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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 2017

FINANCIAL HIGHLIGHTS

(In HK\$ million, except otherwise indicated)

	Six months ended 30th September		Change
	2017	2016	
Revenue	412	405	+2%
Operating profit	228	236	-3%
Profit for the period attributable to shareholders	192	209	-8%
Earnings per share – basic (comparative restated) (HK cents)	9.5	10.4	-9%
	30th September 2017	31st March 2017	
Total assets	7,690	6,374	+21%
Net assets	3,964	3,727	+6%
Net debt	3,314	2,240	+48%
Supplementary information with the five hotel properties in operation stated at valuation:			
Revalued total assets	16,939	14,621	+16%
Revalued net assets	13,078	11,872	+10%
Gearing – net debt to revalued net assets	25%	19%	+6%

The board of directors (the “Board”) of Asia Standard Hotel Group Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30th September 2017 together with the comparative figures for the six months ended 30th September 2016 were as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

For the six months ended 30th September

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Revenue	2	411,803	404,595
Cost of sales		(143,920)	(136,995)
Gross profit		267,883	267,600
Selling and administrative expenses		(82,311)	(71,142)
Depreciation		(76,365)	(42,075)
Net investment gain	3	119,292	81,241
Operating profit		228,499	235,624
Net finance costs	5	(34,571)	(21,521)
Share of profits less losses of joint ventures		812	(2,367)
Profit before income tax		194,740	211,736
Income tax expense	6	(2,755)	(2,875)
Profit for the period attributable to shareholders		191,985	208,861
Earnings per share (comparative restated) (HK cents)			
Basic	8	9.5	10.4
Diluted	8	4.2	10.3

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30th September

	2017 HK\$'000	2016 HK\$'000
Profit for the period	<u>191,985</u>	<u>208,861</u>
Other comprehensive income/(charge)		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Fair value gain on available-for-sale investments	40,396	26,045
Currency translation differences	17,791	(4,418)
Share of currency translation differences of joint ventures	16,994	-
	<u>75,181</u>	<u>21,627</u>
Total comprehensive income for the period attributable to shareholders	<u>267,166</u>	<u>230,488</u>

CONDENSED CONSOLIDATED BALANCE SHEET - UNAUDITED

	<i>Note</i>	30th September 2017 HK\$'000	31st March 2017 HK\$'000
Non-current assets			
Property, plant and equipment		3,145,197	3,172,910
Joint ventures		257,705	227,529
Available-for-sale investments		241,365	192,933
Deferred income tax assets		3,487	3,883
		<u>3,647,754</u>	<u>3,597,255</u>
Current assets			
Properties under development for sale		268,849	211,076
Inventories		15,071	15,351
Trade and other receivables	9	115,860	100,785
Income tax recoverable		3,257	3,956
Financial assets at fair value through profit or loss		3,381,417	2,216,885
Bank balances and cash		257,744	228,508
		<u>4,042,198</u>	<u>2,776,561</u>
Current liabilities			
Trade and other payables	10	92,809	113,135
Borrowings		662,519	442,092
Income tax payable		8,110	10,793
		<u>763,438</u>	<u>566,020</u>
Net current assets		<u>3,278,760</u>	<u>2,210,541</u>
Non-current liabilities			
Long term borrowings		2,727,165	1,850,483
Convertible notes		181,738	176,331
Deferred income tax liabilities		53,738	54,244
		<u>2,962,641</u>	<u>2,081,058</u>
Net assets		<u>3,963,873</u>	<u>3,726,738</u>
Equity			
Share capital		40,361	40,361
Reserves		3,923,512	3,686,377
		<u>3,963,873</u>	<u>3,726,738</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2017 (“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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

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 2017.

There are no amended standards or interpretations effective for financial period beginning on 1st April 2017 that would have a material impact to the Group.

2. Segment information

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

	Hotel operation HK\$'000	Property development HK\$'000	Travel operation HK\$'000	Financial investments HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended						
30th September 2017						
Gross income	230,179	-	111,805	1,449,836	575	1,792,395
Segment revenue	<u>230,179</u>	<u>-</u>	<u>57,905</u>	<u>123,144</u>	<u>575</u>	<u>411,803</u>
Contribution to segment results	95,068	(1,636)	(43)	122,994	(227)	216,156
Depreciation	(75,453)	-	(110)	-	(802)	(76,365)
Net investment gain	-	-	-	119,292	-	119,292
Share of profits less losses of joint ventures	-	1,029	-	-	(217)	812
Segment results	<u>19,615</u>	<u>(607)</u>	<u>(153)</u>	<u>242,286</u>	<u>(1,246)</u>	<u>259,895</u>
Unallocated corporate expenses						(30,584)
Net finance costs						(34,571)
Profit before income tax						<u>194,740</u>

Six months ended
30th September 2016 (restated)

Gross income	201,556	-	135,780	381,536	1,783	720,655
Segment revenue	<u>201,556</u>	<u>-</u>	<u>60,341</u>	<u>140,915</u>	<u>1,783</u>	<u>404,595</u>
Contribution to segment results	79,230	-	504	140,660	969	221,363
Depreciation	(41,519)	-	(196)	-	(360)	(42,075)
Net investment gain	-	-	-	81,241	-	81,241
Share of losses of joint ventures	-	(2,367)	-	-	-	(2,367)
Segment results	<u>37,711</u>	<u>(2,367)</u>	<u>308</u>	<u>221,901</u>	<u>609</u>	<u>258,162</u>
Unallocated corporate expenses						(24,905)
Net finance costs						(21,521)
Profit before income tax						<u>211,736</u>

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.

Comparative information of property development segment has been re-presented to be consistent with current period presentation. This related to share of losses of joint ventures in “others” segment being reallocated to the “Property development” segment.

2. Segment information (continued)

	Business segments						Total HK\$'000
	Hotel operation HK\$'000	Property development HK\$'000	Travel operation HK\$'000	Financial investments HK\$'000	Others HK\$'000	Unallocated HK\$'000	
As at 30th September 2017							
Assets	2,532,986	1,181,989	9,426	3,688,440	5,337	271,774	7,689,952
Assets include:							
Joint ventures	-	256,423	-	-	1,282	-	257,705
Addition to non- current assets for the six months ended 30th September 2017*	16,943	27,123	12	-	-	1,225	45,303
Liabilities							
Borrowings	1,141,943	873,675	-	1,105,810	-	268,256	3,389,684
Other unallocated liabilities							<u>336,395</u>
							<u>3,726,079</u>
As at 31st March 2017							
Assets	2,581,526	1,066,243	26,504	2,449,544	4,025	245,974	6,373,816
Assets include:							
Joint ventures	-	227,529	-	-	-	-	227,529
Addition to non- current assets for the six months ended 30th September 2016*	29,420	48,022	910	-	-	283	78,635
Liabilities							
Borrowings	1,202,087	820,355	-	127,440	-	142,693	2,292,575
Other unallocated liabilities							<u>354,503</u>
							<u>2,647,078</u>

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

2. Segment information (continued)

	Six months ended 30th September	
	2017 HK\$'000	2016 HK\$'000
Revenue		
Hong Kong	229,439	208,364
Overseas	<u>182,364</u>	<u>196,231</u>
	<u>411,803</u>	<u>404,595</u>
	30th September 2017 HK\$'000	31st March 2017 HK\$'000
Non-current assets*		
Hong Kong	3,079,850	3,077,916
Overseas	<u>323,052</u>	<u>322,523</u>
	<u>3,402,902</u>	<u>3,400,439</u>

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

3. Net investment gain

	Six months ended 30th September	
	2017 HK\$'000	2016 HK\$'000
Financial assets at fair value through profit or loss		
- net unrealised gain from market price movements	74,974	78,110
- net unrealised exchange gain/(loss)	15,942	(13,757)
- net realised gain (note)	<u>28,376</u>	<u>16,888</u>
	<u>119,292</u>	<u>81,241</u>

Note:

Net realised gain on financial assets at fair value through profit or loss		
Gross consideration	1,326,692	240,621
Cost of investments	<u>(1,133,941)</u>	<u>(201,288)</u>
Total gain	192,751	39,333
Less: net unrealised gain recognised in prior years	<u>(164,375)</u>	<u>(22,445)</u>
Net realised gain recognised in current period	<u>28,376</u>	<u>16,888</u>

4. Income and expenses by nature

	Six months ended 30th September	
	2017 HK\$'000	2016 HK\$'000
Income		
Interest income		
- Listed investments	113,617	132,615
- Loan receivables	-	905
- Bank deposits	84	394
Dividend income		
- Listed investments	6,591	5,290
	<u>11,833</u>	<u>10,783</u>
Expenses		
Cost of goods sold	11,833	10,783
Operating lease rental expense for land and buildings	3,233	2,273
	<u>3,233</u>	<u>2,273</u>

5. Net finance costs

	Six months ended 30th September	
	2017 HK\$'000	2016 HK\$'000
Interest expenses		
Long term bank loans	(23,909)	(20,685)
Short term bank loans and overdrafts	(5,742)	(513)
Convertible notes	(6,139)	-
Interest capitalised	6,933	7,766
	<u>(28,857)</u>	<u>(13,432)</u>
Other incidental borrowing costs	(5,938)	(3,060)
Net foreign exchange gain/(loss) on borrowings	224	(5,029)
	<u>(34,571)</u>	<u>(21,521)</u>

6. Income tax expense

	Six months ended 30th September	
	2017 HK\$'000	2016 HK\$'000
Current income tax		
Hong Kong profits tax	(3,461)	(3,341)
Overseas profits tax	(1,322)	(1,198)
Over provision in prior years	1,918	1,298
	<u>(2,865)</u>	<u>(3,241)</u>
Deferred income tax credit	110	366
	<u>(2,755)</u>	<u>(2,875)</u>

Hong Kong profits tax is provided at the rate of 16.5% (2016: 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.

7. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2017 (2016: Nil).

8. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of the Company and divided by the weighted average number of shares.

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

	2017 HK\$'000	2016 HK\$'000
Profit attributable to shareholders of the Company for calculation of basic earnings per share	191,985	208,861
Effect of dilutive potential shares:		
Interest expense saved on convertible notes	6,139	-
Profit for calculation of diluted earnings per share	<u>198,124</u>	<u>208,861</u>
	Number of shares	
Weighted average number of shares for calculation of basic earnings per share	2,018,040,477	2,017,956,221
Effect of dilutive potential shares:		
Share options of the Company assumed to be exercised	9,254,418	2,267,056
Convertible notes assumed to be converted at the beginning of the period or if later, date of issuance	<u>2,693,120,010</u>	<u>-</u>
Weighted average number of shares for calculation of diluted earnings per share	<u>4,720,414,905</u>	<u>2,020,223,277</u>

The basic and diluted earnings for the period ended 30th September 2017 were HK9.5 cents per share and HK4.2 cents per share respectively (2016: HK10.4 cents per share and HK10.3 cents per share respectively). The weighted average number of shares used in the calculation of earnings per share have been adjusted for the bonus shares issued in February 2017 and the prior period comparative has been restated to reflect such effect.

Supplementary information

The convertible notes of the Company were issued in February 2017. Had the convertible notes been issued at beginning of the financial period ended 30th September 2016, diluted earnings per share would have been calculated as follows:

	2017	2016
	Number of shares	
Weighted average number of shares for calculation of basic earnings per share	2,018,040,477	2,017,956,221
Effect of dilutive potential shares:		
Share options of the Company assumed to be exercised	9,254,418	2,267,056
Convertible notes assumed to be converted at the beginning of the period	<u>2,693,120,010</u>	<u>2,693,204,266</u>
Weighted average number of shares for calculation of diluted earnings per share	<u>4,720,414,905</u>	<u>4,713,427,543</u>

8. Earnings per share (continued)

	2017 HK cents	2016 HK cents
Diluted earnings per share with impact of convertible notes retrospectively adjusted from the beginning of the period	<u>4.2</u>	<u>4.4</u>

There had been no change for the profit for calculation of diluted earnings per share.

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

9. Trade and other receivables

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

Trade receivables of the Group amounted to HK\$18,756,000 (31st March 2017: HK\$19,721,000). The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluation of customers are performed periodically.

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

	30th September 2017 HK\$'000	31st March 2017 HK\$'000
0 month to 6 months	18,728	18,882
7 months to 12 months	28	-
More than 12 months	-	839
	<u>18,756</u>	<u>19,721</u>

10. Trade and other payables

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

Trade payables of the Group amounted to HK\$13,904,000 (31st March 2017: HK\$12,565,000).

Aging analysis of trade payables is as follows:

	30th September 2017 HK\$'000	31st March 2017 HK\$'000
0 month to 6 months	13,007	12,136
7 months to 12 months	465	63
More than 12 months	432	366
	<u>13,904</u>	<u>12,565</u>

Management Discussion and Analysis

RESULTS

The Group's revenue for the six months ended 30th September 2017 amounted to HK\$412 million, an increase of 2% when compared with the same period of last year. Profits attributable to shareholders, however, decreased by 8% to HK\$192 million. The decrease of profit was a net result of (i) a significant increase in depreciation charge caused by the accelerated depreciation from our Empire Landmark Hotel in Vancouver, which ceased operation on 1st October 2017 for redevelopment, (ii) the increase in finance cost partly for the convertible notes issued under bonus share scheme in February 2017, and partly from the increased bank borrowings, offset by (iii) the increase in net investment gain, mostly unrealised.

Hotel Business

Between April 2017 and September 2017, the cumulative arrivals to Hong Kong for all visitors and those who stayed overnight reached 28 million and 14 million, respectively, the former had a 1% increase and the latter a 3% increase. Mainland China dominated the overnight visitor arrivals with a 68% of the total share, and this market registered a 5% increase from the same period of last year after dropping 2% in 2016.

As of September 2017, the total Hong Kong hotel room supply was approximately 78,000, increased by 5% from the same period of last year.

Our hotels in Hong Kong have achieved a 95% occupancy, while average room rate increased by 8% from the same period of last year.

Although our Vancouver hotel in Canada operated at 82% occupancy and achieved an increase of 15% in room rate from last year, it has ceased operation as of 1st October 2017 for redevelopment.

Development Projects

Our new 90-room hotel is anticipated to open in the first half of 2018 after the occupant permit was granted in August 2017. This hotel development site is located adjacent to our existing hotel in Tsim Sha Tsui.

Empire Landmark Hotel in Vancouver has ceased operation on 1st October 2017 for redevelopment into mixed-use, primary for residential, development for sale. The demolition work will commence in December 2017.

Another redevelopment project acquired is located in the vicinity of our Empire Landmark Hotel, which is in the planning stage for residential development.

Discussion with the local authority with regards to the Group's joint venture for a residential development for sale in Vancouver is progressing steadily. The rezoning application has been submitted for approval.

Travel

Revenue for the travel operations during the six months ended 30th September 2017 amounted to HK\$58 million (2016: HK\$60 million).

Financial Investments

As at 30th September 2017, the Group's financial investment portfolio that consisted almost entirely of listed securities amounted to HK\$3,623 million (31st March 2017: HK\$2,410 million). The increase of value of the portfolio during the period was attributed from further investment made in debt securities and mark to market fair value gain during the period.

Approximately 76% of our investment portfolio comprised of listed debt securities that were issued mostly by companies operating real estate business in China, and approximately 24% comprised listed equity securities (of which approximately 86% were issued by major banks). They were denominated in Hong Kong dollars 10%, United States dollars 86% and Sterling 4%.

During the period under review, a total of HK\$123 million (2016: HK\$141 million) in interest and dividend income were generated from the investment portfolio. The decrease in interest and dividend income was mainly due to the absence of a one-off coupon income recognition from debt securities of a real estate company last year.

The investment portfolio also generated a net investment gain of HK\$119 million (2016: HK\$81 million), which comprised mainly unrealised fair value gain from mark to market valuation from equity securities issued by major banks.

FINANCIAL REVIEW

The Group's total assets per book amounted to HK\$7,690 million (31st March 2017: HK\$6,374 million). Based on independent valuation, the total revalued amount of our hotel properties in operation as at 30th September 2017 was HK\$11,679 million, increased by 9% when compared with that as at 31st March 2017. The increase was mainly due to a 7% increase from the hotel properties in Hong Kong. The revalued total assets of the Group with hotel properties in operation at market value would be HK\$16,939 million (31st March 2017: HK\$14,621 million).

The shareholders' funds per book amounted to HK\$3,964 million (31st March 2017: HK\$3,727 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\$13,078 million (31st March 2017: HK\$11,872 million).

The consolidated net debt was HK\$3,314 million (31st March 2017: HK\$2,240 million). 96% of the gross bank borrowings or HK\$3,253 million was denominated in Hong Kong dollars, and the remaining 4% or to the equivalent of HK\$137 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 5 years. 4% of total borrowings were from revolving credit facilities secured by hotel properties and financial assets. Term loans secured by hotel properties and property under development for sale account for 69% with 13% repayable within 1 year and 56% repayable between one to five years. The remaining 27% is unsecured term loan and repayable between one to five years. At 30th September 2017, the Group had net current assets of HK\$3,279 million (31st March 2017: HK\$2,211 million).

The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 25% (31st March 2017: 19%).

The carrying value of hotel properties, property under development for sale and financial assets pledged as collateral for banking facilities of the Group as at 30th September 2017 amounted to HK\$3,295 million (31st March 2017: hotel properties and property under development for sale amounted to HK\$3,179 million).

At 30th September 2017, the unutilised credit facilities available to the Group amounted to HK\$2,742 million.

HUMAN RESOURCES

As at 30th September 2017, the total number of full-time employees of the Company and its subsidiaries was approximately 400 (31st March 2017: 390). In addition to salary payment, the Group provides other benefits including insurance, share options, medical scheme and retirement plans and others to its employees.

OUTLOOK

The improving trend of both visitors' arrivals and those who stayed overnight is expected to continue, and the long-term prospects of the Hong Kong hospitality industry are expected to remain attractive when more tourism and infrastructure projects are completed, which will continue to support Hong Kong as a major MICE (Meetings, Incentives, Conferences, and Events) and leisure destination in the world.

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

In respect of our investment in debt securities issued by companies operating real estate business in China, we are aware of the impact brought by the various property market tightening measures over the past years, and we believe that the market will be more stable and will have a reasonable growth because the strength of global economy is evolving steadily, and housing inventories in first-tier and major second-tier cities in China are quite low after a period of very strong home sales.

The management remains cautiously optimistic towards the performance of the Group in the rapidly changing environment.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2017 (2016: 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.

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 period, and they all confirmed that they have fully complied with the required standard as set out in the Model Code throughout the period ended 30th September 2017.

CORPORATE GOVERNANCE CODE

During the period, 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 hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting; and
- (3) Code Provision E.1.2 of the CG Code provides that the chairman of the board of the company should attend the annual general meetings. Mr. Poon Jing, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 30th August 2017 due to his other engagements at the relevant time.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30th September 2017.

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

Hong Kong, 29th November 2017

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