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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 2014

FINANCIAL HIGHLIGHTS

(In HK\$ million, except otherwise indicated)

	Six months ended 30th September		Change
	2014	2013	
Revenue	378	324	+17%
Contribution from hotel operation	120	125	-4%
Net investment gain	53	138	-62%
Profit for the period attributable to shareholders	172	236	-27%
Earnings per share – basic (HK cents)	11.1	15.3	-27%
	30th September 2014	31st March 2014	
Total assets	5,348	5,137	+4%
Net assets	3,349	3,204	+5%
Net debt	1,715	1,681	+2%
Supplementary information with hotel properties in operation at valuation:			
Revalued total assets	12,484	11,799	+6%
Revalued net assets	10,448	9,828	+6%
Revalued net assets per share (HK\$)	6.74	6.34	+6%
Gearing – net debt to revalued net assets	16%	17%	-1%

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 2014 together with the comparative figures for the six months ended 30th September 2013 were as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

For the six months ended 30th September

	<i>Note</i>	2014 HK\$'000	2013 HK\$'000 (Restated)
Revenue	2	377,858	323,903
Cost of sales		(131,062)	(92,727)
Gross profit		246,796	231,176
Selling and administrative expenses		(63,231)	(67,484)
Depreciation		(43,439)	(41,787)
Net investment gain	3	53,321	137,955
Operating profit		193,447	259,860
Net finance costs		(8,201)	(8,385)
Profit before income tax		185,246	251,475
Income tax expense	5	(13,591)	(15,015)
Profit for the period attributable to shareholders		171,655	236,460
Earnings per share (HK cents)			
Basic and diluted	7	11.1	15.3

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

	2014 HK\$'000	2013 HK\$'000
Profit for the period	<u>171,655</u>	<u>236,460</u>
Other comprehensive income		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Net fair value gain on available-for-sale investments	2,886	6,417
Currency translation differences	<u>(2,011)</u>	<u>(2,530)</u>
	<u>875</u>	<u>3,887</u>
Total comprehensive income for the period attributable to shareholders	<u><u>172,530</u></u>	<u><u>240,347</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET - UNAUDITED

	<i>Note</i>	30th September 2014 HK\$'000	31st March 2014 HK\$'000
Non-current assets			
Property, plant and equipment		3,071,673	3,074,108
Available-for-sale investments		227,678	218,492
Deferred income tax assets		2,463	1,554
		3,301,814	3,294,154
Current assets			
Inventories		1,516	1,569
Trade and other receivables	8	163,420	136,122
Income tax recoverable		56	56
Financial assets at fair value through profit or loss		1,766,234	1,591,872
Bank balances and cash		115,009	113,015
		2,046,235	1,842,634
Current liabilities			
Trade and other payables	9	68,044	75,055
Dividend payable		27,122	-
Borrowings		284,150	617,963
Income tax payable		27,600	18,697
		406,916	711,715
Net current assets		1,639,319	1,130,919
Total assets less current liabilities		4,941,133	4,425,073
Non-current liabilities			
Long term borrowings		1,545,974	1,175,635
Deferred income tax liabilities		45,956	45,643
		1,591,930	1,221,278
Net assets		3,349,203	3,203,795
Equity			
Share capital		30,997	30,997
Reserves		3,318,206	3,172,798
		3,349,203	3,203,795

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2014 (“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 2014, 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 2014.

As described in the annual financial statements for the year ended 31st March 2014, the Group has changed its policy regarding the recognition of revenue for travel operation on net basis for the commission earned as an agent, and on a gross basis for custom-made incentive tours. The comparatives have been restated by decreasing revenue and corresponding cost of sales of HK\$114,800,000 with no impact to gross profit.

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

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

	Hotel operation HK\$'000	Travel operation HK\$'000	Financial investments HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30th September 2014					
Gross income	244,446	163,054	132,385	1,002	540,887
Segment revenue	244,446	55,231	77,179	1,002	377,858
Contribution to segment results	120,148	984	76,566	1,237	198,935
Depreciation	(42,943)	(164)	-	(332)	(43,439)
Net investment gain	-	-	53,321	-	53,321
Segment results	77,205	820	129,887	905	208,817
Unallocated corporate expenses					(15,370)
Operating profit					193,447
Net finance costs					(8,201)
Profit before income tax					185,246
Income tax expense					(13,591)
Profit for the period attributable to shareholders					171,655

2. 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					
Gross income	242,094	136,862	89,597	3,509	472,062
Segment revenue (restated)	<u>242,094</u>	<u>22,062</u>	<u>56,238</u>	<u>3,509</u>	<u>323,903</u>
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	<u>83,497</u>	<u>(429)</u>	<u>194,395</u>	<u>(6,753)</u>	<u>270,710</u>
Unallocated corporate expenses					(10,850)
Operating profit					<u>259,860</u>
Net finance costs					(8,385)
Profit before income tax					<u>251,475</u>
Income tax expense					(15,015)
Profit for the period attributable to shareholders					<u>236,460</u>

Notes:

(a) Hotel operation revenue

	Six months ended 30th September	
	2014 HK\$'000	2013 HK\$'000
Room rentals	205,417	204,075
Food and beverages	29,321	28,335
Ancillary services	2,172	2,249
Space rental	7,536	7,435
	<u>244,446</u>	<u>242,094</u>

(b) Management regards gross income of travel operation as gross sales proceeds from the sales of air-ticket, hotel reservation arrangement and incentive travel tours.

(c) 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	Travel operation HK\$'000	Financial investments HK\$'000	Others HK\$'000	Total HK\$'000
At 30th September 2014					
Segment assets	3,114,109	15,108	2,073,759	27,545	5,230,521
Other unallocated assets					117,528
					<u>5,348,049</u>
Segment liabilities					
Borrowings	1,678,727	-	151,397	-	1,830,124
Other unallocated liabilities					168,722
					<u>1,998,846</u>
Additions to non-current assets* for the six months ended 30th September 2014					
	<u>42,949</u>	<u>230</u>	<u>-</u>	<u>60</u>	<u>43,239</u>
At 31st March 2014					
Segment assets	3,114,207	22,969	1,851,613	33,374	5,022,163
Other unallocated assets					114,625
					<u>5,136,788</u>
Segment liabilities					
Borrowings	1,410,553	-	383,045	-	1,793,598
Other unallocated liabilities					139,395
					<u>1,932,993</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>

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

2. Segment information (continued)

	Six months ended	
	30th September	
	2014	2013
	HK\$'000	HK\$'000
		(Restated)
Revenue		
Hong Kong	267,730	230,901
Overseas	110,128	93,002
	<u>377,858</u>	<u>323,903</u>
	30th	31st
	September	March
	2014	2014
	HK\$'000	HK\$'000
Non-current assets*		
Hong Kong	2,890,828	2,883,671
Overseas	180,845	190,437
	<u>3,071,673</u>	<u>3,074,108</u>

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

3. Net investment gain

	Six months ended	
	30th September	
	2014	2013
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss		
- net unrealised gain from market price movements	69,329	116,340
- net unrealised exchange (loss)/gain	(17,163)	20,788
- net realised gain (note)	1,155	827
	<u>53,321</u>	<u>137,955</u>
Note:		
Net realised gain on financial assets at fair value through profit or loss		
Gross consideration	55,206	33,359
Cost of investments	(63,996)	(29,212)
Total (loss)/gain	(8,790)	4,147
Net unrealised loss/(gain) recognised in prior years	9,945	(3,320)
Net realised gain recognised in current period	<u>1,155</u>	<u>827</u>

4. Income and expenses by nature

	Six months ended 30th September	
	2014	2013
	HK\$'000	HK\$'000
Income		
Interest income		
- Listed investments	72,188	51,309
- Loan receivables	877	877
- Bank deposits	94	362
Dividend income		
- Listed investments	4,730	4,929
	<u>4,730</u>	<u>4,929</u>
Expenses		
Cost of goods sold (restated)	10,362	11,551
Operating lease rental expense for land and buildings	1,257	4,281
	<u>1,257</u>	<u>4,281</u>

5. Income tax expense

	Six months ended 30th September	
	2014	2013
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	(12,339)	(14,011)
Overseas profits tax	(1,684)	(571)
(Under)/over provision in prior years	(163)	12
	<u>(14,186)</u>	<u>(14,570)</u>
Deferred income tax	595	(445)
	<u>(13,591)</u>	<u>(15,015)</u>

Hong Kong profits tax is provided at the rate of 16.5% (2013: 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 2014 (2013: 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\$171,655,000 (2013: HK\$236,460,000) and divided by the weighted average number of 1,549,842,336 (2013: 1,549,842,336) shares in issue during the period.

For the six months ended 30th September 2014 and 2013, 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\$73,824,000 (31st March 2014: HK\$38,536,000). 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 2014 HK\$'000	31st March 2014 HK\$'000
0 - 60 days	69,167	33,498
61 - 120 days	1,010	1,083
121 - 180 days	392	3,955
More than 180 days	3,255	-
	<u>73,824</u>	<u>38,536</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\$16,017,000 (31st March 2014: HK\$15,744,000).

Aging analysis of trade payables is as follows:

	30th September 2014 HK\$'000	31st March 2014 HK\$'000
0 - 60 days	15,310	15,119
61 - 120 days	369	243
121 - 180 days	291	226
More than 180 days	47	156
	<u>16,017</u>	<u>15,744</u>

Management Discussion and Analysis

RESULTS

The Group's revenue for the six months ended 30th September 2014 amounted to HK\$378 million, increased by 17% when compared with the same period of last year. Profit attributable to shareholders, however, decreased by 27% to HK\$172 million. The decrease in profit was mainly attributable to a reduction in net gain on investments in financial assets as compared to the same period of last year.

Business Review

Between April 2014 and September 2014, the cumulative arrivals to Hong Kong for all visitors and those who stayed overnight reached 30 million and 14 million, respectively, the former had a 11% increase and the latter a 7% increase. Growth has come from short haul markets where China continues to be the most important inbound source market for Hong Kong tourism.

On the hotel rooms supply in Hong Kong, approximately 1,800 new hotel rooms were opened during the period under review, and it is anticipated that the new rooms supply will continue in 2014. There was an aggregate supply of about 72,000 hotel rooms as of September 2014, an increase of about 5% over the preceding year.

All our hotels in Hong Kong have been operating at approximately 97%, although average room rate trailed behind that of last year by about 4%.

Our hotel in Canada operated at 74% occupancy and achieved an increase of 3% 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 foundation work was completed in May 2014, and the superstructure works has commenced in June 2014. For the site in TsimShaTsui, the foundation work has commenced in February 2014, and is scheduled to complete in January 2015. Its superstructure works will follow.

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 2014 amounted to HK\$55 million (2013: HK\$22 million as restated). The significant increase from that of last year has come from the strong growth in incentive package business.

Financial investments

For the period under review, economic recovery in the US continued to accelerate, while the European economy remained encumbered by the sovereign debt crises and high unemployment rates. China's growth performance continued to moderate as the leading economic indicators of China has showed signs of stability.

As at 30th September 2014, the Group's financial investment portfolio that all consisted of listed securities amounted to HK\$1,994 million (31st March 2014: HK\$1,810 million). Approximately 63% of our investment portfolio comprised listed debt securities (of which approximately 89% were issued by PRC real estate companies), and approximately 37% comprised listed equity securities (of which approximately 98% were issued by large banks). They were denominated in Hong Kong dollars 12%, United States dollars 64%, Sterling 13%, Euro 7% and Renminbi 4%.

During the period under review, a total of HK\$77 million (2013: HK\$56 million) in interest and dividend income were generated from the investment portfolio, and a net investment gain of HK\$53 million (2013: HK\$138 million) was also recorded.

As at 30th September 2014, approximately HK\$54 million (31st March 2014: HK\$301 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\$5,348 million (31st March 2014: HK\$5,137 million). Based on independent valuation, the total revalued amount of our hotel properties in operation as at 30th September 2014 was HK\$9,437 million, increased by 5% when compared with that as at 31st March 2014. The revalued total assets of the Group with hotel properties in operation at market value would be HK\$12,484 million (31st March 2014: HK\$11,799 million).

The shareholders' funds amounted to HK\$3,349 million (31st March 2014: HK\$3,204 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\$10,448 million (31st March 2014: HK\$9,828 million).

The consolidated net debt was HK\$1,715 million (31st March 2014: HK\$1,681 million). 93% of the gross bank borrowings or HK\$1,700 million was denominated in Hong Kong dollars, and the remaining 7% or to the equivalent of HK\$130 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 6.5 years. 8% of total borrowings were from revolving credit facilities secured by hotel properties and through the pledge of financial assets investment. Term loan secured by hotel properties account for 92% with 6% repayable within 1 year, 10% repayable between 1-2 years, 68% repayable within 3-5 years and 8% after 5 years. At 30th September 2014, the Group had net current assets of HK\$1,639 million (31st March 2014: HK\$1,131 million).

The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 16% (31st March 2014: 17%).

The aggregate net book value of hotel properties pledged as collateral for banking facilities of the Group as at 30th September 2014 amounted to HK\$2,902 million (31st March 2014: HK\$2,903 million).

HUMAN RESOURCES

As at 30th September 2014, the total number of employees of the Company and its subsidiaries was 401 (31st March 2014: 387). 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 outbreak of a series of local political turmoil and the new supply of hotel rooms coming on will inevitably affect our performance. We are however comforted by the fact that all our hotels are located in traditional tourist preferred city centres as oppose to those peripheral areas outside of city centres or hubs. 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 2014 (2013: 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 2014.

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; and
- (2) Code Provision A.5.1 of the CG Code provides that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. The Company does not have a nomination committee. The Board as a whole is responsible for assessing the independence of independent non-executive directors, reviewing the structure, diversity, size and composition of the Board, the appointment of new directors and the nomination of directors for re-election by shareholders at the general meeting of the Company. Under the Bye-Laws of the Company, the Board may at any time, and from time to time, appoint any person as a director, either to fill a casual vacancy, or as an addition to the Board. Any director so appointed shall retire at the next annual general meeting but shall then be eligible for re-election at the meeting.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30th September 2014.

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

Hong Kong, 25th November 2014

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.