



ASIA STANDARD HOTEL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 292)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2009

FINANCIAL HIGHLIGHTS	2009	2008	Change
(in HK\$ million, except otherwise indicated)			
Revenue	604	633	-5%
Contribution from hotel operations	150	180	-17%
Net investments (loss)/gain	(264)	13	N/A
(Loss)/profit attributable to shareholders	(230)	96	N/A
Net debt	1,332	900	+48%
Net assets	1,774	2,068	-14%
Revalued net assets value*	3,211	3,599	-11%
Revalued net assets value per share* (HK\$)	0.25	0.28	-11%
Gearing – net debt to revalued net assets value*	42%	25%	+17%
* These are unaudited supplementary information taking into account the fair market value of hotel properties and the corresponding deferred tax in addition to the net assets value based on the financial statements prepared in accordance with Hong Kong Financial Reporting Standards.			

The Directors of Asia Standard Hotel Group Limited (the “Company”) announce that the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2009 together with the comparative figures for the year ended 31st March 2008 were as follows :

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2009

	<i>Note</i>	2009 HK\$'000	2008 <i>HK\$'000</i>
Revenue	3	603,533	632,774
Cost of sales	5	(352,025)	(370,837)
Gross profit		251,508	261,937
Selling and administrative expenses	5	(94,221)	(94,467)
Depreciation and amortisation		(68,660)	(68,364)
Other income and charges	4	(268,666)	50,745
Operating (loss)/profit		(180,039)	149,851
Finance costs		(38,055)	(39,629)
(Loss)/profit before income tax		(218,094)	110,222
Income tax expense	6	(12,201)	(13,952)
(Loss)/profit for the year attributable to shareholders		(230,295)	96,270
Dividends	7	-	42,141
(Loss)/earnings per share – basic and diluted (HK cents)		(1.77)	0.76

CONSOLIDATED BALANCE SHEET*As at 31st March 2009*

	<i>Note</i>	2009 HK\$'000	2008 HK\$'000
Non-current assets			
Property, plant and equipment		958,262	899,114
Leasehold land		1,658,726	1,685,653
Goodwill		-	9,640
Deferred income tax assets		7,771	18,883
Available-for-sale investments		182,428	313,976
		<u>2,807,187</u>	<u>2,927,266</u>
Current assets			
Inventories		2,160	2,268
Derivative financial instruments		12,806	-
Financial assets at fair value through profit or loss		308,132	88,108
Trade and other receivables	9	83,867	88,101
Bank balances and cash		75,884	84,116
		<u>482,849</u>	<u>262,593</u>
Current liabilities			
Derivative financial instruments		15,773	18,332
Trade and other payables	10	53,931	51,540
Current income tax payable		14,512	14,025
Short term borrowings		415,011	378,295
Current portion of long term borrowings		43,432	11,075
		<u>542,659</u>	<u>473,267</u>
Net current liabilities		<u>(59,810)</u>	<u>(210,674)</u>
Total assets less current liabilities		<u>2,747,377</u>	<u>2,716,592</u>
Non-current liabilities			
Warrant liabilities		23,935	51,325
Long term borrowings		948,964	594,373
Deferred income tax liabilities		602	2,607
		<u>973,501</u>	<u>648,305</u>
Net assets		<u>1,773,876</u>	<u>2,068,287</u>
Equity			
Share capital		261,409	258,164
Reserves		1,512,467	1,810,123
		<u>1,773,876</u>	<u>2,068,287</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, available-for-sale investments, warrant liabilities and derivative financial instruments, which are carried at fair value, and in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

2. The adoption of new/revised HKFRS

During the year, the Group adopted the HKAS 39 and HKFRS 7 (Amendments) “Reclassification of Financial Assets” which are relevant to its operations.

The adoption of HKAS 39 and HKFRS 7 (Amendments) resulted in the reclassification of certain financial assets at fair value through profit or loss to available-for-sale investments. These amendments are effective prospectively from 1st July 2008.

3. Turnover and segment information

Revenue includes revenue from hotel, catering services, travel agency operations, dividend and interest income. Turnover comprises revenue from hotel, catering services, travel agency operations, dividend and interest income, together with gross proceeds from sale of securities investments.

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

Business segments

	Hotel operation	Catering services	Travel agency	Investments	Others	Total
2009 (in HK\$'000)						
Room rentals	238,873					
Food and beverages	40,525					
Ancillary services	6,185					
Rental income	12,559					
Turnover	298,142	15,572	263,952	42,998	3,591	624,255
Segment revenue	298,142	15,572	263,952	22,276	3,591	603,533
Contribution to segment results	150,449	231	(636)	21,958	3,591	175,593
Depreciation and amortisation	(68,460)	(57)	(54)	-	(89)	(68,660)
Other income and charges	-	(9,640)	-	(286,416)	27,390	(268,666)
	81,989	(9,466)	(690)	(264,458)	30,892	(161,733)
Unallocated corporate expenses						(18,306)
Operating loss						(180,039)
Finance costs						(38,055)
Loss before income tax						(218,094)
Income tax expense						(12,201)
Loss for the year attributable to shareholders						(230,295)

3. Turnover and segment information (Continued)

Business segments (Continued)

	Hotel operation	Catering services	Travel agency	Investments	Others	Total
2008 (in HK\$'000)						
Room rentals	252,108					
Food and beverages	47,874					
Ancillary services	10,849					
Rental income	14,381					
Turnover	325,212	20,349	282,817	483,967	2,671	1,115,016
Segment revenue	325,212	20,349	282,817	1,725	2,671	632,774
Contribution to segment results	180,400	1,763	(162)	1,725	2,671	186,397
Depreciation and amortisation	(68,177)	(39)	(60)	-	(88)	(68,364)
Other income and charges	-	-	(3,548)	11,191	43,102	50,745
	112,223	1,724	(3,770)	12,916	45,685	168,778
Unallocated corporate expenses						(18,927)
Operating profit						149,851
Finance costs						(39,629)
Profit before income tax						110,222
Income tax expense						(13,952)
Profit for the year attributable to shareholders						96,270

3. Turnover and segment information (Continued)

Geographical segments

	Turnover	Segment revenue	Operating (loss)/profit
2009 (in HK\$'000)			
Hong Kong	518,480	500,324	(115,625)
China (excluding Hong Kong)	4,996	4,996	(1,133)
Europe	9,807	7,241	(12,962)
North America	90,972	90,972	(50,319)
	<u>624,255</u>	<u>603,533</u>	<u>(180,039)</u>
2008 (in HK\$'000)			
Hong Kong	992,136	522,520	129,877
China (excluding Hong Kong)	8,745	8,745	2,236
North America	114,135	101,509	17,738
	<u>1,115,016</u>	<u>632,774</u>	<u>149,851</u>

4. Other income and charges

	2009 HK\$'000	2008 HK\$'000
Impairment of goodwill	(9,640)	(3,548)
Share options expense	-	(22,400)
Fair value gain on warrant liabilities	27,390	65,502
Realised (loss)/gain on disposal of financial assets at fair value through profit or loss	(17,130)	34,745
Unrealised loss on financial assets at fair value through profit or loss	(80,202)	(10,159)
Fair value loss on derivative financial instruments	(11,598)	(13,395)
Impairment of available-for-sale investments	(177,486)	-
	<u>(268,666)</u>	<u>50,745</u>

5. Income and expense by nature

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Income		
Interest income		
- Listed investments	1,956	-
- Unlisted investments	2,145	-
- Loans	2,875	958
- Bank deposits	716	1,713
Dividend income		
- Listed investments	17,861	1,656
- Unlisted investments	99	69
	<u>231,679</u>	<u>249,849</u>
Expenses		
Cost of goods sold	<u>231,679</u>	<u>249,849</u>

6. Income tax expense

In 2008, the Hong Kong government enacted a change on profits tax rate from 17.5% to 16.5% for the fiscal year of 2008/2009. Hong Kong profits tax is provided at the rate of 16.5% on the estimated assessable profit for the year (2008: 17.5%). Income tax on overseas has been calculated on the estimated assessable profit for the year at the rates of tax prevailing in the countries in which the Group operates.

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current income tax		
Hong Kong profits tax	-	2,463
Overseas profits tax	487	-
	<u>487</u>	<u>2,463</u>
Deferred income tax	11,714	11,489
Income tax expense	<u>12,201</u>	<u>13,952</u>

7. Dividends

No interim dividend was declared for the year (2008: HK0.26 cent per share). The Board did not recommend the payment of a final dividend for the year ended 31st March 2009 (2008: HK0.07 cent in scrip per share).

8. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to shareholders of HK\$230,295,000 (2008: profit of HK\$96,270,000) and divided by the weighted average number of 12,988,206,347 (2008: 12,605,196,985) shares in issue during the year ended 31st March 2009.

The outstanding warrants, share options and convertible notes did not have any dilutive effect on the (loss)/earnings per share for the years ended 31st March 2009 and 2008, so the diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share for the years ended 31st March 2009 and 2008.

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\$23,455,000 (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.

An ageing analysis of trade receivables net of provision for impairment, which are included in trade and other receivables is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 - 60 days	23,054	36,002
61 - 120 days	160	1,082
Over 120 days	241	15
	<u>23,455</u>	<u>37,099</u>

10. Trade and other payables

Trade and other payables of the Group include trade payables, rental and management fee deposits, retention payable of construction costs and various accruals. Trade payables of the Group amounted to HK\$13,888,000 (2008: HK\$16,710,000).

An ageing analysis of trade payables, which are included in trade and other payables, is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 - 60 days	13,734	16,364
61 - 120 days	41	33
Over 120 days	113	313
	<u>13,888</u>	<u>16,710</u>

11. Comparative figures

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

The figures in this preliminary announcement have been agreed by PricewaterhouseCoopers ("PwC") to those in the Group's draft consolidated financial statements for the year ended 31st March 2009. The work performed by PwC in this respect was limited and did not constitute an audit, review and other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC for this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group's revenue and contributions from hotel operation for the twelve months ended 31st March 2009 were HK\$604 million and HK\$150 million, respectively, while the former had a 5% drop and the latter a 17% drop over the same period of last year. Loss attributable to shareholders for the year was HK\$230 million as compared to a profit of HK\$96 million for the same period of last year. The loss was mainly due to the unrealised mark to market losses of HK\$269 million arising from the investment activities of the Group that had no effect on the cash flow of the Group and did not affect the core businesses of the Group.

BUSINESS REVIEW

2008 has been a strong year for Hong Kong tourism where the travel industry concluded with a growth of 4.7% at 29.5 million in visitor arrivals and 4.6% in the per capita spending of overnight visitors. For the first quarter of 2009, the total arrivals were 7.4 million, 1.8% ahead of the same period last year. However, the financial crisis and the ensuing credit crunch in the second half of year posed immense challenges to the global markets. All long-haul regions continued their decline trend from the last quarter of 2008 and registered double-digit decreases. As for the short-haul regions, all, except Mainland China, registered shortfall in arrivals in the first quarter. In line with the market, our hotels achieved steady results during the year, though the negative market sentiments began to affect business activity in the first quarter of 2009.

Empire Hotel Hong Kong

Empire Hong Kong's average room rate increased by 5% and occupancy rate stood at 83%. Total revenue amounted to HK\$111 million. During the year a number of assets enhancement programs have been implemented, in particular, the establishment of a new meeting venue and a new executive club lounge to specifically target for the high yield business travelers, thus further capitalizing on its prime location in Wan Chai, one of Hong Kong's prominent business districts.

Empire Hotel Kowloon

Empire Kowloon's average room rate increased by 2% while maintaining a high occupancy rate of 87%. Total revenue amounted to HK\$99 million. The new 28 additional guest rooms were commissioned in February 2009 bringing our total room inventory from 315 rooms to 343 rooms, an increase of 9%. These 28 additional rooms, built with contemporary and simplistic design, are geared towards commanding a premium over the room rates achieved by other guests' rooms.

Empire Landmark Hotel Vancouver

Empire Landmark's average room rate increased by 5% but occupancy dropped from 69% to 60%. Total revenue amounted to HK\$88 million. An extensive renovation and upgrading work has been planned to carry out in phases to avoid a discontinuity of guest arrivals, and at the same time, minimize disruption to the hotel's operation.

Empire Landmark Hotel, the tallest hotel in the heart of Vancouver with the award-winning revolving "Cloud 9" restaurant, will be sharing the excitement of the Winter Olympic Games hosted by Canada in February 2010 through the provision of hotel accommodation and its 13,000 sq ft meeting facilities to delegates and athletes from around the world.

The New 280 rooms' hotel in Causeway Bay

We are pleased to report that development of this hotel has been completed, with the occupation permit obtained in April 2009, and all 280 rooms were fully opened in May 2009. Consequently this hotel has no contribution to the Group's operating profit in this reporting period. However, with its stylish design and convenient location, we expect it to be well received by corporate clients and leisure visitors, and would bring in substantial contribution in years to come.

We are also pleased that this hotel, on the strength of its convenience, has been selected as one of the hotels for accommodating athletes for the 5th 2009 East Asian Games in Hong Kong, a major event in the Asian international sports arena held once every four years.

The Group's room portfolio will increase 30% from the current 1,035 rooms to 1,343 rooms as a direct result.

Travel and Catering

Revenues for the travel and catering amounted to HK\$264 million and HK\$16 million respectively.

FINANCIAL REVIEW

As at 31st March 2009, total assets amounted to HK\$3,290 million, increased by 3% 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 31st March 2009 was HK\$4,323 million, down by 3% when compared with that prepared on the same basis as at 31st March 2008.

The shareholders' funds amounted to HK\$1,774 million, decreased by HK\$294 million over last year. The decrease was mainly due to loss for the year of HK\$230 million, and the exchange translation loss of HK\$36 million from Canada operation. Taking into account the market value of the hotel properties, the revalued net asset value of the Group would become HK\$3,211 million.

The Group maintains a diversified investment portfolio which comprises mainly listed equities. As at 31st March 2009, the Group has long term securities investments of HK\$182 million and other financial assets and derivative financial instruments of HK\$305 million. This segment of business generated a total of HK\$22 million dividend and interest income, offset by a realised loss of HK\$17 million from the disposal of some of the investments during the year, which resulted in a net realised gain of HK\$5 million. However, owing to fair value changes on the investment portfolio at the balance sheet date, the Group recorded a significant unrealised mark to market loss of HK\$269 million, which was recognised through profit and loss account. Such loss has no impact on the cash flow of the Group. As at 30th June 2009, the market value of the Group's investment portfolio has recorded an improvement along with the current financial market performances.

The consolidated net debt was HK\$1,332 million, increased by HK\$432 million when compared with that at 31st March 2008. Gearing on net asset value increased from 43% to the present 75%, but after taking into account the fair value of hotel properties at the balance sheet date, the gearing was at a comfortable level at 42% (2008: 25%), which is also at a relatively low level compared to the thresholds stated at the financial covenants of the bank borrowings. The increase in gearing was due to increased bank borrowings, in part to finance the new hotel, the new additional rooms in our Empire Hotel Kowloon and a number of asset enhancement programs implemented in our existing hotels, and in other part, in the investment of fixed income financial assets, which their recurring dividend and interest income are expected to generate a steady and significant cash contribution to the Group. Despite the increase, the Group's liquidity and financing strength remained strong, with in excess of HK\$400 million unused banking facilities and liquidity of HK\$490 million in aggregate of its available-for-sale investment and financial assets at fair value through profit or loss at the balance sheet date.

87% of the total debt is denominated in HK dollar, the remaining is the Vancouver property mortgage loan of HK\$87 million (2008: HK\$118 million) that was borrowed in Canadian dollar, the local currency. A total of

HK\$200 million interest rate swap contracts denominated in HK dollar were entered for hedging purposes against our borrowings which are all at floating interest rate.

The aggregate net book value of hotel properties pledged as securities for loans of the Group as at 31st March 2009 amounted to HK\$2,615 million (2008: HK\$2,583 million).

Human Resources

As at 31st March 2009, the total number of employees of the Company and its subsidiaries were 423. In addition to salary payment, other additional benefits include insurance, share options, medical scheme and retirement plans and others.

Options to subscribe for a total of 700,000,000 shares of the Company at an exercise price of HK\$0.13 per share were granted on 2nd April 2007 under the share option scheme. Up to 31st March 2009, none of the option shares granted have been exercised.

FUTURE PROSPECTS

We remain optimistic on the longer-term prospects as the global economy regains footing, which will lead to growth in the tourism sector. However, for the short term, we expect the global economic slowdown and the widespread infections of H1N1 (swine-flu) to have an adverse impact on tourism industries around the globe.

Following the series of measures by the PRC government to facilitate Mainland residents to visit Hong Kong, we have refined our marketing strategy to better capitalize on the growth of the Mainland market and selected short-haul markets in light of the macro environment. More resources will also be deployed to develop emerging markets, high potential visitor segments, and new marketing windows. We will further step up our promotion on MICE capitalizing on our new meeting facilities and location conveniences, and to take action to develop a number of marketing initiatives, whilst at the same time, to optimize operational efficiency.

DIVIDENDS

No interim dividend was declared for the year (2008: HK0.26 cent per share). The Board did not recommend the payment of a final dividend for the year ended 31st March 2009 (2008: HK0.07 cent in scrip per share).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, 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 year.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Director of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year, and they all confirmed that they have fully complied with the required standard set out in the Model Code throughout the year ended 31st March 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year, 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 who have reviewed the annual financial statements of the Group for the year ended 31st March 2009.

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

Hong Kong, 7th July 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.