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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 2023

FINANCIAL HIGHLIGHTS

(In HK\$ million, except otherwise indicated)

	Six months ended 30th September		Change
	2023	2022	
Revenue	474	464	+2%
Profit contribution from hotel operation	79	6	+1217%
Loss for the period attributable to shareholders of the Company	(371)	(96)	+286%
Loss per share – basic (HK cents)	(18.4)	(4.7)	+292%
	30th September 2023	31st March 2023	
Total assets	8,387	9,282	-10%
Net assets	1,959	3,006	-35%
Equity attributable to shareholders of the Company	1,961	3,007	-35%
Net debt	5,360	5,284	+1%

Supplementary information with hotel properties in operation stated at valuation:

Revalued total assets	19,073	19,226	-1%
Revalued net assets	12,646	12,950	-2%
Gearing – net debt to revalued net assets	42%	41%	+1%

The board of directors (the “Board”) of Asia Standard Hotel Group Limited (the “Company”) announces that the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30th September 2023 together with the comparative figures for the six months ended 30th September 2022 were as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

For the six months ended 30th September

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Interest revenue		293,557	384,971
Sales of goods and services and other revenue		180,706	78,552
Total revenue	2	474,263	463,523
Cost of sales		(56,702)	(32,451)
Gross profit		417,561	431,072
Selling and administrative expenses		(64,082)	(79,985)
Depreciation		(55,250)	(60,312)
Net investment loss	3		
Net realised and unrealised loss		(101,085)	(137,606)
Changes in expected credit losses		(502,734)	(205,230)
Operating loss		(305,590)	(52,061)
Net finance costs	5	(86,070)	(60,681)
Share of profits less losses of joint ventures and an associated company		12,111	459
Loss before income tax		(379,549)	(112,283)
Income tax credit	6	8,265	17,671
Loss for the period		(371,284)	(94,612)
Attributable to:			
Shareholders of the Company		(371,452)	(95,766)
Non-controlling interests		168	1,154
		(371,284)	(94,612)
Loss per share (HK cents)			
Basic	8	(18.4)	(4.7)
Diluted	8	(18.4)	(4.7)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30th September

	2023 HK\$'000	2022 HK\$'000
Loss for the period	<u>(371,284)</u>	<u>(94,612)</u>
Other comprehensive (charge)/income		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
- net fair value loss and other net movements on debt securities	(743,171)	(709,706)
- release of reserve upon derecognition	60,430	(17,529)
Cash flow hedges		
- net fair value gain	10,403	91,818
- deferred tax on derivative financial instruments	(1,717)	(15,150)
Currency translation differences	(19,367)	(99,253)
Share of currency translation differences of joint ventures	(7,606)	(55,232)
Item that will not be reclassified to profit or loss:		
Net fair value gain/(loss) on equity securities at fair value through other comprehensive income	<u>25,907</u>	<u>(39,471)</u>
	<u>(675,121)</u>	<u>(844,523)</u>
Total comprehensive charge for the period	<u>(1,046,405)</u>	<u>(939,135)</u>
Attributable to:		
Shareholders of the Company	(1,045,807)	(935,431)
Non-controlling interests	<u>(598)</u>	<u>(3,704)</u>
	<u>(1,046,405)</u>	<u>(939,135)</u>

CONDENSED CONSOLIDATED BALANCE SHEET - UNAUDITED

	<i>Note</i>	30th September 2023 HK\$'000	31st March 2023 HK\$'000
Non-current assets			
Property, plant and equipment		2,739,110	2,800,432
Investment in joint ventures and an associated company		179,567	180,828
Amounts due from joint ventures and an associated company		411,345	399,022
Financial investments		657,124	706,496
Derivative financial instruments		147,131	135,084
Deferred income tax assets		61,183	53,401
		4,195,460	4,275,263
Current assets			
Properties under development for sale		1,911,006	1,781,003
Inventories		27,757	27,949
Trade and other receivables	9	366,546	478,761
Income tax recoverable		83	55
Financial investments		1,286,725	2,163,308
Derivative financial instruments		43,914	45,199
Bank balances and cash			
- restricted		194,855	168,126
- unrestricted		360,508	342,270
		4,191,394	5,006,671
Current liabilities			
Trade and other payables	10	81,271	71,996
Contract liabilities		284,475	265,241
Amount due to non-controlling interests		54,085	52,949
Borrowings		1,692,928	1,148,466
Income tax payable		55,727	55,382
		2,168,486	1,594,034
Net current assets		2,022,908	3,412,637
Non-current liabilities			
Borrowings		3,958,744	4,389,847
Lease liabilities		128	1,864
Convertible notes		263,907	255,598
Deferred income tax liabilities		36,223	34,820
		4,259,002	4,682,129
Net assets		1,959,366	3,005,771
Equity			
Share capital		40,361	40,361
Reserves		1,920,935	2,966,742
Equity attributable to shareholders of the Company		1,961,296	3,007,103
Non-controlling interests		(1,930)	(1,332)
		1,959,366	3,005,771

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2023 (“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 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies 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 2023, except the adoption of the following amendments to standards that are effective for the financial year ending 31st March 2024 which is relevant to the Group’s operations and is mandatory for accounting periods beginning on or after 1st January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of the amendments to the standards stated above did not have any significant impact to the Group in the current and prior periods.

2. Segment information

Revenue includes revenue from hotel 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 2023					
Segment revenue	173,872	299	295,749	4,343	474,263
Contribution to segment results	78,719	(5,971)	291,183	19,672	383,603
Depreciation	(51,263)	(843)	-	(3,144)	(55,250)
Net investment loss	-	-	(603,819)	-	(603,819)
Share of profits less losses of joint ventures and an associated company	-	(1,670)	-	13,781	12,111
Segment results	27,456	(8,484)	(312,636)	30,309	(263,355)
Unallocated corporate expenses					(30,124)
Net finance costs					(86,070)
Loss before income tax					(379,549)
Six months ended 30th September 2022					
Segment revenue	71,312	93	388,492	3,626	463,523
Contribution to segment results	5,560	(6,596)	382,390	1,696	383,050
Depreciation	(55,381)	(501)	-	(4,430)	(60,312)
Net investment loss	-	-	(342,836)	-	(342,836)
Share of profits less losses of joint ventures	-	446	-	13	459
Segment results	(49,821)	(6,651)	39,554	(2,721)	(19,639)
Unallocated corporate expenses					(31,963)
Net finance costs					(60,681)
Loss before income tax					(112,283)

2. Segment information (Continued)

	Business segments					Total HK\$'000
	Hotel operation HK\$'000	Property development HK\$'000	Financial investments HK\$'000	Others HK\$'000	Unallocated HK\$'000	
As at 30th September 2023						
Assets	3,002,472	2,806,682	2,334,708	13,013	229,979	8,386,854
Assets include:						
Joint ventures	-	588,205	-	2,707	-	590,912
Addition to non-current assets for the six months ended 30th September 2023*	4,948	5,286	-	-	18	10,252
Liabilities						
Borrowings	4,152,862	556,910	-	-	941,900	5,651,672
Other liabilities						775,816
						6,427,488
<hr/>						
As at 31st March 2023						
Assets	2,973,086	2,631,841	3,472,602	11,670	192,735	9,281,934
Assets include:						
Joint ventures	-	579,519	-	331	-	579,850
Addition to non-current assets for the six months ended 30th September 2022*	24,623	6,347	-	-	25	30,995
Liabilities						
Borrowings	4,151,001	418,927	-	-	968,385	5,538,313
Other liabilities						737,850
						6,276,163

* The amounts exclude financial investments and deferred income tax assets.

2. Segment information (Continued)

	Six months ended	
	30th September	
	2023	2022
	HK\$'000	HK\$'000
Revenue		
Hong Kong	178,512	75,933
Overseas	295,751	387,590
	<u>474,263</u>	<u>463,523</u>
	30th	31st
	September	March
	2023	2023
	HK\$'000	HK\$'000
Non-current assets*		
Hong Kong	2,740,294	2,798,288
Overseas	589,728	581,994
	<u>3,330,022</u>	<u>3,380,282</u>

* The amounts exclude financial investments and deferred income tax assets.

3. Net investment loss

	Six months ended	
	30th September	
	2023	2022
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss ("FVPL")		
- net unrealised fair value loss	(24,178)	(155,985)
- net realised gain (note (a))	2,709	3,066
Financial assets at fair value through other comprehensive income ("FVOCI")		
- net unrealised exchange loss	(3,927)	(80)
- net realised loss (note (b))	(73,992)	(2,604)
- changes in expected credit losses	(502,734)	(205,230)
Financial assets at amortised cost		
- net unrealised exchange loss	(412)	-
Derivative financial instruments		
- net unrealised (loss)/gain	(1,285)	17,997
	<u>(603,819)</u>	<u>(342,836)</u>

3. Net investment loss (Continued)

Notes:

	Six months ended 30th September	
	2023 HK\$'000	2022 HK\$'000
(a) Net realised gain on financial assets at FVPL		
Gross consideration	52,780	7,043
Cost of investments	(45,949)	(6,015)
Add: net unrealised (gain)/loss recognised in prior years	(4,122)	2,038
Net realised gain recognised in current period	<u>2,709</u>	<u>3,066</u>
(b) Net realised loss on financial assets at FVOCI		
Gross consideration	117,946	406,760
Cost of investments	(289,431)	(407,930)
Transfer from investment revaluation reserve	97,493	(1,434)
Net realised loss recognised in current period	<u>(73,992)</u>	<u>(2,604)</u>

4. Income and expenses by nature

	Six months ended 30th September	
	2023 HK\$'000	2022 HK\$'000
Income		
Interest income from financial assets at FVOCI		
- Listed investments	217,258	279,026
- Unlisted investments	24,805	6,686
Interest income from financial assets at FVPL		
- Listed investments	19,855	62,374
- Unlisted investments	6,448	3,158
Interest income from financial assets at amortised cost		
- Listed investments	20,850	-
- Bank deposits	3,670	1,924
Dividend income from financial assets at FVOCI		
- Listed investment	<u>4,772</u>	<u>2,151</u>
Expenses		
Cost of goods sold	<u>3,687</u>	<u>6,067</u>

5. Net finance costs

	Six months ended 30th September	
	2023 HK\$'000	2022 HK\$'000
Interest (expenses)/income		
Long term bank loans	(166,391)	(72,089)
Short term bank loans and overdrafts	-	(6,589)
Lease liabilities	(117)	(80)
Convertible notes	(8,921)	(8,377)
Derivative financial instruments (interest rate swaps (“IRS”))	57,961	591
Interest capitalised	39,826	21,360
	<u>(77,642)</u>	<u>(65,184)</u>
Other incidental borrowing costs	(10,057)	(9,277)
Net foreign exchange loss on borrowings	(14)	(580)
Fair value gain on derivative financial instruments (IRS)		
Cash flow hedge – ineffective portion	1,643	14,360
	<u>(86,070)</u>	<u>(60,681)</u>

6. Income tax credit

	Six months ended 30th September	
	2023 HK\$'000	2022 HK\$'000
Current income tax (expense)/credit		
Hong Kong profits tax	(345)	(1,628)
Overseas profits tax	-	(2,315)
Over provision in prior years	514	-
	<u>169</u>	<u>(3,943)</u>
Deferred income tax credit	8,096	21,614
	<u>8,265</u>	<u>17,671</u>

Hong Kong profits tax is provided at the rate of 16.5% (2022: 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 2023 (2022: Nil).

8. Loss per share

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

The effect of the exercise of convertible note was not included in the calculation of diluted loss per share as they are anti-dilutive. Accordingly, diluted loss per share for the six month ended 30th September 2023 is same as basic loss per share.

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

	Six month ended 30th September	
	2023	2022
	HK\$'000	HK\$'000
Loss attributable to shareholders of the Company for calculation of basic and diluted loss per share	<u>(371,452)</u>	<u>(95,766)</u>
	Number of shares	
Weighted average number of shares for calculation of basic and diluted loss per share	<u>2,018,040,477</u>	<u>2,018,040,477</u>

9. Trade and other receivables

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

Trade receivables of the Group amounted to HK\$9,575,000 (31st March 2023: HK\$5,065,000). 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 loss allowance is as follows:

	30th September 2023 HK\$'000	31st March 2023 HK\$'000
0 month to 6 months	8,978	4,903
7 months to 12 months	177	-
More than 12 months	420	162
	<u>9,575</u>	<u>5,065</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, lease liabilities and various accruals.

Trade payables of the Group amounted to HK\$46,079,000 (31st March 2023: HK\$30,463,000).

Aging analysis of trade payables is as follows:

	30th September 2023 HK\$'000	31st March 2023 HK\$'000
0 month to 6 months	45,732	30,102
7 months to 12 months	8	60
More than 12 months	339	301
	<u>46,079</u>	<u>30,463</u>

Management Discussion and Analysis

RESULTS

For the six months ended 30th September 2023, the Group's hotel operation achieved a significant increase in revenue and consequently a surge in profit contribution following the notable improvement in tourism in Hong Kong. However, the Group's total revenue only increased slightly by 2% to HK\$474 million due to the decrease in interest revenue from financial investments partially offset such an increase. A loss attributable to shareholders of HK\$371 million was recorded, compared to a loss of HK\$96 million for the same period in 2022. Such change was primarily attributable to the increase in the provision of expected credit losses on investment in debt securities.

Hotel Business

Following the full re-opening of mainland China's borders with Hong Kong on February 8, 2023, the operational environment is being propelled by pent-up travel demand as well as the return of business visitors to the city on the back of the resumption of physical events and exhibitions.

According to the government's April-through-September figures, 19 million visitors have visited Hong Kong in 2023, up from 240,000 in the same period last year. Of the 19 million visitors, over 80% were from mainland China. Occupancy and average room rates at our empire hotels increased substantially in tandem with the robust resurgence in mainland tourism, which we attributed to our exceptionally prominent locations and the years-long sales network we have established in the PRC market.

Development Projects

The Group's wholly-owned "Landmark On Robson" residential development in Vancouver's downtown district has a GFA of approximately 400,000 square feet and comprises 236 residential units in two towers, as well as 50,000 square feet of retail and office space and a four-level underground parking facility. The twin towers topped out in May 2022, with a projected completion date of early 2024. As of 30th September 2023, a total of approximately CAD230 million in contracted sales of residential units in this development had been achieved.

In addition, the Group's wholly owned developable land adjacent to the Landmark On Robson is in the planning stage of development, while its two joint venture residential developments on Alberni Street are in active discussions with the local city's planning department.

Financial Investments

The Group's financial investment portfolio, which consisted almost entirely of listed securities as of 30th September 2023, amounted to HK\$1,944 million (31st March 2023: HK\$2,870million), a decrease of HK\$926 million from the previous year. Approximately 87% of our investment portfolio comprised of listed debt securities that were issued mostly by companies operating real estate business in China, approximately 10% comprised listed banking stock, and 3% in unlisted funds. They were denominated in United States dollars 73%, Renminbi 16%, Hong Kong dollars 10% and Japanese Yen 1%.

During the period under review, the liquidity crisis on China's real estate market persisted, having a negative impact on our financial investments. The investment portfolio generated a total of HK\$294 million (2022: HK\$353 million) in interest and dividend income and a net investment loss of HK\$604 million (2022: HK\$343 million) which primarily comprised of provision for expected credit losses charged to the profit and loss account, while a net fair value loss of HK\$657 million (2022: HK\$767 million) was recorded in the investment reserve account.

The PRC government has continued to implement favorable policies to improve the overall sentiment of the real estate sector, while developers have persisted in their efforts to address their debts through a variety of restructuring schemes, such as maturity extension accompanied by principal amortisation and reduced coupon rates, exchange for equity, and utilisation of collateral as credit enhancement.

FINANCIAL REVIEW

The Group's financial and treasury activities are managed at the headquarter level. At 30th September 2023, the Group had about HK\$2.5 billion (31st March 2023: HK\$2.5 billion) cash and undrawn banking facilities.

The Group's total assets and net assets per book amounted to HK\$8,387 million (31st March 2023: HK\$9,282 million) and HK\$1,959 million (31st March 2023: HK\$3,006 million), respectively, with the decreases primarily due to unrealized fair value changes from certain financial investments (mostly listed debt securities) recognized in other comprehensive charges under shareholders' equity. According to independent valuation, the total revalued amount of our hotel properties in Hong Kong as of 30 September 2023 was HK\$13,213 million (31st March 2023: HK\$12,518 million). Taking into account the market value of the hotel properties in operation, the Group's revalued total assets and net assets with hotel properties in Hong Kong at market value would be HK\$ 19,073 million (31st March 2023: HK\$19,226 million) and HK\$ 12,646 million (31st March 2023: HK\$12,950 million), respectively.

The total debt comprised HK\$5,652 million of bank borrowings and HK\$264 million convertible notes. 90% of the gross bank borrowings or HK\$5,134 million was denominated in Hong Kong dollars, with about 53% hedged against interest rate fluctuations through various interest rate swap contracts totaling HK\$2,700 million entered into in prior years. The remaining 10% or to the equivalent of HK\$561 million was in foreign currencies incurred in operations and investment in financial assets overseas.

All the bank borrowings were secured term loans. The maturity of our bank borrowings spread over a period of up to five years with 30% repayable within one year, 5% repayable between one to two years, and 65% repayable within two to five years. The unsecured convertible notes comprising 4.5% of total debt are held almost entirely by the parent groups, and are repayable in February 2047.

The consolidated net debt (total debt less cash balance) was HK\$5,360 million (31st March 2023: HK\$5,284 million). The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 42% (31st March 2023: 41%).

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 2023 amounted to HK\$4,398 million (31st March 2023: HK\$4,082 million).

HUMAN RESOURCES

As of 30th September 2023, the total number of full-time employees of the Company and its subsidiaries was approximately 170 (31st March 2023: 180). 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

Hong Kong has witnessed a significant resurgence in visitors from Mainland China since the second quarter of 2023, propelled by pent-up demand and convenient access. With the return of physical events and exhibitions in Hong Kong and the resumption of passenger flight capacity by airlines, we anticipate travel to continue its robust recovery, as evidenced by the performances of neighboring countries following the reopening of borders. Furthermore, we have expanded our presence in Mainland China's online travel and entertainment sector through greater collaborations with online social media and booking platforms and influencer engagement to reach a larger customer base and a younger generation. Without compromising quality or services, management will maintain a vigilant stance in monitoring market development and managing costs with extreme care.

As China's Central Government continues to implement policies to sustain economic growth and to uphold its directive of "preventing risks and boosting demand" in the property sector, real estate policy revisions and optimization, such as lowering down payment ratios, mortgage interest rates, and first-time homeowner eligibility, are anticipated to have a positive impact to real estate investment, sales, and market operations. These measures and ongoing debt restructuring of various real estate developers provide management a cautiously optimistic view for our debt securities investment portfolio.

Canada is experiencing its highest population growth in over six decades, with British Columbia's robust growth being driven by immigration. Vancouver's real estate market is fueled by rising immigration, and the anticipated decline in interest rates will further stimulate market demand when a resumption of stable and predictable consumer price growth becomes more certain following the recent halt in inflationary pressure.

While closely monitoring macroeconomic events and any potential risks to the outlook, management remains prudently positive regarding the Group's performance in a dynamic environment.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2023 (2022: 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 to 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 2023.

CORPORATE GOVERNANCE CODE

During the period, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix 14 to the Listing Rules, except the Code Provision F.2.2 of the CG Code which provides that the chairman of the board should attend the annual general meetings. Mr. Poon Jing ("Mr. Poon"), the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 25th August 2023 due to his other business commitments at the relevant time. The views of the Company's shareholders had been reported to Mr. Poon after the meeting.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30th September 2023.

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

Hong Kong, 30th November 2023

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 of the Company are Mr. Leung Wai Keung, Mr. Wong Chi Keung and Mr. Koon Bok Ming, Alan.