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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 2009

FINANCIAL HIGHLIGHTS

(In HK\$ million, except otherwise indicated)

	Six months ended 30th September		Change
	2009	2008	
Consolidated profit and loss account			
Revenue	260	337	-23%
Contribution from hotel operations	51	94	-46%
Net investment gain/(loss)	325	(86)	N/A
Profit for the period attributable to shareholders	313	1.5	+204 times
Earnings per share – basic (HK cent)	23.96	0.12	+199 times
	30th September 2009	31st March 2009	
Consolidated balance sheet			
Net assets	2,266	1,774	+28%
Net debt	1,495	1,332	+12%
Supplementary information with hotel properties at valuations:			
Revalued net asset value	3,713	3,211	+16%
Revalued net asset value per share (HK\$)	2.84	2.50	+14%
Gearing - Net debt to revalued net asset value (%)	40%	42%	-2%

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 2009 together with the comparative figures for the six months ended 30th September 2008 were as follows :

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

For the six months ended 30th September

	<i>Note</i>	2009 HK\$'000	2008 HK\$'000
Revenue	2	259,625	337,083
Cost of sales		(142,262)	(196,091)
Gross profit		117,363	140,992
Net investment gain/(loss)	3	325,327	(85,516)
Selling and administrative expenses		(50,100)	(41,747)
Depreciation and amortisation		(43,239)	(33,461)
Other (charge)/income	4	(10,780)	34,850
Operating profit	5	338,571	15,118
Finance costs		(21,666)	(12,640)
Profit before income tax		316,905	2,478
Income tax expense	6	(3,619)	(952)
Profit for the period attributable to shareholders		313,286	1,526
Earnings per share (HK cent)			
Basic	8	23.96	0.12
Diluted	8	22.58	0.12

Condensed Consolidated Statement of Comprehensive Income – Unaudited

	Six months ended 30th September	
	2009 HK\$'000	2008 HK\$'000
Profit for the period	<u>313,286</u>	<u>1,526</u>
Other comprehensive income:		
Currency translation differences	27,023	(5,909)
Release of reserve upon disposal of available-for-sale investments	7,457	-
Net fair value gain/(loss) on available-for-sale investments	142,775	(59,658)
Impairment loss of available-for-sale investments charged to profit and loss account	<u>1,531</u>	<u>32,756</u>
Other comprehensive income/(charge) for the period	<u>178,786</u>	<u>(32,811)</u>
Total comprehensive income/(charge) for the period attributable to shareholders	<u><u>492,072</u></u>	<u><u>(31,285)</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET - UNAUDITED

	<i>Note</i>	30th September 2009 HK\$'000	31st March 2009 HK\$'000
Non-current assets			
Property, plant and equipment		1,007,997	958,262
Leasehold land		1,645,263	1,658,726
Deferred income tax assets		5,221	7,771
Available-for-sale investments		333,828	182,428
		2,992,309	2,807,187
Current assets			
Inventories		2,115	2,160
Derivative financial instruments		79	12,806
Financial assets at fair value through profit or loss		826,736	308,132
Trade and other receivables	9	79,490	83,867
Bank balances and cash		72,116	75,884
		980,536	482,849
Current liabilities			
Derivative financial instruments		18,054	15,773
Trade and other payables	10	70,645	53,931
Current income tax payable		15,414	14,512
Short term borrowings		563,204	415,011
Current portion of long term borrowings		68,241	43,432
Warrant liabilities		34,617	-
		770,175	542,659
Net current assets/(liabilities)		210,361	(59,810)
Total assets less current liabilities		3,202,670	2,747,377
Non-current liabilities			
Warrant liabilities		-	23,935
Long term borrowings		935,520	948,964
Deferred income tax liabilities		853	602
		936,373	973,501
Net assets		2,266,297	1,773,876
Equity			
Share capital		26,158	261,409
Reserves		2,240,139	1,512,467
		2,266,297	1,773,876

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 2009.

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 2009.

The following new and revised standards and amendments to existing standards (“new HKFRS”) are relevant to the Group’s operations and are mandatory for accounting periods beginning on or after 1st January 2009:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

Except for certain changes in presentation and disclosures as described below, the adoption of the above new HKFRS 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.

- HKAS 1 (Revised), “Presentation of Financial Statements”. The Group has elected to present two statements: a profit and loss account and a statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.
- HKFRS 8, “Operating Segments”. HKFRS 8 replaces HKAS 14, “Segment reporting”. It requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in certain changes in the presentation and disclosure information of the reportable segments.

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 and derivative financial instruments.

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

Business segments

	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 2009						
Room rentals	97,301					
Food and beverages	22,846					
Ancillary services	3,104					
Rental income	6,587					
Turnover	129,838	5,573	96,756	143,279	877	376,323
Segment revenue	129,838	5,573	96,756	26,581	877	259,625
Contribution to segment results	50,834	(1,532)	(385)	27,210	877	77,004
Net investment gain	-	-	-	325,327	-	325,327
Depreciation and amortisation	(43,087)	(87)	(20)	-	(45)	(43,239)
Other charge	-	-	-	-	(10,780)	(10,780)
Segment results	7,747	(1,619)	(405)	352,537	(9,948)	348,312
Unallocated corporate expenses						(9,741)
Operating profit						338,571
Finance costs						(21,666)
Profit before income tax						316,905
Income tax expense						(3,619)
Profit for the period attributable to shareholders						313,286

2. Turnover and segment information (continued)

Business segments (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 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	14,105	1,892	342,194
Segment revenue	167,436	9,397	149,364	8,994	1,892	337,083
Contribution to segment results	93,746	1,014	740	8,514	1,892	105,906
Net investment loss	-	-	-	(85,516)	-	(85,516)
Depreciation and amortisation	(33,371)	(22)	(24)	-	(44)	(33,461)
Other income	-	-	-	-	34,850	34,850
Segment results	60,375	992	716	(77,002)	36,698	21,779
Unallocated corporate expenses						(6,661)
Operating profit						15,118
Finance costs						(12,640)
Profit before income tax						2,478
Income tax expense						(952)
Profit for the period 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	Investments HK\$'000	Others HK\$'000	Total HK\$'000
As at 30th September 2009						
Segment assets	2,687,012	3,589	10,678	1,168,321	25,908	3,895,508
Other unallocated assets						<u>77,337</u>
						<u><u>3,972,845</u></u>
Segment liabilities						
Borrowings	1,003,761	-	-	19,554	543,650	1,566,965
Other unallocated liabilities						<u>139,583</u>
						<u><u>1,706,548</u></u>
Additions to non-current assets	39,179	5	9	-	-	39,193
<hr/>						
As at 31st March 2009						
Segment assets	2,649,595	4,010	13,035	513,103	26,638	3,206,381
Other unallocated assets						<u>83,655</u>
						<u><u>3,290,036</u></u>
Segment liabilities						
Borrowings	992,396	-	-	-	415,011	1,407,407
Other unallocated liabilities						<u>108,753</u>
						<u><u>1,516,160</u></u>
Additions to non-current assets for the six months ended 30th September 2008	75,283	14	80	-	-	75,377

2. Turnover and segment information (continued)

Geographical segments

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

Hong Kong	- all the Group's business segments
China (excluding Hong Kong)	- catering
North America	- hotel, catering and investment
Europe	- investment

A summary of geographical segments is set out as follows:

	For the six months ended 30th September 2009			As at 30th September 2009
	Turnover HK\$'000	Segment revenue HK\$'000	Operating profit / (loss) HK\$'000	Total assets HK\$'000
Hong Kong	285,280	193,890	(4,741)	2,825,853
China (excluding Hong Kong)	962	962	(848)	12,371
North America	62,720	45,428	20,697	414,336
Europe	27,361	19,345	323,463	720,285
	<u>376,323</u>	<u>259,625</u>	<u>338,571</u>	<u>3,972,845</u>

	For the six months ended 30th September 2008			As at 31st March 2009
	Turnover HK\$'000	Segment revenue HK\$'000	Operating profit/(loss) HK\$'000	Total assets HK\$'000
Hong Kong	273,516	268,405	10,403	2,766,214
China (excluding Hong Kong)	4,428	4,428	1,581	13,482
North America	64,250	64,250	3,777	266,464
Europe	-	-	(643)	243,876
	<u>342,194</u>	<u>337,083</u>	<u>15,118</u>	<u>3,290,036</u>

3. Net investment gain/(loss)

	Six months ended 30th September	
	2009	2008
	HK\$'000	HK\$'000
Unrealised gain/(loss) on:		
- Financial assets at fair value through profit or loss	323,769	(36,607)
- Derivative financial instruments	4,701	(16,353)
Impairment loss of available-for-sale investments	(1,531)	(32,756)
Net realised gain/(loss) on disposal of:		
- Financial assets at fair value through profit or loss	10,329	200
- Available-for-sale investments	1,114	-
- Derivative financial instruments	(3,565)	-
Provision for impairment on interest receivable from investments	(9,490)	-
	<u>325,327</u>	<u>(85,516)</u>

4. Other (charge)/income

	Six months ended 30th September	
	2009	2008
	HK\$'000	HK\$'000
Fair value (loss)/gain on warrant liabilities	<u>(10,780)</u>	<u>34,850</u>

5. Income and expenses by nature

	Six months ended 30th September	
	2009	2008
	HK\$'000	HK\$'000
Income		
Dividend income on:		
- Listed investments	23,222	7,512
- Unlisted investments	89	72
Interest income on:		
- Listed investments	2,545	-
- Unlisted investments	144	32
- Other receivables	877	1,892
- Bank deposits	109	1,165
	<u> </u>	<u> </u>
Expenses		
Operating lease rental expense for land and buildings	3,099	3,167
Costs of goods sold	83,275	130,805
	<u> </u>	<u> </u>

6. Income tax expense

	Six months ended	
	30th September	
	2009	2008
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	32	-
Overseas profits tax	785	-
	<u>817</u>	<u>-</u>
Deferred income tax	2,802	952
Income tax expense	<u>3,619</u>	<u>952</u>

Hong Kong profits tax is provided at the rate of 16.5% on the estimated assessable profit for the period. In 2008, no Hong Kong profits tax was provided for as the Group had sufficient tax loss bought forward to set off against 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 rates of tax prevailing in the countries in which the Group operates.

7. Dividend

The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30th September 2009 (2008: 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\$313,286,000 (2008: HK\$1,526,000) and divided by weighted average number of 1,307,557,161 (2008 restated: 1,290,820,664, adjusted for the effect of the consolidation of ordinary shares based on the ratio of 10 to 1) shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30th September 2009 was based on the profit for the period attributable to shareholders of HK\$313,286,000 and 1,387,270,256 shares equalling to the weighted average number of 1,307,557,161 shares in issue during the period plus 79,713,095 potential shares deemed to be in issue assuming the outstanding warrants had been exercised.

The outstanding share options did not have any dilutive effect on the earnings per share for the six months ended 30th September 2009.

The basic and diluted earnings per share were the same for the six months ended 30th September 2008 as the outstanding share options and warrants did not have a dilutive effect on the earnings per share.

9. 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\$33,504,000 (31st March 2009: HK\$23,455,000). 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 2009 HK\$'000	31st March 2009 HK\$'000
0 - 60 days	32,196	23,054
61 - 120 days	1,251	160
Over 120 days	57	241
	<u>33,504</u>	<u>23,455</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 and various accruals.

Trade payables of the Group amounted to HK\$16,587,000 (31st March 2009: HK\$13,888,000).

Aging analysis of trade payables is as follows:

	30th September 2009 HK\$'000	31st March 2009 HK\$'000
0 - 60 days	14,928	13,734
61 - 120 days	1,245	41
Over 120 days	414	113
	<u>16,587</u>	<u>13,888</u>

11. Comparative figures

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

Management Discussion and Analysis

Interim Results

The Group's revenue for the six months ended 30th September 2009 amounted to HK\$260 million, decreasing by HK\$77 million or 23% compared with the same period of last year. Despite the difficult business environment of the global tourism industry during the period, including that of Hong Kong and Vancouver where the Group's hotels operate in, the Group's profit attributable to shareholders, however, increased to HK\$313 million when compared with HK\$1.5 million of the same period of last year. The improvement was mainly attributable to the fair value gain from financial assets held for trading at the balance sheet date in contrast to a fair value loss being recorded in the same period of 2008. Basic earnings per share during the period was HK23.96 cents when compared with the basic earnings per share of HK0.12 cent in 2008.

Business Review

On the demand side, visitor arrivals to Hong Kong between April and September dropped 5% from the same period of last year. All market regions show negative growth during the period with a single-digit decline in arrivals for the long-haul market regions, and a decline of 12% for the short-haul regions (excluding mainland China).

On the supply side, the number of hotel rooms under high tariff B category has seen a 14% increase during the period under review from the same period of last year.

Empire Hotel, Hong Kong

Empire Hong Kong's average room rate decreased by 35% at an average occupancy rate of 77%. Total revenue amounted to HK\$37 million and its gross operating profit amounted to HK\$16 million. With a number of refurbishment projects being completed during the period under review, including the provision of corporate meeting spaces and facilities, the hotel would be in a position to complement further in the higher yield business segment.

Empire Hotel, Kowloon

Empire Kowloon's average rate decreased by 33% at an average occupancy rate of 79%. Total revenue amounted to HK\$34 million and its gross operating profit amounted to HK\$15 million. The addition of 28 new spa life style rooms in operation since February 2009 were well received by higher yield guests.

Empire Landmark Hotel, Vancouver

Empire Landmark's average rate decreased by 18% at an average occupancy rate of 63%. Total revenue amounted to HK\$45 million, and its gross operating profit amounted to HK\$17 million. This hotel had completed several major upgrade works during the period, including the elevators, the property management computer and telephone systems, the guest room key system and the main fire panel. The replacement works on various in-room furnishings such as TV are now in progress. This extensive asset enhancement program shall continue progressively in the next 2 years to improve the guest experience and to position itself as one of the best in its class.

The New 280 rooms hotel in Causeway Bay

Empire Causeway Bay has recorded an occupancy rate of 82% in the second quarter of the reporting period since its commencement of business in mid April 2009. On the strength of its convenience, it has been selected as one of the hotels for accommodating athletes for the 5th 2009 East Asian Games hosted in Hong Kong in December 2009, a major event in the Asian international sports arena held once every four years.

This hotel has started its contribution to the Group's operating profit in this reporting period. Its stylish design and convenient location are well received by corporate clients and leisure visitors. We are confident it will bring in substantial contributions in the future.

The Group's room portfolio during the period under review has been enlarged by 30% from 1,035 rooms to 1,343 rooms.

Travel and Catering

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

Financial Review

As at 30th September 2009, total assets amounted to HK\$3,973 million, increased 21% when compared with HK\$3,290 million as at 31st March 2009. Appraised by independent professional valuers on an open market value basis, the total revalued amount of the four hotel properties as at 30th September 2009 was HK\$4,377 million, increased by 1% when compared with that prepared on the same basis as at 31st March 2009.

The shareholders' funds amounted to HK\$2,266 million, increased by HK\$492 million when compared with HK\$1,774 million as at 31st March 2009. The increase was mainly due to the fair value gain on financial assets. Taking into account the market value of the hotel properties, the revalued net asset value of the Group would become HK\$3,713 million.

The Group maintains a diversified investment portfolio which comprises mainly listed equity and debt securities. As at 30th September 2009, the Group had long term investments of HK\$334 million and other financial assets of HK\$827 million. This segment of business generated total dividend and interest income of HK\$26 million (2008: HK\$8 million), and a realised gain of HK\$8 million (2008: Nil) from the disposal of some of the investments during the period. At the balance sheet date, the Group recorded significant unrealised fair value gains of HK\$328 million and HK\$143 million on the financial assets at fair value through profit or loss and available-for-sale investments, respectively. The former was recognised through the profit and loss account, and the latter through the equity reserve account. These fair value gains have no effect on the cash flow of the Group in the reporting period.

The consolidated net bank borrowings was HK\$1,495 million, increased by HK\$163 million when compared with that at 31st March 2009. Gross bank borrowings denominated in HK dollars amounted to HK\$1,412 million, representing 90% of the total gross bank borrowings. 10% of the total gross bank borrowings or to the equivalent of HK\$156 million were in foreign currencies, out of which 6% was the Vancouver property mortgage loan of HK\$97 million (31st March 2009: HK\$87 million) that was borrowed in Canadian dollar. The Canadian dollar appreciated 18% at the balance sheet date when compared with that at 31 March 2009, and the corresponding net exchange gain of HK\$27 million was credited to the equity reserve account. A total of HK\$150 million interest rate swap contracts were held for hedging purposes against our borrowings, which were all at floating interest rate.

Of the total gross bank borrowings, 40% was repayable within one year, and 40% was repayable after five years. As at 30th September 2009, the Group had net current assets of HK\$210 million (31st March 2009: net current liabilities of HK\$60 million).

The Group's gearing ratio, expressed as a percentage of net debt over the net asset value, decreased to 66% (31st March 2009: 75%), and after taking into account the fair value of hotel properties at the balance sheet date, the gearing was at a level of 40% (31st March 2009: 42%).

The aggregate net book value of hotel properties pledged as securities for loans of the Group as at 30th September 2009 amounted to HK\$2,652 million (31st March 2009: HK\$2,615 million).

During the period under review, the ordinary shares of the Company have been consolidated based on the ratio of 10 to 1. This capital consolidation will increase the trading price per board lot and hence reduce the overall transaction and handling costs for dealing in the consolidated shares, and will also reduce the operating costs of the Group in handling a smaller number of shares as a result.

Human Resources

As at 30th September 2009, the total number of employees of the Company and its subsidiaries were 420. In addition to salary payment, other additional benefits include insurance, medical scheme and retirement plans and others.

Future Prospects

Looking ahead, the operating environment will remain 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.

The severe decline in arrivals to Hong Kong from both long- and short-haul regions between May and July following the outbreak of human swine flu was reversed in August. This growth trend continued in September, driven mainly by a continued gain from Mainland China as well as seasonal growth from South East Asia.

Our Empire Landmark Hotel in Vancouver has made provision of its rooms and its 13,000 sq ft meeting facilities for accommodating delegates, athletes and participants of the media industry from around the world for the Winter Olympic Games to be hosted by Canada in February 2010.

The Group's earnings outlook would be further strengthened when contributions from the new 280 rooms' Empire Causeway Bay fully set in.

We remain optimistic on the longer-term prospects as the global economy regains footing, which will lead to growth in the tourism sector.

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.

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 2009.

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 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 financial report of the Group for the six months period ended 30th September 2009 has been reviewed by the Audit Committee.

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

Hong Kong, 8th December 2009

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.