



ASIA STANDARD HOTEL GROUP LIMITED

Stock Code: 292

Interim Report
2012

Corporate Information

Directors

Executive

Mr. Poon Jing (*Chairman*)

Dr. Lim Yin Cheng

(*Deputy Chairman and Chief Executive*)

Mr. Poon Hai

(appointed on 9th July 2012)

Mr. Fung Siu To, Clement

Mr. Poon Tin Sau, Robert

(resigned on 9th July 2012)

Mr. Woo Wei Chun, Joseph

Independent Non-executive

Mr. Ip Chi Wai

Mr. Leung Wai Keung

Mr. Hung Yat Ming

Audit committee

Mr. Hung Yat Ming (*Chairman*)

Mr. Leung Wai Keung

Mr. Ip Chi Wai

Remuneration committee

Mr. Hung Yat Ming (*Chairman*)

Mr. Ip Chi Wai

Dr. Lim Yin Cheng

Authorised representatives

Dr. Lim Yin Cheng

Mr. Lee Tai Hay, Dominic

Company secretary

Mr. Lee Tai Hay, Dominic

Registered office

Canon's Court, 22 Victoria Street,

Hamilton HM12, Bermuda

Principal office in Hong Kong

30th Floor, Asia Orient Tower, Town Place,

33 Lockhart Road, Wanchai,

Hong Kong

Telephone 2866 3336

Facsimile 2866 3772

Website www.asiastandardhotelgroup.com

E-mail info@asia-standard.com.hk

Principal bankers

Industrial and Commercial Bank of
China (Asia)

Bank of China (Hong Kong)

The Hongkong and Shanghai Banking
Corporation

Industrial and Commercial Bank of
China (Canada)

DBS Bank (Hong Kong)

Wing Hang Bank

Chong Hing Bank

Hang Seng Bank

Barclays Bank

Bank Morgan Stanley

UBS

Bank Julius Baer

Legal advisers

Stephenson Harwood

35th Floor, Bank of China Tower,

1 Garden Road, Central,

Hong Kong

Appleby

2206-19 Jardine House,

1 Connaught Place, Central,

Hong Kong

Auditor

PricewaterhouseCoopers

Certified Public Accountants

22nd Floor, Prince's Building,

Central, Hong Kong

Share registrar in Bermuda

Butterfield Fulcrum Group (Bermuda) Limited

26 Burnaby Street,

Hamilton HM 11, Bermuda

Hong Kong branch share registrar and transfer office

Computershare Hong Kong Investor
Services Limited

Shops 1712-1716, 17th Floor,

Hopewell Centre,

183 Queen's Road East,

Wanchai, Hong Kong

Financial Highlights

	Six months ended		Change
	2012	2011	
(in HK\$ million, except otherwise indicated)			
Consolidated profit and loss account			
Revenue	420	401	+5%
Contribution from hotel operation	133	133	–
Net investment gain/(loss)	29	(624)	N/A
Depreciation	(41)	(45)	–9%
Net finance (costs)/income	(9)	7	N/A
Profit/(loss) for the period attributable to shareholders	141	(487)	N/A
Earnings/(loss) per share (HK cents)			
Basic and diluted	9.1	(31.7)	N/A

	30th	31st	Change
	September	March	
	2012	2012	
Consolidated balance sheet			
Total assets	4,325	4,160	+4%
Net assets	2,596	2,439	+6%
Net debt	1,462	1,452	+1%

Supplementary information with hotel properties at valuation (note):

Revalued total assets	10,171	9,793	+4%
Revalued net assets	8,416	8,045	+5%
Revalued net assets per share (HK\$)	5.43	5.19	+5%
Gearing – Net debt to revalued net assets	17%	18%	–1%

Note: According to the Group's accounting policies, hotel properties were carried at cost less accumulated depreciation. To give further information on the economic substance of its hotel properties investments, the Group hereby presents supplementary unaudited financial information taking into account the fair market value of hotel properties and excluding the corresponding deferred income tax on Hong Kong properties as Hong Kong tax jurisdiction does not include capital gain tax.

The hotel properties in Hong Kong and Canada were revalued by Vigers Appraisal & Consulting Limited and Grant Thornton Management Consultants respectively, independent professional valuers, on an open market value basis as at 30th September 2012 and 31st March 2012.

Management Discussion and Analysis

Empire Hotel Hong Kong



Interim Results

For the six months period ended 30th September 2012, the Group recorded a profit attributable to shareholders of HK\$141 million as compared to a loss of HK\$487 million for the same period of last year. The turnaround was mainly attributable to a net investment gain of HK\$29 million in financial assets as opposed to a net investment loss of HK\$624 million last year. Basic profit per share during the period was HK9.1 cents as compared with the basic loss per share of HK31.7 cents in 2011.

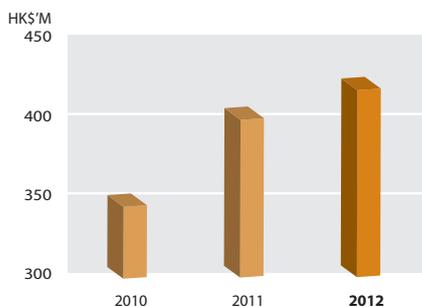
Business Review

Visitors' arrivals to Hong Kong between April and September 2012 soared by 11% year-on-year to reach 23 million, and growth has come from short-haul market. China continues to be the most important inbound source market for Hong Kong tourism with cumulative arrivals surged by 17% to exceed 16.2 million during the period under review.

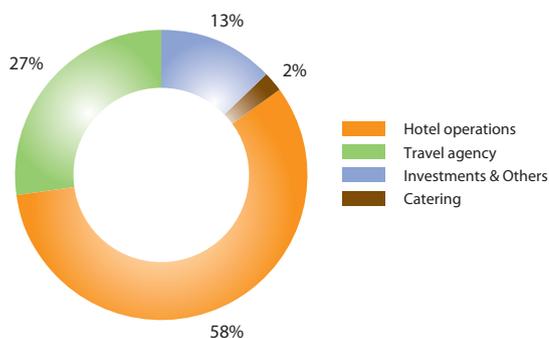
Empire Hotel Hong Kong

Empire Hong Kong's average room rate increased by 8% and average occupancy rate increased by 6% to 97%. Total revenue amounted to HK\$78 million.

Revenue



Segment Revenue



Management Discussion and Analysis

Empire Hotel Kowloon



Empire Hotel Kowloon

Empire Kowloon’s average room rate remained the same as last year but average occupancy rate increased by 5% to 96%. Total revenue amounted to HK\$66 million.

Empire Hotel Causeway Bay

Empire Causeway Bay’s average room rate increased by 3% and average occupancy rate increased by 7% to 95%. Total revenue amounted to HK\$47 million.

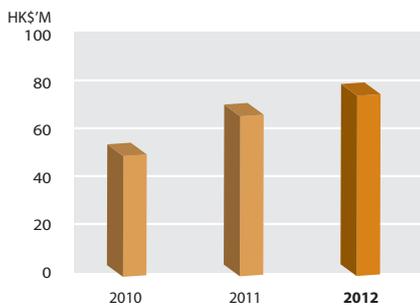
Empire Landmark Hotel Vancouver

Empire Landmark’s average room rate remained the same as last year and the average occupancy rate decreased by 6% to 70%. Total revenue amounted to HK\$55 million.

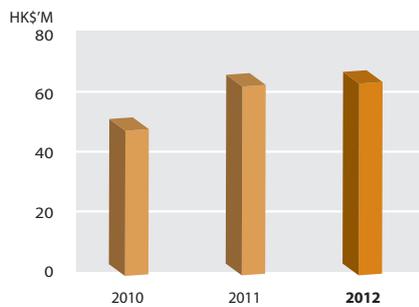
Hotel Development Projects

Further to the acquisition of a property in Causeway Bay in September 2012, the Group is in the process of acquiring property interests in Tsimshatsui. With these acquisitions and upon completion of redevelopments into hotels by 2016, the approximately 200 added rooms or 20% increase from the existing room portfolio in Hong Kong will give the Group greater operational synergies and further business opportunities.

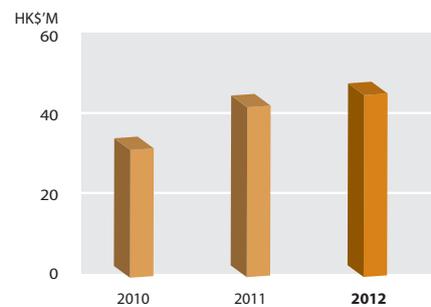
Empire Hotel Hong Kong – Revenue



Empire Hotel Kowloon – Revenue



Empire Hotel Causeway Bay – Revenue



Management Discussion and Analysis

Empire Hotel Causeway Bay



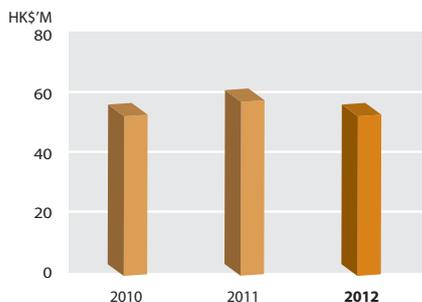
Empire Landmark Hotel (Vancouver)



Travel and Catering

Revenues for the travel and catering amounted to HK\$115 million and HK\$7 million, respectively.

Empire Landmark Hotel Vancouver – Revenue



Investments

As at 30th September 2012, the Group's financial investment portfolio of HK\$1,420 million were denominated in Hong Kong dollars (14%), United States dollars (35%), Sterling (31%), Euro (14%) and Renminbi (6%) (31st March 2012: HK\$1,421 million). This segment of business generated through profit and loss account a total income of HK\$52 million (2011: HK\$58 million) and recorded a net investment gain of HK\$29 million. For the same period in 2011, a loss of HK\$624 million was incurred.

As at 30th September 2012, an approximate value of HK\$255 million (31st March 2012: HK\$250 million) of these investments were pledged to banks as collateral for credit facilities granted to the Group.

Management Discussion and Analysis

Financial Review

Total assets amounted to HK\$4,325 million (31st March 2012: HK\$4,160 million). Based on independent valuation, the total revalued amount of the four hotel properties as at 30th September 2012 was HK\$8,305 million, increased by 2% when compared with that as at 31st March 2012.

The shareholders' funds amounted to HK\$2,596 million (31st March 2012: HK\$2,439 million). The increase was mainly due to profit for the period. Taking into account the market value of the hotel properties, the revalued net asset value of the Group would be HK\$8,416 million.

The consolidated net debt was HK\$1,462 million (31st March 2012: HK\$1,452 million). 80% of the gross bank borrowings or HK\$1,262 million was denominated in Hong Kong dollars, and the remaining 20% or to the equivalent of HK\$320 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 7 years. 23% of total borrowings which was secured by hotel properties were to be repayable within one year. 11% 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 27% repayable between two to five years and 34% repayable after five years. At 30th September 2012, the Group had current assets of HK\$1,464 million (31st March 2012: HK\$1,477 million).

The Group's gearing ratio, expressed as a percentage of net debt over the net asset value, decreased to 56% (31st March 2012: 60%), and after taking into account the fair value of hotel properties at the balance sheet date, the gearing was at a level of 17% (31st March 2012: 18%).

The aggregate net book value of hotel properties pledged as collateral for banking facilities of the Group as at 30th September 2012 amounted to HK\$2,654 million (31st March 2012: HK\$2,492 million).

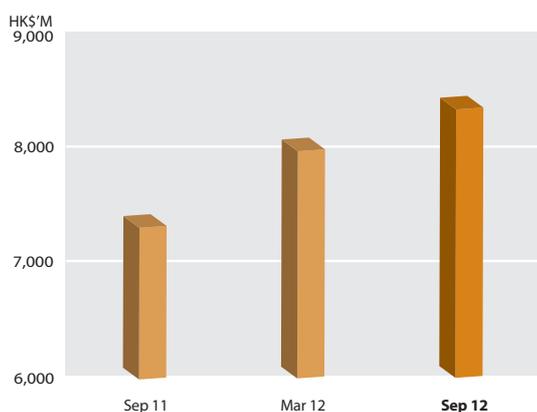
Human Resources

As at 30th September 2012, the total number of employees of the Company and its subsidiaries was 466. In addition to salary payment, the Group provides other benefits including insurance, share options, medical scheme and retirement plans and others to its employees.

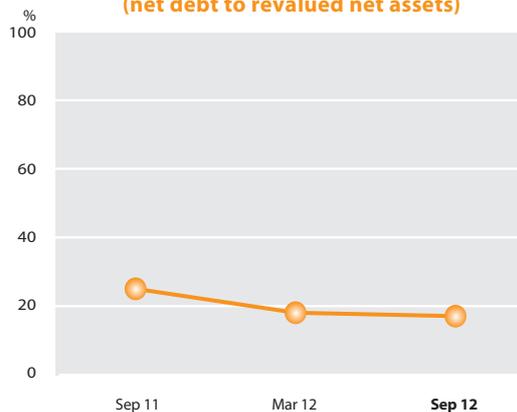
Future Prospects

Mainland China and the short-haul markets will continue to be the growth engine of our demand. We very much remain optimistic on the longer-term prospects, capitalising on location conveniences, high standards of hospitality services of our hotels and the rising household income of mainland customers. The announced objective to double the per capita income between year 2010-2020 by the State is a further endorsement of our prospects.

Revalued net assets



**Gearing ratio
(net debt to revalued net assets)**



Report on Review of Interim Financial Information

**To the Board of Directors of
Asia Standard Hotel Group Limited**

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 8 to 25 which comprises the condensed consolidated balance sheet of Asia Standard Hotel Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th September 2012 and the related condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20th November 2012

Condensed Consolidated Profit and Loss Account – Unaudited

	<i>Note</i>	Six months ended	
		30th September	
		2012	2011
		HK\$'000	HK\$'000
Revenue	4	420,299	400,700
Cost of sales		(177,873)	(160,183)
Gross profit		242,426	240,517
Selling and administrative expenses		(67,166)	(58,163)
Depreciation		(41,222)	(45,036)
Net investment gain/(loss)	5	28,814	(624,088)
Operating profit/(loss)		162,852	(486,770)
Net finance (costs)/income	7	(9,329)	6,916
Profit/(loss) before income tax		153,523	(479,854)
Income tax expense	8	(12,877)	(7,392)
Profit/(loss) for the period attributable to shareholders		140,646	(487,246)
Earnings/(loss) per share (HK cents)			
Basic and diluted	10	9.1	(31.7)

Condensed Consolidated Statement of Comprehensive Income – Unaudited

	Six months ended	
	30th September	
	2012	2011
	HK\$'000	HK\$'000
Profit/(loss) for the period	140,646	(487,246)
Other comprehensive income/(charge)		
Net fair value gain/(loss) on available-for-sale investments	12,199	(58,049)
Impairment of available-for-sale investments charged to profit and loss account	395	1,517
Currency translation differences	3,151	(14,148)
	15,745	(70,680)
Total comprehensive income/(charge) for the period attributable to shareholders	156,391	(557,926)

Condensed Consolidated Balance Sheet – Unaudited

	<i>Note</i>	30th September 2012 HK\$'000	31st March 2012 HK\$'000
Non-current assets			
Property, plant and equipment	11	2,660,218	2,496,669
Available-for-sale investments		200,382	186,331
		2,860,600	2,683,000
Current assets			
Inventories		2,249	2,342
Trade and other receivables	12	122,512	106,426
Financial assets at fair value through profit or loss	13	1,219,366	1,234,554
Bank balances and cash		120,105	133,710
		1,464,232	1,477,032
Current liabilities			
Trade and other payables	14	64,739	63,905
Derivative financial instruments		1,779	3,402
Borrowings	15	600,912	668,071
Income tax payable		38,407	20,722
		705,837	756,100
Net current assets		758,395	720,932
Total assets less current liabilities		3,618,995	3,403,932
Non-current liabilities			
Long term borrowings	15	981,319	917,839
Deferred income tax liabilities		41,929	46,737
		1,023,248	964,576
Net assets		2,595,747	2,439,356
Equity			
Share capital	16	30,997	30,997
Reserves	17	2,564,750	2,408,359
		2,595,747	2,439,356

Condensed Consolidated Statement of Cash Flows – Unaudited

	Six months ended	
	30th September	
	2012	2011
	HK\$'000	HK\$'000
Net cash generated before working capital changes	122,227	121,467
Changes in working capital	67,164	(304,409)
Net cash generated from/(used in) operating activities	189,391	(182,942)
Net cash used in investing activities	(201,683)	(5,065)
Net cash (used in)/generated from financing activities	(2,254)	193,177
Net (decrease)/increase in cash and cash equivalents	(14,546)	5,170
Cash and cash equivalents at the beginning of the period	133,710	111,705
Changes in exchange rates	941	(4,479)
Cash and cash equivalents at the end of the period	120,105	112,396
Analysis of balances of cash and cash equivalents		
Bank balances and cash	120,105	112,396

Condensed Consolidated Statement of Changes in Equity – Unaudited

	Share capital HK\$'000	Other reserves HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31st March 2011	30,757	2,441,770	323,183	2,795,710
Net fair value loss on available-for-sale investments	–	(58,049)	–	(58,049)
Impairment of available-for-sale investments charged to profit and loss account	–	1,517	–	1,517
Currency translation differences	–	(14,148)	–	(14,148)
Loss for the period	–	–	(487,246)	(487,246)
Total comprehensive charge for the period	–	(70,680)	(487,246)	(557,926)
At 30th September 2011	30,757	2,371,090	(164,063)	2,237,784
At 31st March 2012	30,997	2,408,164	195	2,439,356
Net fair value gain on available-for-sale investments	–	12,199	–	12,199
Impairment of available-for-sale investments charged to profit and loss account	–	395	–	395
Currency translation differences	–	3,151	–	3,151
Profit for the period	–	–	140,646	140,646
Total comprehensive income for the period	–	15,745	140,646	156,391
At 30th September 2012	30,997	2,423,909	140,841	2,595,747

Notes to the Interim Financial Information

1 Basis of preparation

The unaudited condensed consolidated interim financial information ("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 2012.

The accounting policies and methods of computation 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 2012. There are no new or revised standards or interpretations that are effective for the first time for this interim period which are relevant to the Group's operation and have a material impact on the Group's Interim Financial Information.

2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. There have been no changes in the overall risk management since the year ended 31st March 2012.

The Interim Financial Information does not include financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st March 2012.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include those related to impairment of trade and other receivables, income taxes, fair value of derivative financial instruments and impairment of available-for-sale investments.

4 Turnover and segment information

The Company is a limited liability company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited. The address of its principal office is 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

(a) Turnover

The Group is principally engaged in hotel, catering services, travel agency operations and securities investment.

Revenue includes revenue from hotel, catering services, travel agency operations, interest income and dividend income. Turnover is revenue as defined under generally accepted accounting principles and gross consideration from disposal of financial assets at fair value through profit or loss.

Notes to the Interim Financial Information

4 Turnover and segment information (continued)

(a) Turnover (continued)

	Six months ended 30th September	
	2012 HK\$'000	2011 HK\$'000
Turnover		
Revenue		
Hotel operating income	245,607	237,964
– Room rentals	205,348	194,625
– Food and beverages	29,860	33,896
– Ancillary services	2,784	3,880
– Rental income	7,615	5,563
Catering income	7,106	5,952
Travel agency income	114,851	96,859
Investments	51,812	58,609
Other operations	923	1,316
	420,299	400,700
Gross consideration from disposal of financial assets at fair value through profit or loss	193,338	442,853
	613,637	843,553

(b) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by the chief operating decision-maker. The Group is organised into four main operating segments, comprising hotel operation, catering services, travel agency and investments.

Hotel operation	–	hotel operation in Hong Kong and Canada
Catering services	–	restaurant operation in Hong Kong and Mainland China
Travel agency	–	sale of air tickets and hotel reservation service in Hong Kong
Investments	–	investments in financial instruments

Segment assets consist primarily of property, plant and equipment, inventories, trade and other receivables, available-for-sale investments and financial assets at fair value through profit or loss. Segment liabilities comprise mainly borrowings.

Notes to the Interim Financial Information

4 Turnover and segment information (continued)

(b) Segment information (continued)

	Hotel operation	Catering services	Travel agency	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30th September 2012						
Turnover	245,607	7,106	114,851	245,150	923	613,637
Segment revenue	245,607	7,106	114,851	51,812	923	420,299
Contribution to segment results	132,631	(963)	(153)	51,726	923	184,164
Depreciation	(41,070)	(24)	(85)	–	(43)	(41,222)
Net investment gain	–	–	–	28,814	–	28,814
Segment results	91,561	(987)	(238)	80,540	880	171,756
Unallocated corporate expenses						(8,904)
Operating profit						162,852
Net finance costs						(9,329)
Profit before income tax						153,523
Income tax expense						(12,877)
Profit for the period attributable to shareholders						140,646
Six months ended 30th September 2011						
Turnover	237,964	5,952	96,859	501,462	1,316	843,553
Segment revenue	237,964	5,952	96,859	58,609	1,316	400,700
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	88,470	(1,238)	(883)	(566,336)	1,289	(478,698)
Unallocated corporate expenses						(8,072)
Operating loss						(486,770)
Net finance income						6,916
Loss before income tax						(479,854)
Income tax expense						(7,392)
Loss for the period attributable to shareholders						(487,246)

Notes to the Interim Financial Information

4 Turnover and segment information (continued)

(b) Segment information (continued)

	Hotel operation	Catering services	Travel agency	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30th September 2012						
Segment assets	2,696,052	3,937	14,918	1,459,999	29,821	4,204,727
Other unallocated assets						120,105
						4,324,832
Segment liabilities						
Borrowings	1,103,873	–	–	478,358	–	1,582,231
Other unallocated liabilities						146,854
						1,729,085
Additions to non-current assets for the six months ended 30th September 2012*						
	200,852	35	800	–	–	201,687
At 31st March 2012						
Segment assets	2,532,113	3,689	15,283	1,445,847	29,390	4,026,322
Other unallocated assets						133,710
						4,160,032
Segment liabilities						
Borrowings	1,044,007	–	–	541,903	–	1,585,910
Other unallocated liabilities						134,766
						1,720,676
Additions to non-current assets for the six months ended 30th September 2011*						
	4,951	8	6	–	100	5,065

* These amounts exclude financial instruments.

Notes to the Interim Financial Information

4 Turnover and segment information (continued)

(b) Segment information (continued)

	Six months ended 30th September	
	2012 HK\$'000	2011 HK\$'000
Revenue		
Hong Kong	319,705	286,010
Overseas	100,594	114,690
	420,299	400,700
	30th September 2012 HK\$'000	31st March 2012 HK\$'000
Non-current assets*		
Hong Kong	2,419,331	2,250,371
Overseas	240,887	246,298
	2,660,218	2,496,669

* These amounts exclude financial instruments.

5 Net investment gain/(loss)

	Six months ended 30th September	
	2012 HK\$'000	2011 HK\$'000
Financial assets at fair value through profit or loss		
– net unrealised gain/(loss) from market price movements	30,530	(576,706)
– net unrealised exchange loss	(3,913)	(48,144)
– net realised gain (note)	2,592	10,078
Impairment of available-for-sale investments	(395)	(1,517)
Derivative financial instruments – net unrealised loss	–	(7,799)
	28,814	(624,088)

Note:

Net realised gain on financial assets at fair value through profit or loss		
Gross consideration	193,338	442,853
Cost of investments	(145,532)	(262,590)
Total gain	47,806	180,263
Less: net unrealised gain recognised in prior years	(45,214)	(170,185)
Net realised gain recognised in current period	2,592	10,078

Notes to the Interim Financial Information

6 Income and expenses by nature

	Six months ended	
	30th September	
	2012	2011
	HK\$'000	HK\$'000
Income		
Operating lease rental income for hotel buildings	7,615	5,563
Interest income		
– Listed investments	45,375	50,581
– Loan receivables	923	1,316
– Bank deposits	199	242
Dividend income		
– Listed investments	6,226	7,554
Expenses		
Operating lease rental expense for land and buildings	3,756	3,620
Employee benefit expense, including Directors' emoluments (note)	62,911	58,818
Cost of goods sold	98,797	87,148

Note:

Employee benefit expense		
Wages and salaries	60,664	56,726
Retirement benefits costs	2,247	2,092
	62,911	58,818

7 Net finance (costs)/income

	Six months ended	
	30th September	
	2012	2011
	HK\$'000	HK\$'000
Interest expenses on		
– Long term bank loans	(8,916)	(9,230)
– Short term bank loans and overdrafts	(4,031)	(5,990)
Other incidental borrowing costs	(1,584)	(1,109)
Net foreign exchange gain on borrowings	3,579	22,498
Fair value gain on interest rate swaps	1,623	747
	(9,329)	6,916

Notes to the Interim Financial Information

8 Income tax expense

	Six months ended 30th September	
	2012	2011
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	(17,685)	(1,867)
Over provision in prior years	-	5,315
	(17,685)	3,448
Deferred income tax	4,808	(10,840)
	(12,877)	(7,392)

Hong Kong profits tax is provided at the rate of 16.5% (2011: 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.

9 Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th September 2012 (2011: Nil).

10 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit for the period attributable to shareholders of HK\$140,646,000 (2011: loss of HK\$487,246,000) and divided by the weighted average number of 1,549,842,336 (2011: 1,537,832,379) shares in issue during the period.

For the six months ended 30th September 2012 and 2011, the Company's outstanding share options did not have a diluted effect on the earnings/(loss) per share, the basic and diluted earnings/(loss) per share were equal.

Notes to the Interim Financial Information

11 Property, plant and equipment

	Land and buildings	Plant and equipment	Total
	HK\$'000	HK\$'000	HK\$'000
Cost			
At 31st March 2012	3,147,977	450,892	3,598,869
Currency translation differences	6,564	1,421	7,985
Additions	195,881	5,806	201,687
Disposals	–	(482)	(482)
At 30th September 2012	3,350,422	457,637	3,808,059
Accumulated depreciation			
At 31st March 2012	757,389	344,811	1,102,200
Currency translation differences	3,393	1,255	4,648
Charge for the period	29,118	12,104	41,222
Disposals	–	(229)	(229)
At 30th September 2012	789,900	357,941	1,147,841
Net book value			
At 30th September 2012	2,560,522	99,696	2,660,218
At 31st March 2012	2,390,588	106,081	2,496,669

Notes:

(a) At 30th September 2012, the carrying amount HK\$2,654,462,000 (31st March 2012: HK\$2,491,594,000) of four hotel properties and properties that are under development were pledged to banks to secure bank borrowings of HK\$1,391,434,000 (31st March 2012: HK\$1,398,026,000).

(b) Supplementary information with hotel properties at valuation:

The aggregate valuation of four hotel properties in Hong Kong and Canada were revalued by Vigers Appraisal & Consulting Limited and Grant Thornton Management Consultants respectively, independent professional valuers, amounted to HK\$8,304,683,000 (31st March 2012: HK\$8,124,088,000).

The supplementary information with hotel properties at valuation is for readers' information only. It does not constitute a disclosure requirement under HKASs 16 and 17.

Notes to the Interim Financial Information

12 Trade and other receivables

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

Trade receivables of the Group amounted to HK\$37,901,000 (31st March 2012: HK\$32,289,000). 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 2012 HK\$'000	31st March 2012 HK\$'000
0 - 60 days	37,643	31,328
61 - 120 days	185	901
More than 120 days	73	60
	37,901	32,289

13 Financial assets at fair value through profit or loss

	30th September 2012 HK\$'000	31st March 2012 HK\$'000
Equity securities		
– Listed in Europe	201,366	215,753
– Listed in USA	152,307	170,361
– Listed in Hong Kong	1,467	154,218
	355,140	540,332
Debt securities		
– Listed in Europe	427,850	394,431
– Listed in Singapore	436,376	299,791
	864,226	694,222
	1,219,366	1,234,554

Notes to the Interim Financial Information

13 Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss are denominated in the following currencies:

	30th September 2012 HK\$'000	31st March 2012 HK\$'000
United States dollar	507,594	470,152
Sterling	435,472	426,539
Euro	193,744	183,645
Renminbi	81,089	–
Hong Kong dollar	1,467	154,218
	1,219,366	1,234,554

Note:

The debt securities carry fixed coupon ranging from 2% to 13.5% (31st March 2012: 2% to 13.5%) per annum based on nominal values which are equivalent to HK\$1,144,456,000 (31st March 2012: HK\$1,018,213,000).

14 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\$20,908,000 (31st March 2012: HK\$19,145,000).

Aging analysis of trade payables is as follows:

	30th September 2012 HK\$'000	31st March 2012 HK\$'000
0 - 60 days	20,342	19,098
61 - 120 days	326	36
More than 120 days	240	11
	20,908	19,145

Notes to the Interim Financial Information

15 Borrowings

	30th September 2012 HK\$'000	31st March 2012 HK\$'000
Current liabilities		
Short term bank loans		
Secured	468,358	541,903
Unsecured	10,065	140
	478,423	542,043
Current portion of long term bank loans	62,295	61,032
Portion of long term bank loans with a repayment on demand clause	60,194	64,996
	600,912	668,071
Non-current liabilities		
Long term bank loans, secured	981,319	917,839
	1,582,231	1,585,910

The maturity of the long term bank loans is as follows (note):

Repayable within one year	62,295	61,032
Repayable between one and two years	67,335	62,629
Repayable between two and five years	442,745	207,387
Repayable after five years	531,433	712,819
	1,103,808	1,043,867
Current portion included in current liabilities	(62,295)	(61,032)
	1,041,513	982,835

Note:

The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

Notes to the Interim Financial Information

16 Share capital

Shares of HK\$0.02 each	Number of shares	Amount HK\$'000
Authorised:		
At 31st March 2012 and 30th September 2012	35,000,000,000	700,000
Issued and fully paid:		
At 31st March 2012 and 30th September 2012	1,549,842,336	30,997

17 Reserves

	Share premium	Contributed surplus	Available- for-sale investment reserve	Exchange reserve	Share option reserve	Revenue reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March 2012	1,112,713	1,134,752	64,739	70,680	25,280	195	2,408,359
Net fair value gain on available-for-sale investments	-	-	12,199	-	-	-	12,199
Impairment of available-for-sale investments charged to profit and loss account	-	-	395	-	-	-	395
Currency translation differences	-	-	-	3,151	-	-	3,151
Profit for the period	-	-	-	-	-	140,646	140,646
At 30th September 2012	1,112,713	1,134,752	77,333	73,831	25,280	140,841	2,564,750

18 Capital commitments

Capital commitments at the balance sheet date are as follows:

	30th September 2012 HK\$'000	31st March 2012 HK\$'000
Property, plant and equipment		
Contracted but not provided for	4,489	5,164
Authorised but not contracted for	34,218	33,129
	38,707	38,293

Notes to the Interim Financial Information

19 Financial guarantees

At 30th September 2012 and 31st March 2012, the Group had no financial guarantee and significant contingent liabilities.

20 Related party transactions

During the period, no significant transactions have been entered except for income from the holding companies of the Group comprising hotel and travel service of HK\$354,000 (2011: HK\$661,000), and the expense of operating lease rental and management service charges of HK\$1,352,000 (2011: HK\$1,364,000) and project management service charges of HK\$1,740,000 (2011: HK\$108,000) to the fellow subsidiaries.

No transactions have been entered with the directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation) (2011: Nil).

21 Subsequent event

Subsequent to the balance sheet date, the Group has acquired some property units in Hong Kong at an aggregate consideration of approximately HK\$286 million from a fellow subsidiary of the Company. This is part of a hotel development project undertaken by the Group to increase its hotel capacity. The acquisition constitutes a major and non-exempt connected transaction for the Group and, subject to the approval by the Company's independent shareholders, is expected to be completed by December 2012.

Other Information

Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures

As at 30th September 2012, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO") which (a) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to 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 (the "Listing Rules") were as follows:

(I) Long positions in shares

(a) The Company

Director	Number of shares held			Percentage of shares in issue (%)
	Personal interest	Corporate interest	Total	
Poon Jing	50,050	1,132,669,492	1,132,719,542	73.08

Note:

By virtue of Mr. Poon Jing's interest in the Company through Asia Orient Holdings Limited ("Asia Orient") and its subsidiaries as disclosed under the heading "Substantial shareholders and other persons' interests and short positions in shares and underlying shares" below, Mr. Poon is deemed to be interested in the shares of all of the Company's subsidiaries.

(b) Associated corporations

Director	Associated corporation	Number of shares held			Total	Percentage of shares in issue (%)
		Personal interest	Family interest	Corporate interest		
Poon Jing	Asia Orient (Note 1)	205,026,822	4,873,940	133,068,271	342,969,033	48.02
	Asia Standard International Group Limited ("ASI") (Note 2)	1,190,512	–	621,734,324	622,924,836	50.63
Fung Siu To, Clement	Asia Orient	14,148,814	–	–	14,148,814	1.98
	Mark Honour Limited	9	–	–	9	0.01

Other Information

Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures (continued)**(I) Long positions in shares (continued)****(b) Associated corporations (continued)**

Notes:

1. By virtue of Mr. Poon Jing's controlling interest (48.02%) in Asia Orient, he is deemed to be interested in the shares of the Company held by Asia Orient.
2. By virtue of Mr. Poon Jing's controlling interest in Asia Orient, he is deemed to be interested in the shares of ASI held by subsidiaries of Asia Orient.

(II) Long positions in underlying shares**Interests in share options****(a) The Company**

As at 30th September 2012, details of the share options granted to Directors under the share option scheme of the Company adopted on 28th August 2006 ("Share Option Scheme") are as follows:

Director	Date of grant	Exercise price (HK\$)	Exercise period	Outstanding as at 1st April 2012 and 30th September 2012
Fung Siu To, Clement	29th March 2007	1.296	29th March 2007 to 28th March 2017	8,000,000
Lim Yin Cheng	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	8,000,000
Woo Wei Chun, Joseph	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	8,000,000

Note:

During the period, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

(b) Associated corporation – Asia Orient

Director	Outstanding as at 1st April 2012 and 30th September 2012
Lim Yin Cheng	2,126,301
Fung Siu To, Clement	2,126,301
Woo Wei Chun, Joseph	3,469,228

Other Information

Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures (continued)

(II) Long positions in underlying shares (continued)

Interests in share options (continued)

(b) Associated corporation – Asia Orient (continued)

Notes:

- (1) Options were granted on 29th March 2007 and exercisable during the period from 29th March 2007 to 28th March 2017 at an exercise price of HK\$1.4315 (as adjusted) per share.
- (2) During the period, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

(c) Associated corporation – ASI

Director	Outstanding as at 1st April 2012 and 30th September 2012
Poon Jing	515,544
Lim Yin Cheng	2,062,176
Fung Siu To, Clement	2,062,176

Notes:

- (1) Options were granted on 30th March 2005 and exercisable during the period from 30th March 2005 to 29th March 2015 at an exercise price of HK\$3.15 (as adjusted) per share.
- (2) During the period, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

Save as disclosed above, as at 30th September 2012, none of the Directors or Chief Executive (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders and other persons' interests and short positions in shares and underlying shares

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th September 2012, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

Other Information

Substantial shareholders and other persons' interests and short positions in shares and underlying shares (continued)

Long positions in shares of the Company

Shareholder	Number of shares held	Percentage (%)
Asia Standard Development (Holdings) Limited ("ASDHL")	367,962,684	23.74
Asia Standard International Limited ("ASIL")	716,979,512	46.26
ASI (Note 1)	1,085,950,639	70.06
Asia Orient Holdings (BVI) Limited (Note 2)	1,132,669,492	73.08
Asia Orient (Note 3)	1,132,669,492	73.08
Lo Yuk Sui ("Mr. Lo") (Note 4)	93,028,340	6.00
Secure Way Technology Limited ("Secure Way") (Note 4)	93,028,340	6.00
Century City International Holdings Limited ("CCIHL") (Note 4)	93,028,340	6.00
Paliburg Holdings Limited ("PHL") (Note 4)	93,028,340	6.00
Regal Hotels International Holdings Limited ("RHIHL") (Note 4)	93,028,340	6.00
Tenshine Limited ("Tenshine") (Note 4)	87,040,000	5.61

Notes:

- ASDHL and ASIL are the wholly owned subsidiaries of ASI. ASI is deemed to be interested in and duplicate the interest held by ASDHL and ASIL.
- Asia Orient Holdings (BVI) Limited and its subsidiaries together hold more than one-third of the issued shares of ASI and is deemed to be interested in and duplicate the interest held by ASI.
- Asia Orient Holdings (BVI) Limited is a wholly owned subsidiary of Asia Orient. Asia Orient is deemed to be interested in and duplicate the interest held by Asia Orient Holdings (BVI) Limited and its subsidiaries.
- Base on the Disclosure of Interests Forms filed with the Company, Tenshine holds the 87,040,000 shares as beneficial owner. RHIHL is deemed to be interested in an aggregate of 93,028,340 shares, which comprise 87,040,000 shares held by Tenshine and 5,988,340 shares held by its indirect wholly-owned subsidiary, PHL is deemed to be interested in the 93,028,340 shares held by RHIHL as PHL indirectly controls 51.28% of the voting power at the general meetings of RHIHL. CCIHL is deemed to be interested in the 93,028,340 shares held by PHL as CCIHL indirectly controls 61.73% of the voting power at the general meeting of PHL. Secure Way is also deemed to be interested in the same 93,028,340 shares held by CCIHL as Secure Way indirectly controls 50.55% of the voting power at the general meetings of CCIHL. Mr. Lo is also deemed to be interested in the same 93,028,340 shares held by Secure Way as Secure Way is 100% controlled by Mr. Lo.

Save as disclosed above, as at 30th September 2012, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under Section 336 of the SFO.

Other Information

Share Option Scheme

Pursuant to the Share Option Scheme, the Board of Directors of the Company may grant share options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiary or any invested entity, their discretionary trust or the companies owned by them. There are no changes in any terms of the Share Option Scheme during the six months ended 30th September 2012. The detailed terms of the Share Option Scheme were disclosed in the 2012 annual report.

The following table discloses details of the Company's options granted under the Share Option Scheme held by employees (including Directors):

Grantee	Date of grant	Exercise price (HK\$)	Exercise period	Outstanding as at 1st April 2012 and 30th September 2012
Directors	29th March 2007	1.296	29th March 2007 to 28th March 2017	8,000,000
	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	16,000,000
Directors of holding companies	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	16,000,000
Employees of holding companies	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	23,000,000
Employee of a subsidiary	29th March 2007	1.296	29th March 2007 to 28th March 2017	8,000,000
Employee of group companies	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	7,999,999
				78,999,999

Note:

During the period, no option was granted, exercised, cancelled or lapsed.

Interim dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th September 2012 (2011: Nil).

Other Information

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 purchased or sold any of the Company's listed securities during the period.

Code of Conduct Regarding the Securities Transactions by Directors

The Company has adopted the Model Code and 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 2012.

Corporate Governance Code

During the period, the Company has complied with both the code provisions of the Code on Corporate Governance Practices (effective until 31st March 2012) ("CG Practices") and the Corporate Governance Code (effective from 1st April 2012) ("CG Code") as set out in Appendix 14 of the Listing Rules, except the following deviations:-

1. Code Provision A.4.1 of CG Practices and CG Code provide 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; and
2. Code Provision A.5.1 of CG Code provides that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. The Company does not have a nomination committee. The Board as a whole is responsible for reviewing the structure, size and composition of the Board, the appointment of new Directors and the nomination of Directors for re-election by shareholders at the general meeting of the Company. Under the Bye-Laws of the Company, the Board may from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office until the next annual general meeting of the Company and shall then be eligible for re-election at the meeting.

Other Information

Audit Committee

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30th September 2012.

On behalf of the Board
Asia Standard Hotel Group Limited
Poon, Jing
Chairman

Hong Kong, 20th November 2012

ASIA STANDARD HOTEL GROUP LIMITED

www.asiastandardhotelgroup.com

