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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 2015

FINANCIAL HIGHLIGHTS

(In HK\$ million, except otherwise indicated)

	6 months ended 30.9		Change
	2015	2014	
Revenue	354	378	-6%
Contribution from hotel operation	84	120	-30%
Contribution from financial investments	92	77	+19%
Net investment gain	58	53	+9%
Profit for the period attributable to shareholders	153	172	-11%
Earnings per share – basic (HK cents)	9.8	11.1	-12%
	30.9.2015	31.3.2015	
Total assets	5,485	5,159	+6%
Net assets	3,369	3,265	+3%
Net debt	1,787	1,567	+14%
Supplementary information with the four hotel properties in operation stated at valuation:			
Revalued total assets	12,847	12,709	+1%
Revalued net assets	10,694	10,782	-1%
Gearing – net debt to revalued net assets	17%	15%	+2%

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 2015 together with the comparative figures for the six months ended 30th September 2014 were as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

For the six months ended 30th September

	<i>Note</i>	2015 HK\$'000	2014 HK\$'000
Revenue	2	353,995	377,858
Cost of sales		(129,378)	(131,062)
Gross profit		224,617	246,796
Selling and administrative expenses		(65,972)	(63,231)
Depreciation		(42,092)	(43,439)
Net investment gain	3	58,262	53,321
Operating profit		174,815	193,447
Net finance costs		(16,581)	(8,201)
Profit before income tax		158,234	185,246
Income tax expense	5	(4,782)	(13,591)
Profit for the period attributable to shareholders		153,452	171,655
Earnings per share (HK cents)			
Basic and diluted	7	9.8	11.1

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED
For the six months ended 30th September

	2015 HK\$'000	2014 HK\$'000
Profit for the period	<u>153,452</u>	<u>171,655</u>
Other comprehensive (charge)/income		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Net fair value (loss)/gain on available-for-sale investments	(26,324)	2,886
Currency translation differences	<u>(7,000)</u>	<u>(2,011)</u>
	<u>(33,324)</u>	<u>875</u>
Total comprehensive income for the period attributable to shareholders	<u>120,128</u>	<u>172,530</u>

CONDENSED CONSOLIDATED BALANCE SHEET - UNAUDITED

	<i>Note</i>	30th September 2015 HK\$'000	31st March 2015 HK\$'000
Non-current assets			
Property, plant and equipment		3,102,528	3,064,217
Available-for-sale investments		168,875	190,757
Deferred income tax assets		4,638	5,213
		3,276,041	3,260,187
Current assets			
Inventories		15,294	1,290
Trade and other receivables	8	128,840	127,015
Income tax recoverable		-	1,457
Financial assets at fair value through profit or loss		1,898,159	1,586,394
Bank balances and cash		166,958	182,388
		2,209,251	1,898,544
Current liabilities			
Trade and other payables	9	86,097	80,928
Dividend payable		15,704	-
Borrowings		580,076	238,143
Income tax payable		12,970	17,437
		694,847	336,508
Net current assets		1,514,404	1,562,036
Total assets less current liabilities		4,790,445	4,822,223
Non-current liabilities			
Long term borrowings		1,373,986	1,510,968
Deferred income tax liabilities		47,301	46,521
		1,421,287	1,557,489
Net assets		3,369,158	3,264,734
Equity			
Share capital		31,408	31,408
Reserves		3,337,750	3,233,326
		3,369,158	3,264,734

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2015 (“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 2015, 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 2015.

There are no other amended standards or interpretations relevant to the Group for this interim period that could be expected to have a material impact on the Group.

2. Segment information

In prior period, the hotel development operation was not separately identified internally and was not separately reported to the chief operating decision-maker. Since the year ended 31st March 2015, the related financial information has been separately reported to the chief operating decision-maker and considered as a separate reportable segment. Accordingly, comparative information of hotel property development has been re-presented.

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

	Hotel operation HK\$'000	Hotel development HK\$'000	Travel operation HK\$'000	Financial investments HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30th September 2015						
Gross income	202,860	-	151,243	149,350	1,303	504,756
Segment revenue	<u>202,860</u>	<u>-</u>	<u>57,851</u>	<u>91,981</u>	<u>1,303</u>	<u>353,995</u>
Contribution to segment results	83,817	(30)	823	91,795	509	176,914
Depreciation	(41,518)	-	(170)	-	(404)	(42,092)
Net investment gain	-	-	-	58,262	-	58,262
Segment results	<u>42,299</u>	<u>(30)</u>	<u>653</u>	<u>150,057</u>	<u>105</u>	<u>193,084</u>
Unallocated corporate expenses						(18,269)
Net finance costs						(16,581)
Profit before income tax						<u>158,234</u>
Six months ended 30th September 2014 (restated)						
Gross income	244,446	-	163,054	132,385	1,002	540,887
Segment revenue	<u>244,446</u>	<u>-</u>	<u>55,231</u>	<u>77,179</u>	<u>1,002</u>	<u>377,858</u>
Contribution to segment results	120,178	(30)	984	76,566	1,237	198,935
Depreciation	(42,943)	-	(164)	-	(332)	(43,439)
Net investment gain	-	-	-	53,321	-	53,321
Segment results	<u>77,235</u>	<u>(30)</u>	<u>820</u>	<u>129,887</u>	<u>905</u>	<u>208,817</u>
Unallocated corporate expenses						(15,370)
Net finance costs						(8,201)
Profit before income tax						<u>185,246</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.

2. Segment information (continued)

	Hotel operation HK\$'000	Hotel development HK\$'000	Travel operation HK\$'000	Financial investments HK\$'000	Others HK\$'000	Total HK\$'000
At 30th September 2015						
Segment assets	2,340,123	813,541	15,223	2,111,071	33,738	5,313,696
Other unallocated assets						<u>171,596</u>
						<u>5,485,292</u>
Segment liabilities						
Borrowings	1,094,372	564,955	-	294,735	-	1,954,062
Other unallocated liabilities						<u>162,072</u>
						<u>2,116,134</u>
Additions to non-current assets* for the six months ended 30th September 2015						
	<u>9,704</u>	<u>78,374</u>	<u>16</u>	<u>-</u>	<u>195</u>	<u>88,289</u>
At 31st March 2015						
Segment assets	2,364,326	735,100	25,302	1,817,560	27,385	4,969,673
Other unallocated assets						<u>189,058</u>
						<u>5,158,731</u>
Segment liabilities						
Borrowings	1,136,844	488,955	-	123,312	-	1,749,111
Other unallocated liabilities						<u>144,886</u>
						<u>1,893,997</u>
Addition to non-current assets* for the six months ended 30th September 2014						
	<u>6,454</u>	<u>36,495</u>	<u>230</u>	<u>-</u>	<u>60</u>	<u>43,239</u>

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

2. Segment information (continued)

	Six months ended 30th September	
	2015 HK\$'000	2014 HK\$'000
Revenue		
Hong Kong	207,378	267,730
Overseas	<u>146,617</u>	<u>110,128</u>
	<u><u>353,995</u></u>	<u><u>377,858</u></u>
	30th September 2015 HK\$'000	31st March 2015 HK\$'000
Non-current assets*		
Hong Kong	2,961,949	2,910,970
Overseas	<u>140,579</u>	<u>153,247</u>
	<u><u>3,102,528</u></u>	<u><u>3,064,217</u></u>

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

3. Net investment gain

	Six months ended 30th September	
	2015 HK\$'000	2014 HK\$'000
Financial assets at fair value through profit or loss		
- net unrealised gain from market price movements	46,434	69,329
- net unrealised exchange gain/(loss)	7,332	(17,163)
- net realised gain (note)	<u>4,496</u>	<u>1,155</u>
	<u><u>58,262</u></u>	<u><u>53,321</u></u>

Note:

Net realised gain on financial assets at fair value through profit or loss		
Gross consideration	57,369	55,206
Cost of investments	<u>(50,981)</u>	<u>(63,996)</u>
Total gain/(loss)	6,388	(8,790)
Net unrealised (gain)/loss recognised in prior years	<u>(1,892)</u>	<u>9,945</u>
Net realised gain recognised in current period	<u><u>4,496</u></u>	<u><u>1,155</u></u>

4. Income and expenses by nature

	Six months ended 30th September	
	2015	2014
	HK\$'000	HK\$'000
Income		
Interest income		
- Listed investments	85,239	72,188
- Loan receivables	909	877
- Bank deposits	62	94
Dividend income		
- Listed investments	4,877	4,730
	<u>4,877</u>	<u>4,730</u>
Expenses		
Cost of goods sold	9,160	10,362
Operating lease rental expense for land and buildings	1,477	1,257
	<u>1,477</u>	<u>1,257</u>

5. Income tax expense

	Six months ended 30th September	
	2015	2014
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	(4,025)	(12,339)
Overseas profits tax	(1,227)	(1,684)
Over/(under) provision in prior years	1,825	(163)
	<u>(3,427)</u>	<u>(14,186)</u>
Deferred income tax	(1,355)	595
	<u>(4,782)</u>	<u>(13,591)</u>

Hong Kong profits tax is provided at the rate of 16.5% (2014: 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 does not recommend the payment of an interim dividend for the six months ended 30th September 2015 (2014: 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\$153,452,000 (2014: HK\$171,655,000) and divided by the weighted average number of 1,570,386,829 (2014: 1,549,842,336) shares in issue during the period.

For the six months ended 30th September 2015 and 2014, 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\$35,330,000 (31st March 2015: HK\$33,006,000). 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 2015 HK\$'000	31st March 2015 HK\$'000
0 - 60 days	30,463	28,580
61 - 120 days	1,211	967
More than 120 days	3,656	3,459
	<u>35,330</u>	<u>33,006</u>

9. 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\$12,294,000 (31st March 2015: HK\$12,110,000).

Aging analysis of trade payables is as follows:

	30th September 2015 HK\$'000	31st March 2015 HK\$'000
0 - 60 days	11,782	11,340
61 - 120 days	194	495
More than 120 days	318	275
	<u>12,294</u>	<u>12,110</u>

Management Discussion and Analysis

RESULTS

The Group's revenue for the six months ended 30th September 2015 amounted to HK\$354 million, decreased by 6% when compared with the same period of last year. Profit attributable to shareholders decreased by 11% to HK\$153 million, due mainly to a reduction in operating profit of our hotel operations in Hong Kong where average room rates during the period under review had recorded a drop of 22% as compared to the same period of last year.

Business Review

Between April 2015 and September 2015, the cumulative arrivals to Hong Kong for all visitors and those who stayed overnight reached 29 million and 13 million, respectively, the former had a 3% decrease and the latter a 6% decrease. Although Mainland China dominated the overnight visitor arrivals with a 68% of the total share, this market registered a 7% drop from the same period of last year. Some of the reasons for this decline include the continued strengthening of the Hong Kong dollar as well as depreciation of currencies and relaxation of visa policies of other popular tourist destinations (e.g. Europe, Japan, South Korea, etc.). Furthermore, the anti-parallel trading protests have also damaged Hong Kong's hospitable image and affected the desire of Mainland visitors to travel to Hong Kong.

On the hotel supply front, there were a total supply of about 74,000 hotel rooms as of September 2015, an increase of about 2% over the preceding year.

All our hotels in Hong Kong have been operating at approximately 96%, although average room rate dropped by 22% from that of last year because of the aforesaid negative factors affecting Hong Kong tourism.

Our hotel in Canada operated at 83% occupancy and achieved an increase of 8% in room rate from last year.

Hotel Development Projects

The development progress of our two sites located adjacent to the Group's two existing hotels in Hong Kong is on schedule. For the site in Causeway Bay, the interior fittings is under progress, which is expected to be completed by end of 2015. This new 94 rooms hotel is scheduled for opening in first quarter of 2016. For the site in Tsim Sha Tsui, the superstructure work has commenced in May 2015. The anticipated opening time for this new 90 rooms hotel is in first quarter of 2017.

With a total gross floor area of approximate 65,000 sq.ft. or 184 hotel guest rooms upon completion of these two sites in 2016/2017, they will provide greater operational synergies to the Group.

Travel

Revenue for the travel operations during the six months ended 30th September 2015 amounted to HK\$58 million (2014: HK\$55 million).

Financial investments

As at 30th September 2015, the Group's financial investment portfolio that all consisted of listed securities amounted to HK\$2,067 million (31st March 2015: HK\$1,777 million). The increase largely arose from a further investment of HK\$254 million, and a mark to market valuation gain.

Approximately 71% of our investment portfolio comprised listed debt securities (of which approximately 93% were issued by PRC real estate companies), and approximately 29% comprised listed equity securities (all of them were issued by large banks). They were denominated in Hong Kong dollars 8%, United States dollars 77%, Sterling 10% and Euro 5%.

During the period under review, a total of HK\$92 million (2014: HK\$77 million) in interest and dividend income were generated from the investment portfolio. The increase in interest and dividend income was mostly due to the increase in portfolio size of our debt securities investment. The investment portfolio also generated a net investment gain of HK\$58 million (2014: HK\$53 million), which was made up of mark to market valuation gain from debt securities, offset partially by mark to market valuation loss on equity securities. The valuation gain on debt securities were mainly from those issued by the PRC real estate companies amid a series of favorable policies such as cuts in interest rates, monetary easing measures, and relaxed restrictions on foreign purchase. The valuation loss on equity securities were caused by the general downward trend of the worldwide equity markets during the period.

As at 30th September 2015, the listed securities at fair value pledged as collateral for short term bank loans amounted to approximately HK\$218 million (31st March 2015: HK\$113 million).

FINANCIAL REVIEW

The Group's total assets per book amounted to HK\$5,485 million (31st March 2015: HK\$5,159 million). Based on independent valuation, the total revalued amount of our hotel properties in operation as at 30th September 2015 was HK\$9,574 million, decreased by 2% when compared with that as at 31st March 2015. The revalued total assets of the Group with hotel properties in operation at market value would be HK\$12,847 million (31st March 2015: HK\$12,709 million).

The shareholders' funds per book amounted to HK\$3,369 million (31st March 2015: HK\$3,265 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\$10,694 million (31st March 2015: HK\$10,782 million).

The consolidated net debt was HK\$1,787 million (31st March 2015: HK\$1,567 million). 89% of the gross bank borrowings or HK\$1,730 million was denominated in Hong Kong dollars, and the remaining 11% or to the equivalent of HK\$224 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 5.5 years. 19% of total borrowings were from revolving credit facilities secured by hotel properties and financial assets. Term loan secured by hotel properties account for 81% with 10% repayable within 1 year, 25% repayable between 1-2 years, 41% repayable within 3-5 years and 5% after 5 years. At 30th September 2015, the Group had net current assets of HK\$1,514 million (31st March 2015: HK\$1,562 million).

The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 17% (31st March 2015: 15%).

The aggregate net book value of hotel properties pledged as collateral for banking facilities of the Group as at 30th September 2015 amounted to HK\$2,932 million (31st March 2015: HK\$2,891 million).

HUMAN RESOURCES

As at 30th September 2015, the total number of full-time employees of the Company and its subsidiaries was 416 (31st March 2015: 386). 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

The decline in room rates in our hotels is a major concern for the management. The strong dollar and the weak travel sentiment for Mainland tourists visiting Hong Kong continue to give pressure to visitors' arrivals in the short to near term. The long-term prospects of the Hong Kong hospitality industry should remain positive 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. We continue to hold a very cautious stand in the coming times for our hotel performance.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2015 (2014: 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 2015.

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 A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balance 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.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30th September 2015.

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

Hong Kong, 30th November 2015

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.