income tax on overseas profits has been calculated on the estimated assessable profit for the period at the tax rates prevailing in the countries in which the Group operates.

6. Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th September 2013 (2012: Nil).

7. Earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to shareholders of HK\$236,460,000 (2012: HK\$140,646,000) and divided by the weighted average number of 1,549,842,336 (2012: 1,549,842,336) shares in issue during the period.

For the six months ended 30th September 2013 and 2012, the Company'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.

8. Trade and other receivables

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

Trade receivables of the Group amounted to HK\$43,033,000 (31st March 2013: HK\$65,090,000). The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

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

	30th September 2013 HK\$'000	31st March 2013 HK\$'000
0 - 60 days	41,488	63,637
61 - 120 days	1,545	1,453
	<u>43,033</u>	<u>65,090</u>

9. Trade and other payables

Trade and other payables of the Group include trade payables and deposits, rental and management fee deposits, retentions payable of construction costs and various accruals.

Trade payables of the Group amounted to HK\$19,448,000 (31st March 2013: HK\$23,312,000).

Aging analysis of trade payables is as follows:

	30th September 2013 HK\$'000	31st March 2013 HK\$'000
0 - 60 days	18,504	23,059
61 - 120 days	602	119
More than 120 days	342	134
	<u>19,448</u>	<u>23,312</u>

Management Discussion and Analysis

RESULTS

For the six months period ended 30th September 2013, the Group's revenue and profit attributable to shareholders were HK\$439 million and HK\$236 million, respectively, the former had a 5% increase and the latter a 67% increase over the same period of last year. The increase in profit was mainly attributable to a significant improvement in unrealised gain on investments in financial assets as compared to the same period of last year.

Business Review

Visitors' arrivals to Hong Kong between April and September 2013 soared by 18% year-on-year to reach 27 million, and growth has come from short-haul market. China continues to be the most important inbound source market for Hong Kong tourism with cumulative arrivals surged by 27% to exceed 20.6 million during the period under review.

All of our Empire Hotels in Hong Kong have been operating at satisfactory occupancy, although average room rate trailed behind the same period last year by about 4% due to increase in room supply.

Empire Hotel Hong Kong

Empire Hong Kong achieved an occupancy rate of 95%, and total revenue amounted to HK\$76 million.

Empire Hotel Kowloon

Empire Kowloon achieved an occupancy rate of 96%, and total revenue amounted to HK\$67 million.

Empire Hotel Causeway Bay

Empire Causeway Bay achieved an occupancy rate of 94%, and total revenue amounted to HK\$46 million.

Empire Landmark Hotel Vancouver

Empire Landmark's average room rate increased by 7% in Canadian dollar while its average occupancy rate decreased by 4% to 66%. Total revenue amounted to HK\$53 million.

Hotel Development Projects

The demolition work at the property site in Causeway Bay was completed in August 2013, and the foundation work shall commence immediately upon approval from the Buildings Department.

The demolition work at the Tsim Sha Tsui site is scheduled to complete by end of November 2013.

The two property sites are located adjacent to the Group's two existing hotels in Hong Kong. Their re-development progress are on schedule. With a total gross floor area of approximate 65,000 sq.ft. or 184 hotel guest rooms upon completion in 2016/2017, they will provide greater operational synergies to the Group and stand to benefit from their central locations in the city.

Travel and others

Revenues for the travel amounted to HK\$137 million.

The catering operations reported under other operating segments have ceased as tenancies run out on the premises together with the termination of the franchise agreement.

Financial investments

As at 30th September 2013, the Group's financial investment portfolio amounted to HK\$1,684 million (31st March 2013: HK\$1,413 million). The investment portfolio consisted of listed equity (43%) and debt (57%) securities. They were denominated in Hong Kong dollars (14%), United States dollars (56%), Sterling (18%), Euro (6%) and Renminbi (6%). During the six month ended 30th September 2013, the Group recorded a net investment gain of HK\$138 million (2012: HK\$29 million). A total of HK\$56 million (2012: HK\$52 million) in interest and dividend income were generated from the investment portfolio.

As at 30th September 2013, approximately HK\$200 million (31st March 2013: HK\$60 million) of these investments were pledged to banks as collateral for credit facilities granted to the Group.

FINANCIAL REVIEW

The Group's total assets amounted to HK\$4,959 million (31st March 2013: HK\$4,718 million). Based on independent valuation, the total revalued amount of our four hotel properties in operation as at 30th September 2013 was HK\$8,939 million, increased by 3% when compared with that as at 31st March 2013. The revalued total assets of the Group with hotel properties in operation at market value would be HK\$11,515 million (31st March 2013: HK\$10,998 million).

The shareholders' funds amounted to HK\$3,121 million (31st March 2013: HK\$2,896 million), of which the increase was mainly due to profit for the period. Taking into account the market value of the hotel properties in operation, the revalued net asset value of the Group would be HK\$9,653 million (31st March 2013: HK\$9,152 million).

The consolidated net debt was HK\$1,562 million (31st March 2013: HK\$1,551 million). 85% of the gross bank borrowings or HK\$1,433 million was denominated in Hong Kong dollars, and the remaining 15% or to the equivalent of HK\$262 million were in foreign currencies incurred in operations and investment in financial assets overseas.

The maturity of our debts spread over a long period of up to 6 years. 5% of total borrowings were from revolving credit facilities secured by hotel properties. 9% of total borrowings were in the form of revolving credit facilities through the pledge of financial assets investment. Term loans secured by hotel properties account for 86% with 6% repayable within 1 year, 71% repayable between one to five years and 9% repayable after five years. At 30th September 2013, the Group had current assets of HK\$1,714 million (31st March 2013: HK\$1,470 million).

The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, decreased to 16% (31st March 2013: 17%).

The aggregate net book value of hotel properties pledged as collateral for banking facilities of the Group as at 30th September 2013 amounted to HK\$2,936 million (31st March 2013: HK\$2,944 million).

HUMAN RESOURCES

As at 30th September 2013, the total number of employees of the Company and its subsidiaries was 418 (31st March 2013: 419). In addition to salary payment, the Group provides other benefits including insurance, share options, medical scheme and retirement plans and others to its employees.

FUTURE PROSPECTS

In our view, Mainland China and the short-haul markets continue to be the growth engine of our hotel business. Our Empire Hotels, with city central locations and constantly improved product offerings, will continue to capture the growing spending from the vibrant tourism inflows.

In the longer term, leveraging our healthy financial position and solid hotel business in Hong Kong, we will continue to plan and exercise asset enhancement initiatives to bring long term growth in hotel room numbers and revenue to the Group.

While investment sentiments remain volatile around the globe, we continue to adopt a cautious approach towards our investment portfolio.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th September 2013 (2012: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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 period, and they all confirmed that they have fully complied with the required standard set out in the Model Code throughout the period ended 30th September 2013.

CORPORATE GOVERNANCE CODE

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

- (1) Code Provision of A.4.1 of CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with the Bye-Laws of the Company; and
- (2) Code Provision of A.5.1 of 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 reviewing the structure, size and composition of the Board, the appointment of new Directors and the nomination of Directors for re-election by shareholders at the general meeting of the Company. Under the Bye-Laws of the Company, the Board may from time to time and at any time appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall retire at the next annual general meeting but shall then be eligible for re-election at the meeting.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30th September 2013.

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

Hong Kong, 26th November 2013

As at the date of this announcement, the Executive Directors of the Company are Mr. Poon Jing, Dr. Lim Yin Cheng, Mr. Poon Hai, Mr. Fung Siu To, Clement and Mr. Woo Wei Chun, Joseph; and the Independent Non-executive Directors are Mr. Ip Chi Wai, Mr. Leung Wai Keung and Mr. Hung Yat Ming.