



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 2008

FINANCIAL HIGHLIGHTS

(In HK\$ million, except otherwise indicated)

	Six months ended 30th September		Change
	2008	2007	
Consolidated profit and loss account			
Revenue	334	333	-
Gross Operating Profit*	96	95	+1%
Profit attributable to shareholders	2	42	-95%
Earnings per share – basic (HK cent)	0.01	0.34	-97%
	30th September 2008	31st March 2008	
Consolidated balance sheet			
Net assets	2,028	2,068	-2%
Net debt	1,016	900	+13%
Supplementary information with hotel properties at valuation:			
Revalued net assets	3,407	3,599	-5%
Revalued net assets per share (HK\$)	0.26	0.28	-7%
Gearing - net debt to revalued net asset value (%)	30%	25%	+5%

* Represents operating profit before non-cash accounting charges of depreciation and amortisation on hotel properties, share options expense, fair value gain or loss on financial assets and warrant liabilities, and impairment of available-for-sale investments.

The Directors of Asia Standard Hotel Group Limited (the “Company”) announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2008 together with the comparative figures for the six months ended 30th September 2007 were as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

For the six months ended 30th September

	<i>Note</i>	2008 HK\$'000	2007 HK\$'000
Turnover	2	339,105	532,718
Revenue	2	334,194	333,322
Cost of sales		(196,091)	(188,835)
Gross profit		138,103	144,487
Administrative expenses		(41,747)	(49,230)
		96,356	95,257
Other income and charges	3	(83,257)	(29,251)
Operating profit	4	13,099	66,006
Interest income		3,089	1,277
Finance costs		(13,710)	(18,141)
Profit before income tax		2,478	49,142
Income tax expense	5	(952)	(7,007)
Profit attributable to shareholders		1,526	42,135
Dividend	6	-	33,105
Earnings per share (HK cent)			
Basic	7	0.01	0.34
Diluted	7	0.01	0.34

CONDENSED CONSOLIDATED BALANCE SHEET - UNAUDITED

		30th September 2008 HK\$'000	31st March 2008 HK\$'000
Non-current assets			
Property, plant and equipment		942,078	899,114
Leasehold land		1,672,190	1,685,653
Goodwill		9,640	9,640
Deferred income tax assets		12,259	18,883
Available-for-sale investments		324,702	313,976
		<u>2,960,869</u>	<u>2,927,266</u>
Current assets			
Inventories		2,201	2,268
Derivative financial instruments		14,775	-
Financial assets at fair value through profit or loss		106,809	88,108
Trade and other receivables	8	100,836	88,101
Bank balances and cash		40,120	84,116
		<u>264,741</u>	<u>262,593</u>
Current liabilities			
Derivative financial instruments		2,158	18,332
Trade and other payables	9	105,667	51,540
Dividend payable		9,036	-
Current income tax payable		8,353	14,025
Short term borrowings		93,635	378,295
Current portion of borrowing, secured		24,511	11,075
		<u>243,360</u>	<u>473,267</u>
Net current assets/(liabilities)		<u>21,381</u>	<u>(210,674)</u>
Total assets less current liabilities		<u>2,982,250</u>	<u>2,716,592</u>
Non-current liabilities			
Warrant liabilities		16,475	51,325
Borrowings, secured		937,809	594,373
Deferred income tax liabilities		-	2,607
		<u>954,284</u>	<u>648,305</u>
Net assets		<u>2,027,966</u>	<u>2,068,287</u>
Equity			
Share capital		258,164	258,164
Reserves		1,769,802	1,810,123
		<u>2,027,966</u>	<u>2,068,287</u>

Notes to the interim financial information

1. Basis of preparation

The unaudited condensed consolidated 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 (the “HKICPA”), and should be read in conjunction with the annual financial statements for the year ended 31st March 2008.

The accounting policies and methods of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st March 2008.

The following new interpretations to existing standards have been published which are relevant to the Group’s operations and are mandatory for the Group’s accounting periods beginning on or after 1st April 2008 as follows:

HK (IFRIC) – Int 12

HK (IFRIC) – Int 14

Service Concession Arrangements

HKAS 19 - The Limit on a Defined Benefit Asset,

Minimum Funding Requirements and their Interaction

The Group has assessed the impact of the adoption of the above interpretations and considered that there were no significant impact on the Group’s results and financial position and no substantial changes in the Group’s accounting policies.

2. Turnover and segment information

Turnover comprises revenue from hotel, catering services, travel agency operations, dividend income, together with gross proceeds from securities investments.

Revenue comprises revenue from hotel, catering services, travel agency operations, dividend income and net realised gains/losses on sale of financial assets at fair value through profit or loss.

An analysis of turnover, revenue and results of the Group by business segments and geographical segments is set out below:

Business segments

	Hotel operation HK\$'000	Catering services HK\$'000	Travel agency HK\$'000	Investment HK\$'000	Other operations HK\$'000	Group HK\$'000
Six months ended 30th September 2008						
Room rentals	133,863					
Food and beverages	23,659					
Ancillary services	3,436					
Rental income	6,478					
Turnover	167,436	9,397	149,364	12,908	-	339,105
Segment revenue	167,436	9,397	149,364	7,997	-	334,194
Contribution to segment results	93,746	1,014	740	7,517	-	103,017
Other income and charges	(33,371)	(22)	(24)	(84,646)	34,806	(83,257)
Unallocated corporate expenses						(6,661)
Operating profit						13,099
Interest income						3,089
Finance costs						(13,710)
Profit before income tax						2,478
Income tax expense						(952)
Profit attributable to shareholders						1,526

2. Turnover and segment information (Continued)

Business segments (Continued)

	Hotel operation HK\$'000	Catering services HK\$'000	Travel agency HK\$'000	Investment HK\$'000	Other operations HK\$'000	Group HK\$'000
Six months ended 30th September 2007						
Room rentals	127,394					
Food and beverages	27,474					
Ancillary services	6,459					
Rental income	6,343					
Turnover	167,670	10,241	144,419	210,388	-	532,718
Segment revenue	167,670	10,241	144,419	10,992	-	333,322
Contribution to segment results	94,025	914	5	10,992	-	105,936
Other income and charges	(34,677)	(27)	(19)	25,120	(19,648)	(29,251)
Unallocated corporate expenses						(10,679)
Operating profit						66,006
Interest income						1,277
Finance costs						(18,141)
Profit before income tax						49,142
Income tax expense						(7,007)
Profit attributable to shareholders						42,135

2. Turnover and segment information (Continued)

Secondary reporting format – geographical segments

The Group's business segments operating in various geographical areas are as follows:

Hong Kong	-	all the Group's business segments
Canada	-	hotel and catering
Mainland China	-	catering

A summary of geographical segments is set out as follows:

	Turnover HK\$'000	Segment revenue HK\$'000	Operating (loss)/profit HK\$'000
30th September 2008			
Hong Kong	271,639	266,728	(9,211)
Canada	63,330	63,330	21,021
Mainland China	4,136	4,136	1,289
	<u>339,105</u>	<u>334,194</u>	<u>13,099</u>
 30th September 2007			
Hong Kong	464,312	264,916	44,099
Canada	63,970	63,970	20,852
Mainland China	4,436	4,436	1,055
	<u>532,718</u>	<u>333,322</u>	<u>66,006</u>

3. Other income and charges

	Six months ended 30th September	
	2008 HK\$'000	2007 HK\$'000
Depreciation of property, plant and equipment	(23,143)	(23,356)
Amortisation of leasehold land	(10,318)	(11,367)
Share options expense	-	(22,400)
Fair value gain on warrant liabilities	34,850	2,752
Fair value (loss)/gain on financial assets at fair value through profit or loss	(36,607)	25,120
Fair value loss on derivative financial instruments	(15,283)	-
Impairment of available-for-sale investments	(32,756)	-
	<u>(83,257)</u>	<u>(29,251)</u>

4. Income and expenses by nature

	Six months ended 30th September	
	2008 HK\$'000	2007 HK\$'000
Income		
Dividend income	7,584	212
Net realised gain on financial assets at fair value through profit or loss	413	10,780
Gain on disposal of property, plant and equipment	-	580
Operating lease rental income for hotel buildings	<u>6,478</u>	<u>7,361</u>
Expenses		
Operating lease rental expense for properties	3,167	3,209
Cost of goods sold	<u>130,805</u>	<u>129,641</u>

5. Income tax expense

	Six months ended 30th September	
	2008 HK\$'000	2007 HK\$'000
Hong Kong profits tax	<u>952</u>	<u>7,007</u>

In 2008, the Hong Kong government enacted a change in profits tax rate from 17.5% to 16.5% for fiscal year of 2008/2009. No Hong Kong profits tax for the current period has been provided as the Group had sufficient tax losses brought forward to set off against the estimated assessable profit in current period. Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the prior period. No provision for overseas and Mainland China taxation has been made as there are no assessable profits for the period (2007: Nil).

6. Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th September 2008 (2007: HK0.26 cent per share).

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$1,526,000 (2007: HK\$42,135,000) and on the weighted average of 12,908,206,641 (2007: 12,438,548,545) shares in issue during the period.

The outstanding share options and warrants did not have any dilutive effect on the earnings per share for the six months ended 30th September 2008.

The calculation of diluted earnings per share for the six months ended 30th September 2007 was based on the profit attributable to shareholders of HK\$42,135,000 and 12,497,060,055 shares equalling to the weighted average number of 12,438,548,545 shares in issue during the period plus 58,511,510 potential shares deemed to be in issue assuming the outstanding share options had been exercised.

The conversion of the warrants did not have any dilutive effect on the earnings per share for the six months ended 30th September 2007.

8. Trade and other receivables

Trade and other receivables of the Group include trade receivables, utility and other deposits, prepayments and dividend receivables.

Trade receivables of the Group amounted to HK\$42,143,000 (31st March 2008: HK\$37,099,000). 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 evaluations of customers are performed periodically.

Ageing analysis of trade receivables net of provision for impairment is as follows:

	30th September 2008 HK\$'000	31st March 2008 HK\$'000
0 day to 60 days	40,026	36,002
61 days to 120 days	1,725	1,082
Over 120 days	392	15
	<u>42,143</u>	<u>37,099</u>

9. Trade and other payables

Trade and other payables of the Group include trade payables, rental and other deposits received, other payables and retentions payable of construction costs and various accruals. Trade payables of the Group amounted to HK\$57,443,000 (31st March 2008: HK\$16,710,000).

Ageing analysis of trade payables is as follows:

	30th September 2008 HK\$'000	31st March 2008 HK\$'000
0 day to 60 days	57,228	16,364
61 days to 120 days	90	33
Over 120 days	125	313
	<u>57,443</u>	<u>16,710</u>

10. Comparative figures

Certain comparative figures have been restated to conform to current period's presentation.

Management Discussion and Analysis

Interim Results

The Group's revenue and profit attributable to shareholders for the six months ended 30th September 2008 amounted to HK\$334 million and HK\$2 million respectively. The decrease in the profit attributable to shareholders during the period was in part due to fair value changes of financial assets at the balance sheet date.

Business Review

Visitor arrivals to Hong Kong for the first nine months of 2008 were more than 21.7 million, an increase of 6.9% on arrivals for the same period last year. The growth was mainly driven by the short-haul regions, as positive increases of 9.5% was registered for Mainland China, and South & Southeast Asia enjoyed solid gain of 3.9% to become Hong Kong's second largest source market region. As for the long-haul market regions, they sustained their downward trend as the global economic conditions worsened.

The Empire Hotel, Hong Kong

Empire Hong Kong's average room rate increased 19% and occupancy rate at 80%. Total revenue amounted to HK\$55 million and its gross operating profit amounted to HK\$33 million. The improved average room rate was primarily due to its strategic focus on higher yield commercial and corporate segment. With a number of refurbishment projects planned for in the coming year, including particularly the provision of more corporate meeting spaces and facilities in parallel, the hotel would be in a promising position to earn market share further in the higher yield business segment.

The Empire Hotel, Kowloon

Empire Kowloon's average room rate increased 11% and occupancy rate at 87%. Total revenue amounted to HK\$49 million and its gross operating profit amounted to HK\$29 million. The expansion project for adding 28 rooms with spa facilities has commenced, and the target opening time is within the first quarter of 2009. These creations will further increase the hotel capacity by 9%, from 315 rooms to 343 rooms.

The Empire Landmark Hotel, Vancouver

Empire Landmark's average room rate increased 8% and occupancy rate at 76%. Total revenue amounted to HK\$63 million, and its gross operating profit amounted to HK\$31 million. An extensive renovation and upgrading work has been planned to carry out progressively in the next 2 years to enhance its quality and facilities to be competitive among its peers.

The New 280 rooms hotel in Causeway Bay

Creation of this new hotel is approached with the application of advanced, intelligent, user-friendly concepts with green touch wherever possible, together with designer spa facilities that are completely complementary to our guests. Management considers this new hotel, upon delivery in 2009, will be exciting and appreciated by various segments in the travelling world.

The Group's room portfolio will increase 30% from the current 1,036 rooms to 1,344 rooms as a direct result.

Travel and catering

Revenues for the travel and catering amounted to HK\$149 million and HK\$9 million respectively.

Financial Review

As at 30th September 2008, total assets amounted to HK\$3,226 million, increased 1% when compared with HK\$3,190 million as at 31st March 2008. Appraised by independent professional valuers on an open market value basis, the total revalued amount of the four hotel properties as at 30th September 2008 was HK\$4,296 million, down 4% when compared with that prepared on the same basis as at 31st March 2008.

The shareholders' funds amounted to HK\$2,028 million, decreased by HK\$40 million over last year. The decrease was mainly due to the fair value loss on financial assets. Taking into account the market value of the hotel properties, the revalued net asset value of the Group would become HK\$3,407 million.

The Group has long term securities investments of HK\$325 million and other financial assets of HK\$122 million, which mainly consisted of major blue chip banking stocks. This segment of business generated a net loss of HK\$77 million, inclusive of dividend income of HK\$7.6 million, when compared with a net gain of HK\$36 million last period.

During the period under review, net cash inflow from operating activities but before working capital changes amounted to HK\$88 million (2007 : HK\$84 million).

The consolidated net bank borrowings was HK\$1,016 million, increased by HK\$116 million when compared with that at 31st March 2008. Gross bank borrowings denominated in HK dollars amounted to HK\$876 million, representing 83% of the total gross bank borrowings. Foreign currency gross bank borrowings amounted to the equivalent of HK\$180 million, representing 17% of the total gross bank borrowings, out of which 61% is the Vancouver property mortgage loan of HK\$109 million (31st March 2008: HK\$118 million) that was borrowed in Canadian dollar, the local currency.

Of the total gross borrowings, 2% was repayable within one year and the remaining repayable after one year. A total of HK\$250 million interest rate swap contracts were held for hedging purposes against our borrowings which are all at floating interest rate.

The Group's gearing ratio, expressed as a percentage of total borrowings net of bank balances and cash over net asset value increased from 43% as at 31st March 2008 to 50% as at 30th September 2008, and over revalued net asset value, increased from 25% to 30%.

The aggregate net book value of hotel properties pledged as securities for loans of the Group as at 30th September 2008 amounted to HK\$2,610 million (31st March 2008: HK\$2,583 million).

Human Resources

As at 30th September 2008, the total number of employees of the Company and its subsidiaries were 446. In addition to salary payment, other additional benefits include insurance, share options, medical scheme and retirement plans and others.

Future Prospects

Looking forward, the operating environment will likely become more challenging, as the economic adjustments affecting the tourism industry in Hong Kong in the short-run due to volatility in the global economic environment continued.

Management is, however, confident that with sustained high economic growth on the Mainland and the continuously growing outbound tourism markets of the Mainland, a strong Renminbi and the closer economic partnership between Hong Kong and the Mainland, Hong Kong will continue to welcome an increasing flow of visitors in the years ahead.

The Group's earnings outlook would be further strengthened when contributions from the new 28 rooms in Empire Kowloon Hotel and the new 280 rooms' boutique hotel in Causeway Bay started to come in, which are anticipated to be in operation in the first quarter of 2009.

Interim Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th September 2008 (2007: HK0.26 cent per share).

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 its own Code of Conduct for Securities Transactions by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The Company has also made specific enquiry to the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its Code of Conduct for Securities Transactions by Directors.

Code on Corporate Governance Practices

During the period, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except for the deviation from code provision A.4.1 which stated that non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive directors of the Company were 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.

Audit Committee

The Audit Committee members are Mr. Hung Yat Ming, Mr. Leung Wai Keung, Richard and Mr. Ip Chi Wai. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The unaudited Interim Report of the Group for the six months ended 30th September 2008 has been reviewed by the Audit Committee.

By Order of the Board

Poon Jing
Chairman

Hong Kong, 11th December 2008

As at the date of this announcement, the executive directors of the Company are Mr. Poon Jing, Dr. Lim Yin Cheng, Mr. Fung Siu To, Clement, Mr. Poon Tin Sau, Robert and Mr. Woo Wei Chun, Joseph; and the independent non-executive directors are Mr. Ip Chi Wai, Mr. Leung Wai Keung, Richard and Mr. Hung Yat Ming.