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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 2018

FINANCIAL HIGHLIGHTS

(In HK\$ million, except otherwise indicated)

	Six months ended 30th September		Change
	2018	2017	
Revenue	543	412	+32%
Operating profit	215	228	-6%
Profit for the period attributable to shareholders	128	192	-33%
Earnings per share – basic (HK cents)	6.4	9.5	-33%
	30th September 2018	31st March 2018	
Total assets	10,422	9,101	+15%
Net assets	3,558	3,919	-9%
Equity attributable to shareholders of the Company	3,559	3,919	-9%
Supplementary information with the five (31st March 2018: four) completed hotel properties in Hong Kong stated at valuation:			
Revalued total assets	19,179	17,410	+10%
Revalued net assets	12,316	12,227	+1%
Net debt	6,256	4,675	+34%
Gearing – net debt to revalued net assets	51%	38%	+13%

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 2018 together with the comparative figures for the six months ended 30th September 2017 were as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

For the six months ended 30th September

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
Revenue	2	542,543	411,803
Cost of sales		(139,499)	(143,920)
Gross profit		403,044	267,883
Selling and administrative expenses		(79,566)	(82,311)
Depreciation		(52,398)	(76,365)
Net investment (loss)/gain	3	(55,662)	119,292
Operating profit		215,418	228,499
Net finance costs	5	(81,411)	(34,571)
Share of profits less losses of joint ventures		1,368	812
Profit before income tax		135,375	194,740
Income tax expense	6	(6,889)	(2,755)
Profit for the period		128,486	191,985
Attributable to:			
Shareholders of the Company		128,258	191,985
Non-controlling interest		228	-
		128,486	191,985
Earnings per share (HK cents)			
Basic	8	6.4	9.5
Diluted	8	2.8	4.2

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30th September

	2018 HK\$'000	2017 HK\$'000
Profit for the period	<u>128,486</u>	<u>191,985</u>
Other comprehensive (charge)/income		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Net fair value loss on debt securities at fair value through other comprehensive income	(441,437)	-
Fair value gain on available-for-sale investments	-	40,396
Currency translation differences	3,126	17,791
Share of currency translation differences of joint ventures	(2,533)	16,994
Items that will not be reclassified to profit or loss:		
Net fair value loss on equity securities at fair value through other comprehensive income	<u>(19,049)</u>	<u>-</u>
	<u>(459,893)</u>	<u>75,181</u>
Total comprehensive (charge)/income for the period	<u>(331,407)</u>	<u>267,166</u>
Attributable to:		
Shareholders of the Company	(330,790)	267,166
Non-controlling interests	<u>(617)</u>	<u>-</u>
	<u>(331,407)</u>	<u>267,166</u>

CONDENSED CONSOLIDATED BALANCE SHEET - UNAUDITED

	<i>Note</i>	30th September 2018 HK\$'000	31st March 2018 HK\$'000
Non-current assets			
Property, plant and equipment		3,108,427	3,120,422
Joint ventures		463,388	255,682
Financial investments		297,333	233,630
Deferred income tax assets		5,236	4,880
		3,874,384	3,614,614
Current assets			
Properties under development for sale		436,122	344,970
Inventories		13,848	14,091
Trade and other receivables	9	215,564	174,289
Income tax recoverable		2,516	2,698
Financial investments		5,626,493	4,702,718
Bank balances and cash		253,046	247,726
		6,547,589	5,486,492
Current liabilities			
Trade and other payables	10	139,745	139,740
Contract liabilities		108,794	-
Deposits received from sale of properties		-	56,833
Amount due to non-controlling interest		38,670	-
Borrowings		2,111,855	1,477,071
Income tax payable		19,521	14,183
		2,418,585	1,687,827
Net current assets		4,129,004	3,798,665
Non-current liabilities			
Long term borrowings		4,204,166	3,258,698
Convertible notes		193,167	187,243
Deferred income tax liabilities		47,694	48,639
		4,445,027	3,494,580
Net assets		3,558,361	3,918,699
Equity			
Share capital		40,361	40,361
Reserves		3,518,617	3,878,338
Equity attributable to shareholders of the Company		3,558,978	3,918,699
Non-controlling interests		(617)	-
		3,558,361	3,918,699

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2018 (“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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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 2018, except for the adoption of the following new standards that is effective for the financial year ending 31st March 2018 which is relevant to the Group’s operations and is mandatory for accounting periods beginning on or after 1st January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from contracts with customers

The adoption of HKFRS 9 and HKFRS 15 from 1st April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9 and HKFRS 15, comparative figures have not been restated.

Effect on adoption of new HKFRS is as follows:

HKFRS 9

Condensed consolidated balance sheet (extracted)

	As at 1st April 2018		
	As presented under previous accounting policies HK\$’000	Effect of adoption of HKFRS 9 HK\$’000	As presented under new accounting policies HK\$’000
Non-current assets			
Financial investments			
Available-for-sale (“AFS”) investments	233,630	(233,630)	-
Financial assets at fair value through other comprehensive income (“FVOCI”)	-	233,630	233,630
	<u>233,630</u>		<u>233,630</u>
Current assets			
Financial investments			
Financial assets at fair value through profit or loss (“FVPL”)	4,702,718	(4,111,692)	591,026
Financial assets at FVOCI	-	4,111,692	4,111,692
	<u>4,702,718</u>		<u>4,702,718</u>
Reserves			
Investment revaluation reserve (previously named as AFS investments reserve)	80,770	(77,711)	3,059
Revenue reserve	1,557,642	77,711	1,635,353

1. Basis of preparation (continued)

HKFRS 15

Condensed consolidated balance sheet (extracted)

	As at 1st April 2018		
	As presented under previous accounting policies HK\$'000	Effect of adoption of HKFRS 15 HK\$'000	As presented under new accounting policies HK\$'000
Current liabilities			
Deposits received from sale of properties	56,833	(56,833)	-
Contract liabilities	-	56,833	56,833
	<u>-</u>	<u>56,833</u>	<u>56,833</u>

	As at 30th September 2018		
	As presented under previous accounting policies HK\$'000	Effect of adoption of HKFRS 15 HK\$'000	As presented under new accounting policies HK\$'000
Current liabilities			
Deposits received from sale of properties	108,794	108,794	-
Contract liabilities	-	(108,794)	108,794
	<u>-</u>	<u>(108,794)</u>	<u>108,794</u>

There are no other standards or interpretations effective for financial period beginning on 1st April 2018 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	Financial investments HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30th September 2018					
Segment revenue	186,835	-	282,005	73,703	542,543
Contribution to segment results	80,703	(13,042)	281,308	1,207	350,176
Depreciation	(40,325)	(10,865)	-	(1,208)	(52,398)
Net investment loss	-	-	(55,662)	-	(55,662)
Share of profits less losses of joint ventures	-	1,675	-	(307)	1,368
Segment results	40,378	(22,232)	225,646	(308)	243,484
Unallocated corporate expenses					(26,698)
Net finance costs					(81,411)
Profit before income tax					135,375

Six months ended
30th September 2017 (restated)

Segment revenue	230,179	-	123,144	58,480	411,803
Contribution to segment results	95,068	(1,636)	122,994	(270)	216,156
Depreciation	(75,453)	-	-	(912)	(76,365)
Net investment gain	-	-	119,292	-	119,292
Share of profits less losses of joint ventures	-	1,029	-	(217)	812
Segment results	19,615	(607)	242,286	(1,399)	259,895
Unallocated corporate expenses					(30,584)
Net finance costs					(34,571)
Profit before income tax					194,740

Comparative information of “others” segment has been re-presented to be consistent with current period presentation.

2. Segment information (continued)

	Business segments				Unallocated HK\$'000	Total HK\$'000
	Hotel operation HK\$'000	Property development HK\$'000	Financial investments HK\$'000	Others HK\$'000		
As at 30th September 2018						
Assets	3,099,697	955,755	6,072,655	10,249	283,617	10,421,973
Assets include:						
Joint ventures	-	462,580	-	808	-	463,388
Addition to non- current assets for the six months ended 30th September 2018*	35,550	209,213	-	37	449	245,249
Liabilities						
Borrowings	2,872,227	76,367	695,317	-	2,672,110	6,316,021
Other unallocated liabilities						547,591
						6,863,612
<hr/>						
As at 31st March 2018						
Assets	2,434,939	1,326,871	5,045,833	29,681	263,782	9,101,106
Assets include:						
Joint ventures	-	254,567	-	1,115	-	255,682
Addition to non- current assets for the six months ended 30th September 2017*	16,943	27,123	-	12	1,225	45,303
Liabilities						
Borrowings	1,067,357	974,357	-	-	2,694,055	4,735,769
Other unallocated liabilities						446,638
						5,182,407

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

2. Segment information (continued)

	Six months ended 30th September	
	2018 HK\$'000	2017 HK\$'000
Revenue		
Hong Kong	260,538	229,439
Overseas	282,005	182,364
	<u>542,543</u>	<u>411,803</u>
	30th September 2018 HK\$'000	31st March 2018 HK\$'000
Non-current assets*		
Hong Kong	3,070,947	3,076,708
Overseas	500,868	299,396
	<u>3,571,815</u>	<u>3,376,104</u>

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

3. Net investment (loss)/gain

	Six months ended 30th September	
	2018 HK\$'000	2017 HK\$'000
Financial assets at FVPL		
- net unrealised gain from market price movements	19,865	74,974
- net unrealised exchange (loss)/gain	(916)	15,942
- net realised (loss)/gain (note (a))	(4,075)	28,376
	<u>14,874</u>	<u>119,292</u>
Financial assets at FVOCI		
- net unrealised exchange loss	(16,174)	-
- net realised gain (note (b))	1,973	-
- changes in expected credit losses and other credit impairment charges	(56,335)	-
	<u>(70,536)</u>	<u>-</u>
	<u>(55,662)</u>	<u>119,292</u>

3. Net investment (loss)/gain (continued)

Notes:

	Six months ended 30th September	
	2018 HK\$'000	2017 HK\$'000
(a) Net realised (loss)/gain on financial assets at FVPL		
Gross consideration	268,245	1,326,692
Cost of investments	(417,790)	(1,133,941)
Total (loss)/gain	(149,545)	192,751
Add/(less): net unrealised loss/(gain) recognised in prior years	145,470	(164,375)
Net realised (loss)/gain recognised in current period	(4,075)	28,376
(b) Net realised gain on financial assets at FVOCI		
Gross consideration	81,635	-
Cost of investments	(77,043)	-
Total gain	4,592	-
Less: net unrealised gain recognised in prior years	(2,619)	-
Net realised gain recognised in current period	1,973	-
	(2,102)	28,376

4. Income and expenses by nature

	Six months ended 30th September	
	2018 HK\$'000	2017 HK\$'000
Income		
Interest income		
- Listed investments	257,572	113,617
- Bank deposits	269	84
Dividend income		
- Listed investments	8,414	6,591
Expenses		
Cost of goods sold	6,009	11,833
Operating lease rental expense for land and buildings	3,712	3,233

5. Net finance costs

	Six months ended 30th September	
	2018 HK\$'000	2017 HK\$'000
Interest expenses		
Long term bank loans	(63,733)	(23,909)
Short term bank loans and overdrafts	(16,629)	(5,742)
Convertible notes	(6,536)	(6,139)
Interest capitalised	9,065	6,933
	<u>(77,833)</u>	<u>(28,857)</u>
Other incidental borrowing costs	(8,189)	(5,938)
Net foreign exchange gain on borrowings	4,611	224
	<u>(81,411)</u>	<u>(34,571)</u>

6. Income tax expense

	Six months ended 30th September	
	2018 HK\$'000	2017 HK\$'000
Current income tax		
Hong Kong profits tax	(6,803)	(3,461)
Overseas profits tax	(1,387)	(1,322)
Over provision in prior years	-	1,918
	<u>(8,190)</u>	<u>(2,865)</u>
Deferred income tax credit	1,301	110
	<u>(6,889)</u>	<u>(2,755)</u>

Hong Kong profits tax is provided at the rate of 16.5% (2017: 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 2018 (2017: 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:

	2018	2017
	HK\$'000	HK\$'000
Profit attributable to shareholders of the Company for calculation of basic earnings per share	128,258	191,985
Effect of dilutive potential shares:		
Interest expense saved on convertible notes	6,536	6,139
Profit attributable to shareholder of the Company for calculation of diluted earnings per share	134,794	198,124
	Number of shares	
Weighted average number of shares for calculation of basic earnings per share	2,018,040,477	2,018,040,477
Effect of dilutive potential shares:		
Share options of the Company assumed to be exercised	7,127,955	9,254,418
Convertible notes assumed to be converted at the beginning of the period	2,693,120,010	2,693,120,010
Weighted average number of shares for calculation of diluted earnings per share	4,718,288,442	4,720,414,905
Basic earnings per share (HK cents)	6.4	9.5
Diluted earnings per share (HK cents)	2.8	4.2

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\$18,772,000 (31st March 2018: HK\$13,122,000). 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	31st
	September	March
	2018	2018
	HK\$'000	HK\$'000
0 month to 6 months	17,907	13,122
7 months to 12 months	852	-
More than 12 months	13	-
	18,772	13,122

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\$24,119,000 (31st March 2018: HK\$30,811,000).

Aging analysis of trade payables is as follows:

	30th September 2018 HK\$'000	31st March 2018 HK\$'000
0 month to 6 months	23,690	29,999
7 months to 12 months	19	343
More than 12 months	410	469
	<u>24,119</u>	<u>30,811</u>

Management Discussion and Analysis

RESULTS

The Group's revenue for the six months ended 30th September 2018 amounted to HK\$543 million, an increase of 32% when compared with the same period of last year. Such increase was mainly attributable to an increase of income derived from financial investments. Profits attributable to shareholders, however, decreased by 33% to HK\$128 million as a result of (i) a net investment loss in respect of its investments in financial assets, as opposed to a net gain in the same period of last year, (ii) an increase in finance cost from increased bank borrowings and rising interest rate, offset by (iii) the increase in income from financial investments.

Hotel Business

Between April 2018 and September 2018, the cumulative arrivals for all visitors to Hong Kong and those who stayed overnight reached 31 million and 14 million, respectively, the former had a 9% increase and the latter a 4% increase. Mainland China dominated the overnight visitor arrivals with a 69% of the total share, and this market recorded a 6% increase from the same period of last year.

As of September 2018, the total Hong Kong hotel room supply was approximately 80,000 rooms, increased by 3% from the same period of last year.

The hotel market in Hong Kong has experienced an uptrend since the fourth quarter of 2017 following the rebound in the number of overnight visitors.

During the period under review, our hotels in Hong Kong have achieved a 95% occupancy, while average room rate has increased by 13% from the same period of last year. The decrease in contribution to segment results before depreciation from HK\$95 million to HK\$81 million was primarily due to cessation of Empire Landmark Hotel in Canada since October 2017 for redevelopment.

Development Projects

The new 90-room hotel located adjacent to our existing hotel in Tsim Sha Tsui has received the hotel operating license in September 2018 and will commence business in the fourth quarter of 2018.

In Vancouver, the demolition work of our Empire Landmark Hotel located in the downtown core at the Robson Street is currently underway. A total of CAD\$135 million (approximately HK\$825 million) contracted sales of residential units in this development has been achieved up to 30th September 2018 since the pre-sale was first launched in January 2018.

Another piece of land and buildings located next to our Empire Landmark Hotel at the Robson Street is in the planning stage for residential and commercial development.

The Group's joint venture for a residential development for sale at the Alberni Street has received the public hearing approval for rezoning in September and is on course for obtaining the development permit from the local authority.

In April 2018, the Group, through another joint venture with which it owns 40% equity interest, has completed the acquisition of another property also located at Alberni Street in downtown Vancouver for redevelopment into premium residential units for sale. The total consideration of the acquisition was CAD\$130 million (equivalent to approximately HK\$794 million).

Financial Investments

The Group has adopted the new accounting standard HKFRS 9 with effect from 1st April 2018. This is a new classification and measurement approach for financial assets with changes in fair value of certain securities (consisted mostly listed debt securities) to be recognised through reserve while expected credit loss and impairment to be assessed at each reporting date and the charges to be reported in profit and loss account. This differed from the previous practice for recognising fair value changes and impairment charges when incurred through profit and loss account. Further details of the nature and effect of the changes to previous accounting policies can be referred to note 1 of the notes to the interim financial information.

As at 30th September 2018, the Group's financial investment portfolio consisted almost entirely of listed securities amounted to HK\$5,924 million (31st March 2018: HK\$4,936 million). The increase in value of the portfolio during the period was mainly attributable to net investments made in debt securities offset by a mark to market fair value loss during the period.

Approximately 89% of our investment portfolio comprised of listed debt securities that were issued mostly by companies operating real estate business in China, approximately 9% comprised listed equity securities (all of which were issued by major banks), and 2% comprised unlisted fund. They were denominated in Hong Kong dollars 3% and United States dollars 97%.

During the period under review, a total of HK\$282 million (2017: HK\$123 million) in interest and dividend income were generated from the investment portfolio. The increase in interest and dividend income was due to an enlarged debt portfolio from additional investments. Notwithstanding this increase in income, a net investment loss of HK\$56 million (2017: a net gain of HK\$119 million) was charged to profit and loss while the mark-to-market valuation loss on listed debt securities of HK\$478 million were recognised in the investment reserve account pursuant to HKFRS 9. The net investment loss comprised changes in the expected credit loss, impairment charges and exchange losses of listed debt securities, offset by fair value changes of listed equity securities. The drop in market price on the listed debt securities was mainly due to a rising interest rate environment and the liquidity tightening of the property sector in China.

FINANCIAL REVIEW

The financing and treasury activities of the Group are centrally managed at the corporate level. At 30th September 2018, the Group had over HK\$1,470 million cash and undrawn banking facilities.

The Group's total assets per book amounted to HK\$10,422 million (31st March 2018: HK\$9,101 million). Based on independent valuation, the total revalued amount of our hotel properties in Hong Kong as at 30th September 2018 was HK\$11,772 million, increased by 11% when compared with that as at 31st March 2018. The increase was mainly due to addition of the revalued amount of our new 90-room Empire Prestige in Tsim-Sha-Tsui, which has obtained the hotel operating license in September 2018 and will be opening and start generating income shortly. The revalued total assets of the Group with hotel properties in Hong Kong at market value would be HK\$19,179 million (31st March 2018: HK\$17,410 million).

The shareholders' funds per book amounted to HK\$3,559 million (31st March 2018: HK\$3,919 million), of which the decrease was mainly due to unrealised fair value changes net of expected credit loss and impairment charges from certain financial investments (mostly listed debt securities) that were recognised in other comprehensive income under shareholders' equity pursuant to HKFRS 9. Taking into account the market value of the completed hotel properties, the revalued net asset value of the Group would be HK\$12,316 million (31st March 2018: HK\$12,227 million).

The consolidated net debt (total debt less cash balance) was HK\$6,256 million (31st March 2018: HK\$4,675 million). The total debt comprised HK\$6,316 million of bank borrowings and HK\$193 million convertible notes. 91% of the gross bank borrowings or HK\$5,776 million was denominated in Hong Kong dollars, and the remaining 9% or to the equivalent of HK\$540 million were in foreign currencies incurred in operations and investment in financial assets overseas. Total interest cost increased as a result of increased bank borrowings and rising interest rate.

Of the total bank borrowings, 27% were revolving loans (of which 24% is secured), 51% were secured term loans, and the remaining 22% were unsecured term loans. The maturity of our bank borrowings spread over a period of up to five years with 32% repayable within one year, 10% repayable between one to two years, and 58% repayable within three to five years. Convertible notes, accounting for 3% of total debt, are unsecured and repayable in February 2047.

At 30th September 2018, the Group had net current assets of HK\$4,129 million (31st March 2018: HK\$3,799 million), and bank balances together with listed marketable securities of HK\$6,086 million represent 2.9 times of the bank borrowings of HK\$2,112 million due within 12 months.

The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 51% (31st March 2018: 38%).

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 2018 amounted to HK\$4,174 million (31st March 2018: HK\$3,653 million).

HUMAN RESOURCES

As at 30th September 2018, the total number of full-time employees of the Company and its subsidiaries was approximately 300 (31st March 2018: 280). 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

In Hong Kong, the medium-term outlook of tourist arrivals and the hotel room rates' growth is positive as the market stands to benefit positively from the opening of the Hong Kong-Zhuhai-Macao Bridge and the high-speed railway this year. The new transport links will facilitate additional travel to Hong Kong and boost demand for hotels.

The general outlook for the property market in Vancouver, Canada is expected to remain attractive because of the solid economic performance fueled by its strong export and real GDP growth.

While China's economic outlook remained uncertain amid ongoing trade tension, the Chinese government has begun rolling out stabilization measures to proactively ease the deceleration in economic growth. These measures cover the basic areas of spending such as food, transportation, and housing, and relieve the early tight credit environment, all of which could weigh on confidence, financial market sentiment, and eventually on activity, depending on their ultimate scope.

The management, while continuously monitoring macroeconomic developments and risks to the outlook, 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 2018 (2017: 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 2018.

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 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 hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting;
- (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 August 2018. The Company is in the process of identifying suitable candidate to fill in the vacancy of internal auditor of the Company; and
- (4) 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 2018 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 2018.

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

Hong Kong, 28th November 2018

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.