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ASIA STANDARD HOTEL GROUP LIMITED

泛海酒店集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 292)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

FINANCIAL HIGHLIGHTS

(In HK\$ million, except otherwise indicated)

	Six months ended 30th September		Change
	2011	2010	
Consolidated profit and loss account			
Revenue	401	346	+16%
Contribution from hotel operation	133	98	+36%
Net investment (loss)/gain	(624)	103	N/A
(Loss)/profit for the period attributable to shareholders	(487)	151	N/A
(Loss)/earnings per share – basic (HK cents)	(31.7)	11.2	N/A
	30th September 2011	31st March 2011	
Consolidated balance sheet			
Net assets	2,238	2,796	-20%
Net debt	1,862	1,699	+10%

Supplementary information with hotel properties at valuation:

(Restated)

Revalued net asset	7,365	6,976	+6%
Revalued net asset per share (HK\$)	4.79	4.54	+6%
Gearing – net debt to revalued net asset	25%	24%	+1%

Restated – the deferred income tax arising from revaluation of hotel properties in Hong Kong has been excluded as Hong Kong tax jurisdiction does not include capital gain tax.

* for identification purpose only

The Directors of Asia Standard Hotel Group Limited (the “Company”) announce that the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30th September 2011 together with the comparative figures for the six months ended 30th September 2010 were as follows :

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

For the six months ended 30th September

	<i>Note</i>	2011 HK\$'000	2010 HK\$'000
Revenue	2	400,700	345,902
Cost of sales		(160,183)	(173,749)
Gross profit		240,517	172,153
Selling and administrative expenses		(58,163)	(51,316)
Depreciation		(45,036)	(43,654)
Net investment (loss)/gain	3	(624,088)	102,789
Other gain		-	12,664
Operating (loss)/profit		(486,770)	192,636
Net finance income/(costs)		6,916	(32,492)
(Loss)/profit before income tax		(479,854)	160,144
Income tax expense	5	(7,392)	(8,962)
(Loss)/profit for the period attributable to shareholders		(487,246)	151,182
Dividend	6	-	3,833
(Loss)/earnings per share (HK cents)			
Basic	7	(31.7)	11.2
Diluted	7	(31.7)	10.5

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

	2011 HK\$'000	2010 HK\$'000
(Loss)/profit for the period	<u>(487,246)</u>	<u>151,182</u>
Other comprehensive (charge)/income		
Net fair value loss on available-for-sale investments	(58,049)	(3,386)
Impairment of available-for-sale investments charged to profit and loss account	1,517	112
Currency translation differences	<u>(14,148)</u>	<u>(2,480)</u>
	<u>(70,680)</u>	<u>(5,754)</u>
Total comprehensive (charge)/income for the period attributable to shareholders	<u>(557,926)</u>	<u>145,428</u>

CONDENSED CONSOLIDATED BALANCE SHEET - UNAUDITED

	<i>Note</i>	30th September 2011 HK\$'000	31st March 2011 HK\$'000
Non-current assets			
Property, plant and equipment		2,530,282	2,586,848
Available-for-sale investments		164,467	220,100
		2,694,749	2,806,948
Current assets			
Inventories		2,159	2,341
Trade and other receivables	8	137,314	102,826
Financial assets at fair value through profit or loss		1,400,265	1,699,188
Bank balances and cash		112,396	111,705
		1,652,134	1,916,060
Current liabilities			
Trade and other payables	9	50,800	47,112
Derivative financial instruments		30,819	23,767
Borrowings		1,030,877	842,295
Income tax payable		15,892	19,340
		1,128,388	932,514
Net current assets		523,746	983,546
Total assets less current liabilities		3,218,495	3,790,494
Non-current liabilities			
Long term borrowings		943,252	968,165
Deferred income tax liabilities		37,459	26,619
		980,711	994,784
Net assets		2,237,784	2,795,710
Equity			
Share capital		30,757	30,757
Reserves		2,207,027	2,764,953
		2,237,784	2,795,710

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, and should be read in conjunction with the annual financial statements for the year ended 31st March 2011.

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 2011, except for the adoption of new or revised standards and amendments to existing standards (“new HKFRSs”), which are relevant to the Group’s operations and are applicable to the Group’s accounting periods beginning on 1st April 2011.

The following new HKFRSs are relevant to the Group’s operations and are mandatory for accounting periods beginning on or after 1st January 2011:

HKAS 24 (Revised)	Related Party Disclosures
Amendment to HKAS 34	Interim Financial Reporting

The adoption of new HKFRSs in the current period did not have any significant effect on the interim financial information or result in any substantial changes in the Group’s significant accounting policies.

2. Turnover and segment information

Turnover comprises revenue from hotel, catering services, travel agency operations, dividend and interest income, together with gross proceeds from disposal of financial assets at fair value through profit or loss.

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

	Six months ended 30th September	
	2011 HK\$’000	2010 HK\$’000
Turnover		
Revenue		
Hotel operating income	237,964	189,607
- Room rentals	194,625	147,754
- Food and beverages	33,896	30,547
- Ancillary services	3,880	4,514
- Rental income	5,563	6,792
Catering income	5,952	6,253
Travel agency income	96,859	117,901
Investments	58,609	31,264
Other operations	1,316	877
	400,700	345,902
Gross proceeds from disposal of financial assets at fair value through profit or loss	442,853	230,977
	843,553	576,879

2. Turnover and segment information (continued)

	Hotel operation HK\$'000	Catering services HK\$'000	Travel agency HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30th September 2011						
Turnover	237,964	5,952	96,859	501,462	1,316	843,553
Segment revenue	<u>237,964</u>	<u>5,952</u>	<u>96,859</u>	<u>58,609</u>	<u>1,316</u>	<u>400,700</u>
Contribution to segment results	133,393	(1,161)	(874)	57,752	1,316	190,426
Depreciation	(44,923)	(77)	(9)	-	(27)	(45,036)
Net investment loss	-	-	-	(624,088)	-	(624,088)
Segment results	<u>88,470</u>	<u>(1,238)</u>	<u>(883)</u>	<u>(566,336)</u>	<u>1,289</u>	<u>(478,698)</u>
Unallocated corporate expenses						<u>(8,072)</u>
Operating loss						<u>(486,770)</u>
Net finance income						<u>6,916</u>
Loss before income tax						<u>(479,854)</u>
Income tax expense						<u>(7,392)</u>
Loss for the period attributable to shareholders						<u>(487,246)</u>
Six months ended 30th September 2010						
Turnover	189,607	6,253	117,901	262,241	877	576,879
Segment revenue	<u>189,607</u>	<u>6,253</u>	<u>117,901</u>	<u>31,264</u>	<u>877</u>	<u>345,902</u>
Contribution to segment results	97,564	(388)	(268)	32,097	877	129,882
Depreciation	(43,507)	(82)	(20)	-	(45)	(43,654)
Net investment gain	-	-	-	102,789	-	102,789
Other gain	-	-	-	-	12,664	12,664
Segment results	<u>54,057</u>	<u>(470)</u>	<u>(288)</u>	<u>134,886</u>	<u>13,496</u>	<u>201,681</u>
Unallocated corporate expenses						<u>(9,045)</u>
Operating profit						<u>192,636</u>
Finance costs						<u>(32,492)</u>
Profit before income tax						<u>160,144</u>
Income tax expense						<u>(8,962)</u>
Profit for the period attributable to shareholders						<u>151,182</u>

2. Turnover and segment information (continued)

	Hotel operation HK\$'000	Catering services HK\$'000	Travel agency HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
At 30th September 2011						
Segment assets	2,569,542	3,708	10,144	1,621,346	29,747	4,234,487
Other unallocated assets						112,396
						<u>4,346,883</u>
Segment liabilities						
Borrowings	1,069,868	-	-	904,261	-	1,974,129
Other unallocated liabilities						134,970
						<u>2,109,099</u>
Additions to non-current assets for the six months ended 30th September 2011*						
	<u>4,951</u>	<u>8</u>	<u>6</u>	<u>-</u>	<u>100</u>	<u>5,065</u>
At 31st March 2011						
Segment assets	2,619,332	3,670	10,629	1,947,701	29,971	4,611,303
Other unallocated assets						111,705
						<u>4,723,008</u>
Segment liabilities						
Borrowings	1,097,683	-	-	712,777	-	1,810,460
Other unallocated liabilities						116,838
						<u>1,927,298</u>
Additions to non-current assets for the six months ended 30th September 2010*						
	<u>13,865</u>	<u>190</u>	<u>45</u>	<u>-</u>	<u>-</u>	<u>14,100</u>

* The amounts exclude financial instruments

2. Turnover and segment information (continued)

	Six months ended 30th September	
	2011 HK\$'000	2010 HK\$'000
Revenue		
Hong Kong	286,010	262,016
Overseas	114,690	83,886
	<u>400,700</u>	<u>345,902</u>
	30th September 2011 HK\$'000	31st March 2011 HK\$'000
Non-current assets*		
Hong Kong	2,283,706	2,315,045
Overseas	246,576	271,803
	<u>2,530,282</u>	<u>2,586,848</u>

* The amounts exclude financial instruments

3. Net investment (loss)/gain

	Six months ended 30th September	
	2011 HK\$'000	2010 HK\$'000
Financial assets at fair value through profit or loss		
- net unrealised (loss)/gain from market price movements	(576,706)	75,455
- net unrealised exchange (loss)/gain	(48,144)	26,836
- net realised gain (<i>note</i>)	10,078	10,908
Impairment of available-for-sale investments	(1,517)	(112)
Net unrealised loss on derivative financial instruments	(7,799)	(10,298)
	<u>(624,088)</u>	<u>102,789</u>

Note:

Net realised gain on financial assets at fair value through profit or loss		
Gross proceeds	442,853	230,977
Cost of purchase	(262,590)	(107,912)
Total gain	<u>180,263</u>	<u>123,065</u>
Net unrealised gain recognised in prior years	(170,185)	(112,157)
	<u>10,078</u>	<u>10,908</u>

4. Income and expenses by nature

	Six months ended 30th September	
	2011	2010
	HK\$'000	HK\$'000
Income		
Interest income		
- Listed investments	50,581	17,400
- Unlisted investments	-	16
- Other receivables	1,316	877
- Bank deposits	242	148
Dividend income		
- Listed investments	7,554	13,700
Expenses		
Operating lease rental expense for land and buildings	3,620	3,001
Costs of goods sold	87,148	99,246

5. Income tax expense

	Six months ended 30th September	
	2011	2010
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	1,867	373
Over provision in prior years	(5,315)	-
	(3,448)	373
Deferred income tax	10,840	8,589
	7,392	8,962

Hong Kong profits tax is provided at the rate of 16.5% (2010: 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 of Directors does not recommend the payment of an interim dividend for the six months ended 30th September 2011 (2010: HK0.25 cent per share with a scrip option).

7. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the period attributable to shareholders of HK\$487,246,000 (2010: profit of HK\$151,182,000) and divided by the weighted average number of 1,537,832,379 (2010: 1,346,257,141) shares in issue during the period.

For the six months ended 30th September 2011, the outstanding share options did not have a diluted effect on the loss per share, the basic and diluted loss per share were equal.

The calculation of diluted earnings per share for the six months ended 30th September 2010 was based on the profit for the period attributable to shareholders of HK\$151,182,000 and 1,446,734,132 shares equaling to the weighted average number of 1,346,257,141 shares in issue during the period plus 100,476,991 potential shares deemed to be in issue assuming the outstanding warrants had been exercised. The outstanding share options did not have a diluted effect on the earnings per share.

8. Trade and other receivables

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

Trade receivables of the Group amounted to HK\$37,048,000 (31st March 2011: HK\$30,348,000). 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.

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

	30th September 2011 HK\$'000	31st March 2011 HK\$'000
0 - 60 days	36,371	29,825
61 - 120 days	677	500
More than 120 days	-	23
	<u>37,048</u>	<u>30,348</u>

9. Trade and other payables

Trade and other payables of the Group include trade payables and deposits, rental and management fee deposits, retentions payable of construction costs and various accruals.

Trade payables of the Group amounted to HK\$13,977,000 (31st March 2011: HK\$15,137,000).

Aging analysis of trade payables is as follows:

	30th September 2011 HK\$'000	31st March 2011 HK\$'000
0 - 60 days	13,920	15,073
61 - 120 days	38	47
More than 120 days	19	17
	<u>13,977</u>	<u>15,137</u>

Management Discussion and Analysis

Interim Results

For the six months period ended 30th September 2011, the Group's revenue and contributions from hotel operation were HK\$238 million and HK\$133 million, respectively, the former had an 25% increase and the latter an 36% increase over the same period of last year. The Group, however, recorded a loss attributable to shareholders of HK\$487 million as compared to a profit of HK\$151 million for the same period of last year. The loss was mainly due to unrealised losses of HK\$626 million arising from drop in fair value of the Group's securities investments as a result of the recent downturn in the global financial markets. For the same period in 2010 the Group recorded unrealised gains arising from increase in fair value of its investments. These unrealised fair value losses or gains have no effect on the cash flow of the Group in their respective reporting periods. Basic loss per share during the period was HK31.7 cents as compared with the basic earnings per share of HK11.2 cents in 2010.

Business Review

Visitors' arrivals to Hong Kong reached 21 million in the period under review, 18% higher when compared to the same period last year. Mainland China was the growth engine driven by strong travel and consumption sentiments among the Chinese consumers. Cumulative arrivals from the market surged by 27% to exceed 13.8 million between April and September 2011.

Empire Hotel Hong Kong

Empire Hong Kong's average room rate increased by 36% and average occupancy rate increased by 1% to 91%. Total revenue amounted to HK\$69 million, and its gross operating profit amounted to HK\$42 million. We will further step up our promotion on MICE for high yield business travelers by capitalising on our new lobby, meeting facilities and location conveniences.

Empire Hotel Kowloon

Empire Kowloon's average room rate increased by 36% and average occupancy rate stayed at 91%. Total revenue amounted to HK\$65 million, and its gross operating profit amounted to HK\$42 million.

Empire Hotel Causeway Bay

Empire Causeway Bay's average room rate increased by 38% and average occupancy rate stayed at 88%. Total revenue amounted to HK\$44 million, and its gross operating profit amounted to HK\$26 million.

Empire Landmark Hotel Vancouver

Empire Landmark's average room rate increased by 4% and average occupancy rate increased by 2% to 76%. Total revenue amounted to HK\$60 million, and its gross operating profit amounted to HK\$24 million.

Travel and Catering

Revenues for the travel and catering amounted to HK\$97 million and HK\$6 million, respectively.

Investments

The Group's financial investment portfolio of HK\$1,565 million were denominated in Hong Kong dollars (21%), United States dollars (26%), Sterling (26%) and Euro (27%) (31st March 2011: HK\$1,919 million). This segment of business generated through profit and loss account a total income of HK\$58 million (2010: HK\$31 million) but incurred a net investment loss of HK\$624 million, which comprised mainly of unrealised losses of HK\$626 million arising from drop in fair value of its investment. On the contrary, the Group, recorded a net investment gain that comprised mainly of unrealised gains of HK\$102 million for the same period in 2010.

As at 30th September 2011, an approximate value of HK\$710 million (31st March 2011: HK\$492 million) of these investments were pledged to banks as collateral for credit facilities granted to the Group.

Financial Review

Total assets amounted to HK\$4,347 million (31st March 2011: HK\$4,723 million). Based on independent valuation, the total revalued amount of the four hotel properties as at 30th September 2011 was HK\$7,681 million, increased by 13% when compared with that as at 31st March 2011.

The shareholders' funds amounted to HK\$2,238 million (31st March 2011: HK\$2,796 million). The decrease was mainly due to loss for the period. Taking into account the market value of the hotel properties, the revalued net asset value of the Group would be HK\$7,365 million.

The consolidated net bank borrowings was HK\$1,862 million (31st March 2011: HK\$1,699 million). 68% of the gross bank borrowings or HK\$1,345 million was denominated in Hong Kong dollars, and the remaining 32% or to the equivalent of HK\$629 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 8 years. 21% of total borrowings were from revolving credit facilities secured by hotel properties. 25% of total borrowings were in the form of revolving credit facilities through the pledge of financial assets investment. The remaining was secured by hotel properties with 13% repayable between one to five years and 38% repayable after five years. At 30th September 2011, the Group had current assets of HK\$1,652 million (31st March 2011: HK\$1,916 million).

The Group's gearing ratio, expressed as a percentage of net debt over the net asset value, increased to 83% (31st March 2011: 61%), and after taking into account the fair value of hotel properties at the balance sheet date, the gearing was at a level of 25% (31st March 2011: 24%).

The aggregate net book value of hotel properties pledged as collateral for banking facilities of the Group as at 30th September 2011 amounted to HK\$2,525 million (31st March 2011: HK\$2,582 million).

The aggregate carrying amount of financial assets pledged to banks as collateral for credit facilities of the Group amounted to HK\$710 million (31st March 2011: HK\$492 million).

Human Resources

As at 30th September 2011, the total number of employees of the Company and its subsidiaries was 471. 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

Mainland China and the short-haul markets will continue to be the growth engine of our tourism. We very much remain optimistic on the longer-term prospects, capitalising on location conveniences of our hotels and the continuous robust growth of the mainland economies.

While investment sentiments around the globe remain volatile, we are taking a cautious approach to our investment portfolio.

Interim Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th September 2011 (2010: HK0.25 cent per share with a scrip option).

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.

Model Code for 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 set out in the Model Code throughout the six months ended 30th September 2011.

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 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.

Audit Committee

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30th September 2011.

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

Hong Kong, 28th November 2011

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 and Mr. Hung Yat Ming.