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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 2016

FINANCIAL HIGHLIGHTS

(In HK\$ million, except otherwise indicated)

	Six months ended 30th September		Change
	2016	2015	
Revenue	405	354	+14%
Operating profit	236	175	+35%
Profit for the period attributable to shareholders	209	153	+37%
Earnings per share – basic (HK cents)	13.3	9.8	+36%
	30th September 2016	31st March 2016	
Total assets	6,097	5,788	+5%
Net assets	3,665	3,455	+6%
Net debt	1,857	1,850	-
Supplementary information with the five (31st March 2016: four) hotel properties in operation stated at valuation:			
Revalued total assets	14,034	13,263	+6%
Revalued net assets	11,528	10,875	+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 2016 together with the comparative figures for the six months ended 30th September 2015 were as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

For the six months ended 30th September

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
Revenue	2	404,595	353,995
Cost of sales		(136,995)	(129,378)
Gross profit		267,600	224,617
Selling and administrative expenses		(71,142)	(65,972)
Depreciation		(42,075)	(42,092)
Net investment gain	3	81,241	58,262
Operating profit		235,624	174,815
Net finance costs	5	(21,521)	(16,581)
Share of losses of joint ventures		(2,367)	-
Profit before income tax		211,736	158,234
Income tax expense	6	(2,875)	(4,782)
Profit for the period attributable to shareholders		208,861	153,452
Earnings per share (HK cents)			
Basic	8	13.3	9.8
Diluted	8	13.3	9.8

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30th September

	2016 HK\$'000	2015 HK\$'000
Profit for the period	<u>208,861</u>	<u>153,452</u>
Other comprehensive income/(charge)		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on available-for-sale investments	26,045	(26,324)
Currency translation differences	<u>(4,418)</u>	<u>(7,000)</u>
	<u>21,627</u>	<u>(33,324)</u>
Total comprehensive income for the period attributable to shareholders	<u><u>230,488</u></u>	<u><u>120,128</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET - UNAUDITED

	<i>Note</i>	30th September 2016 HK\$'000	31st March 2016 HK\$'000
Non-current assets			
Property, plant and equipment		3,166,767	3,131,745
Joint ventures		224,543	221,124
Available-for-sale investments		171,933	143,587
Deferred income tax assets		3,033	3,364
		3,566,276	3,499,820
Current assets			
Inventories		15,390	15,342
Trade and other receivables	9	152,791	135,864
Income tax recoverable		4,129	1,949
Financial assets at fair value through profit or loss		1,943,491	1,817,819
Bank balances and cash		414,639	316,981
		2,530,440	2,287,955
Current liabilities			
Trade and other payables	10	79,021	103,920
Dividend payable		19,630	-
Borrowings		180,611	268,331
Income tax payable		14,479	14,918
		293,741	387,169
Net current assets		2,236,699	1,900,786
Non-current liabilities			
Long term borrowings		2,090,689	1,898,481
Deferred income tax liabilities		46,887	47,584
		2,137,576	1,946,065
Net assets		3,665,399	3,454,541
Equity			
Share capital		31,408	31,408
Reserves		3,633,991	3,423,133
		3,665,399	3,454,541

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2016 (“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 2016, 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 2016.

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	Hotel development HK\$'000	Travel operation HK\$'000	Financial investments HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30th September 2016						
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>-</u>	<u>308</u>	<u>221,901</u>	<u>(1,758)</u>	<u>258,162</u>
Unallocated corporate expenses						(24,905)
Net finance costs						(21,521)
Profit before income tax						<u>211,736</u>
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>

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)

	Business segments						Total HK\$'000
	Hotel operation HK\$'000	Hotel development HK\$'000	Travel operation HK\$'000	Financial investments HK\$'000	Others HK\$'000	Unallocated HK\$'000	
As at 30th September 2016							
Assets	2,649,161	563,983	10,094	2,155,223	228,037	490,218	6,096,716
Assets include:							
Joint ventures	-	-	-	-	224,543	-	224,543
Addition to non- current assets for the six months ended 30th September 2016*	29,420	48,022	910	-	-	283	78,635
Liabilities							
Borrowings	1,375,534	427,000	-	121,036	220,865	126,865	2,271,300
Other unallocated liabilities							<u>160,017</u>
							<u>2,431,317</u>
As at 31st March 2016							
Assets	2,301,844	879,001	24,694	2,000,416	225,301	356,519	5,787,775
Assets include:							
Joint ventures	-	-	-	-	221,124	-	221,124
Addition to non- current assets for the six months ended 30th September 2015*	9,704	78,374	16	-	-	195	88,289
Liabilities							
Borrowings	1,065,834	628,955	-	126,896	212,434	132,693	2,166,812
Other unallocated liabilities							<u>166,422</u>
							<u>2,333,234</u>

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

2. Segment information (continued)

	Six months ended 30th September	
	2016	2015
	HK\$'000	HK\$'000
Revenue		
Hong Kong	208,364	207,378
Overseas	196,231	146,617
	<u>404,595</u>	<u>353,995</u>
	30th	31st
	September	March
	2016	2016
	HK\$'000	HK\$'000
Non-current assets*		
Hong Kong	3,037,260	2,994,294
Overseas	354,050	358,575
	<u>3,391,310</u>	<u>3,352,869</u>

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

3. Net investment gain

	Six months ended 30th September	
	2016	2015
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss		
- net unrealised gain from market price movements	78,110	46,434
- net unrealised exchange (loss)/gain	(13,757)	7,332
- net realised gain (note)	16,888	4,496
	<u>81,241</u>	<u>58,262</u>

Note:

Net realised gain on financial assets at fair value through profit or loss		
Gross consideration	240,621	57,369
Cost of investments	(201,288)	(50,981)
Total gain	39,333	6,388
Less: net unrealised gain recognised in prior years	(22,445)	(1,892)
Net realised gain recognised in current period	<u>16,888</u>	<u>4,496</u>

4. Income and expenses by nature

	Six months ended 30th September	
	2016 HK\$'000	2015 HK\$'000
Income		
Interest income		
- Listed investments	132,615	85,239
- Loan receivables	905	909
- Bank deposits	394	62
Dividend income		
- Listed investments	5,290	4,877
	<u>10,783</u>	<u>9,160</u>
Expenses		
Cost of goods sold	10,783	9,160
Operating lease rental expense for land and buildings	2,273	1,477
	<u>12,956</u>	<u>10,637</u>

5. Net finance costs

	Six months ended 30th September	
	2016 HK\$'000	2015 HK\$'000
Interest expenses		
Long term bank loans	(20,685)	(16,087)
Short term bank loans and overdrafts	(513)	(1,314)
Interest capitalised to hotel properties under development	7,766	7,697
	<u>(13,432)</u>	<u>(9,704)</u>
Other incidental borrowing costs	(3,060)	(2,018)
Net foreign exchange loss on borrowings	(5,029)	(4,859)
	<u>(21,521)</u>	<u>(16,581)</u>

6. Income tax expense

	Six months ended 30th September	
	2016 HK\$'000	2015 HK\$'000
Current income tax		
Hong Kong profits tax	(3,341)	(4,025)
Overseas profits tax	(1,198)	(1,227)
Over provision in prior years	1,298	1,825
	<u>(3,241)</u>	<u>(3,427)</u>
Deferred income tax credit/(charge)	366	(1,355)
	<u>(2,875)</u>	<u>(4,782)</u>

Hong Kong profits tax is provided at the rate of 16.5% (2015: 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 2016 (2015: Nil).

8. Earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to shareholders of HK\$208,861,000 (2015: HK\$153,452,000) and divided by the weighted average number of 1,570,386,829 (2015: 1,570,386,829) shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares arising from exercise of all outstanding dilutive share options granted under the Company's share option scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined with reference to latest available market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The calculation of diluted earnings per share for the six months ended 30th September 2016 is based on the profit attributable to shareholders of HK\$208,861,000 and 1,576,852,522 shares equaling to the weighted average number of 1,570,386,829 shares in issue during the period plus 6,465,693 potential shares deemed to be in issue assuming the share options had been exercised at the beginning of the period.

For the six months ended 30th September 2015, 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.

9. 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\$24,817,000 (31st March 2016: HK\$23,913,000). 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 2016 HK\$'000	31st March 2016 HK\$'000
0 month to 6 months	21,603	20,673
More than 12 months	3,214	3,240
	<u>24,817</u>	<u>23,913</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\$14,178,000 (31st March 2016: HK\$13,713,000).

Aging analysis of trade payables is as follows:

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
0 day to 60 days	13,355	13,163
61 days to 120 days	353	141
More than 120 days	470	409
	<u>14,178</u>	<u>13,713</u>

11. Subsequent event

On 1st November 2016, the Group entered into a purchase and sale agreement for purchase certain land and buildings located in Vancouver, Canada at a consideration of CAD\$25,000,000 (equivalent to approximately HK\$147,818,000). The closing of the transaction will take place on 31st January 2017, and the purchase consideration will be funded by bank loans and the Group's internal resource.

Management Discussion and Analysis

RESULTS

The Group's revenue for the six months ended 30th September 2016 amounted to HK\$405 million, increased by 14% when compared with the same period of last year. Profit attributable to shareholders increased by 37% to HK\$209 million, mainly due to an increase in interest income from financial investments compared to the same period of last year.

Business Review

Between April 2016 and September 2016, the cumulative arrivals to Hong Kong for all visitors and those who stayed overnight reached 28 million and 13 million, respectively, the former had a 4% decrease but the latter a 1% increase. Although Mainland China dominated the overnight visitor arrivals with a 67% of the total share, this market registered a 5% drop from the same period of last year. Reasons for the decline include but not limited to the continued strengthening of the Hong Kong dollar as well as relaxation of visa policies of other popular tourist destinations (e.g. Europe, Japan, South Korea, etc.).

As of September 2016, the total Hong Kong Hotel room supply was approximately 74,000, which was similar to the same period last year.

Excluding our recently launched Empire Prestige Causeway Bay ("Empire Prestige"), our 3 existing hotels in Hong Kong have achieved a 96% occupancy, while average room rate retreated by 2% from the same period of last year.

Our hotel in Canada operated at 83% occupancy and achieved an increase of 2% in room rate from last year.

Hotel Development Projects

We are pleased to report that our 94 rooms' new hotel – Empire Prestige – which is located adjacent to the Group's existing hotel in Causeway Bay, has been completed and opened in September 2016. With its convenient location, the occupancy of Empire Prestige achieved over 90% since its opening.

The development progress of our site located adjacent to the Group's existing hotel in Tsim Sha Tsui is in progress. The exterior façade and interior fitting works have commenced following the completion of the superstructure in June. This new 90 rooms' hotel is anticipated to open in the second quarter of 2017.

Travel

Revenue for the travel operations during the six months ended 30th September 2016 amounted to HK\$60 million (2015: HK\$58 million).

Financial Investments

As at 30th September 2016, the Group's financial investment portfolio that consisted entirely of listed securities amounted to HK\$2,115 million (31st March 2016: HK\$1,962 million). The increase of value of the portfolio during the period was attributed from mark to market fair value gain, and the recognition of new debt securities issued by a PRC-based real estate company as payment-in-kind against a one-off coupon payment of its debt securities.

Approximately 77% of our investment portfolio comprised of listed debt securities (of which approximately 95% were issued by PRC-based real estate companies), and approximately 23% comprised listed equity securities issued by major banks. They were denominated in Hong Kong dollars 8%, United States dollars 83%, Sterling 5% and Euro 4%.

During the period under review, a total of HK\$141 million (2015: HK\$92 million) in interest and dividend income were generated from the investment portfolio. The increase in interest and dividend income was mostly due to the recognition of a one-off coupon income from debt securities of a PRC-based real estate company during the period.

The investment portfolio also generated a net investment gain of HK\$81 million (2015: HK\$58 million), which was mainly due to unrealised fair value gain. The unrealised gain was largely made up of mark to market valuation gain from debt securities issued by the PRC-based real estate companies amid a series of favourable policies prevailing during the period such as cuts in interest rates, monetary easing measures, and relaxed restrictions on foreign purchase. Such gain was partially offset by mark to market valuation loss on our equity securities, which comprised major banks, caused by the exchange rate depreciation in Sterling during the period.

JOINT VENTURE

The acquisition of the land and building in Vancouver by the joint venture (“JV”) for which the Group owns 40% interest was completed on 1st April 2016. The JV has initiated the discussion process with the local authority on various options for its development plan in preparation for the development application.

FINANCIAL REVIEW

The Group’s total assets per book amounted to HK\$6,097 million (31st March 2016: HK\$5,788 million). Based on independent valuation, the total revalued amount of our hotel properties in operation as at 30th September 2016 was HK\$10,471 million, increased by 8% when compared with that as at 31st March 2016. The increase was mainly due to the addition of the revalued amount of our new 94-room Empire Prestige in Causeway Bay following its commencement of operation in September 2016. The revalued total assets of the Group with hotel properties in operation at market value would be HK\$14,034 million (31st March 2016: HK\$13,263 million).

The shareholders’ funds per book amounted to HK\$3,665 million (31st March 2016: HK\$3,455 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\$11,528 million (31st March 2016: HK\$10,875 million).

The consolidated net debt was HK\$1,857 million (31st March 2016: HK\$1,850 million). 97% of the gross bank borrowings or HK\$2,200 million was denominated in Hong Kong dollars, and the remaining 3% or to the equivalent of HK\$71 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. 2% of total borrowings were from revolving credit facilities secured by hotel properties. Term loan secured by hotel properties account for 98% with 5% repayable within 1 year, 20% repayable between 1-2 years and 73% repayable within 3-5 years. At 30th September 2016, the Group had net current assets of HK\$2,237 million (31st March 2016: HK\$1,901 million).

The Group’s gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 16% (31st March 2016: 17%).

The aggregate net book value of hotel properties pledged as collateral for banking facilities of the Group as at 30th September 2016 amounted to HK\$3,008 million (31st March 2016: HK\$2,961 million).

HUMAN RESOURCES

As at 30th September 2016, the total number of full-time employees of the Company and its subsidiaries was approximately 410 (31st March 2016: 380). 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

For the second half of fiscal year, we expect our hotel operations in Hong Kong will outperform the first half because of the traditional high season for the inbound tourism. According to the latest statistics published by the HK Tourism Board, the overnight visitor arrivals between April and September 2016 has a 0.6% increase from the same period of last year. This compared favourably to the decrease of 5.5% in the same period of 2015 over 2014. The management remains cautiously optimistic in the coming times for our hotel performance having regard to the strong dollar, the weak travel sentiment for Mainland tourists visiting Hong Kong, and the volatile economic environment globally.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2016 (2015: 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 2016.

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 8th September 2016 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 2016.

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

Hong Kong, 28th November 2016

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.