



**ASIA STANDARD HOTEL GROUP LIMITED**

Stock Code: 292

Interim  
Report  
**2008**

*We Serve with Passion*



**THE EMPIRE**  
HOTELS & RESORTS



# Corporate Information

## Directors

### Executive

Mr. Poon Jing (*Chairman*)  
Dr. Lim Yin Cheng  
(*Deputy Chairman and Chief Executive*)  
Mr. Fung Siu To, Clement  
Mr. Poon Tin Sau, Robert  
Mr. Woo Wei Chun, Joseph

### Independent Non-executive

Mr. Ip Chi Wai  
Mr. Leung Wai Keung, Richard  
Mr. Hung Yat Ming

## Audit committee

Mr. Hung Yat Ming (*Chairman*)  
Mr. Leung Wai Keung, Richard  
Mr. Ip Chi Wai

## Remuneration committee

Dr. Lim Yin Cheng (*Chairman*)  
Mr. Hung Yat Ming  
Mr. Ip Chi Wai

## 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 <http://www.asiastandardhotel.com>

## Principal bankers

Bank of China (Hong Kong) Limited  
Industrial and Commercial Bank of  
China (Asia) Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
DBS Bank (Hong Kong) Limited  
Wing Hang Bank Limited  
Chong Hing Bank Limited  
The Bank of East Asia (Canada)

## Legal advisers

Stephenson Harwood & Lo  
35th Floor,  
Bank of China Tower,  
1 Garden Road, Central,  
Hong Kong

Appleby  
8th Floor, Bank of America Tower,  
12 Harcourt Road, 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  
Rosebank Centre,  
11 Bermudiana Road,  
Pembroke HM08,  
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,  
Wan Chai,  
Hong Kong

# Financial Highlights

	Six months ended 30th September		Change
	2008	2007	
(in HK\$ million, except otherwise indicated)			
<b>Consolidated profit and loss account</b>			
Revenue	<b>334</b>	333	–
Gross operating profit*	<b>96</b>	95	+1%
Profit attributable to shareholders	<b>2</b>	42	-95%
Earnings per share (HK cent)			
Basic	<b>0.01</b>	0.34	-97%
Diluted	<b>0.01</b>	0.34	-97%

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

	30th	31st	Change
	September	March	
2008			
<b>Consolidated balance sheet</b>			
Total assets	<b>3,226</b>	3,190	+1%
Net asset value	<b>2,028</b>	2,068	-2%
Net debt	<b>1,016</b>	900	+13%

Supplementary information with hotel properties at valuations (note):

Revalued total assets	<b>4,911</b>	5,062	-3%
Revalued net asset value	<b>3,407</b>	3,599	-5%
Revalued net asset value per share (HK\$)	<b>0.26</b>	0.28	-7%
Gearing – net debt to revalued net asset value (%)	<b>30%</b>	25%	+5%

Note: Hong Kong Financial Reporting Standards ("HKFRS") do not permit leasehold land other than investment properties to be carried at valuation. The Group considers that such treatment does not reflect the economic substance of its hotel property investments. Therefore the Group has presented supplementary unaudited financial information taking into account the fair market value of hotel properties and corresponding deferred tax in addition to net asset value based on the financial statements prepared in accordance with HKFRS.

The hotel properties in Hong Kong and Canada were revalued by Knight Frank and Grant Thornton Management Consultants respectively, independent professional valuers, on an open market value basis as at 30th September 2008.

# Management Discussion and Analysis



### Interim Results

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

### Business Review

Visitor arrivals to Hong Kong for the first nine months of 2008 were more than 21.7 million, an increase of 6.9% on arrivals for the same period last year. The growth was

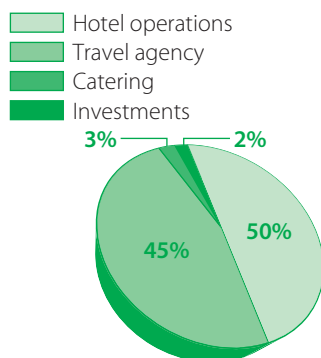
mainly driven by the short-haul regions, as positive increases of 9.5% was registered for Mainland China, and South & Southeast Asia enjoyed solid gain of 3.9% to become Hong Kong's second largest source market region. As for the long-haul market regions, they sustained their downward trend as the global economic conditions worsened.

### Empire Hotel Hong Kong

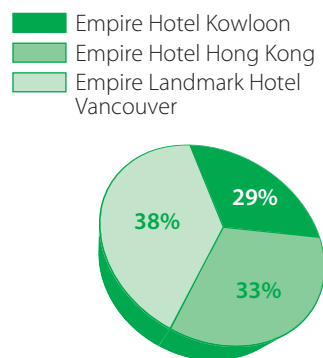
Empire Hotel Hong Kong's average room rate increased 19% and occupancy rate at 80%. Total revenue amounted to HK\$55 million and its gross operating profit amounted to HK\$33 million. The improved

average room rate was primarily due to its strategic focus on higher yield commercial and corporate segment. With a number of refurbishment projects planned for in the coming year, including particularly the provision of more corporate meeting spaces and facilities in parallel, the hotel would be in a promising position to earn market share further in the higher yield business segment.

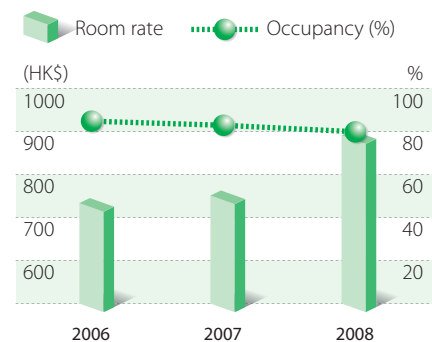
2008 Revenue by business segments



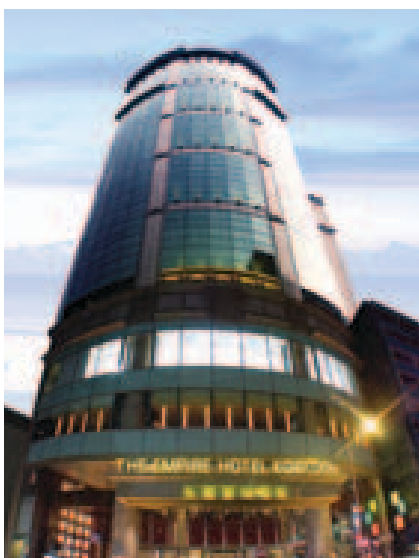
2008 Revenue by hotels



Empire Hotel Hong Kong



# Management Discussion and Analysis

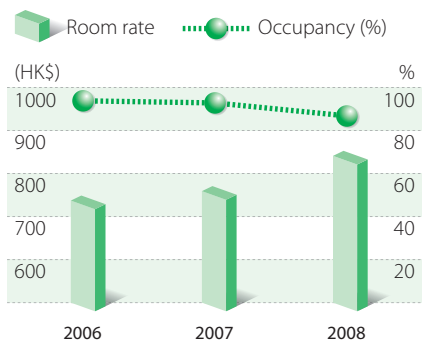


Empire Hotel Kowloon

### Empire Hotel Kowloon

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

#### Empire Hotel Kowloon

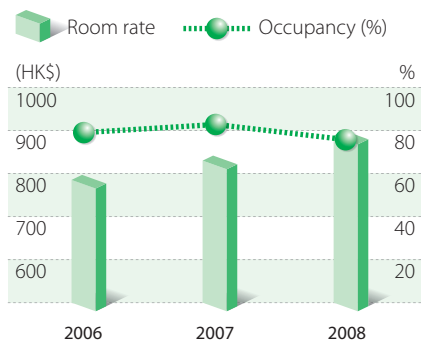


Empire Landmark Hotel Vancouver

### Empire Landmark Hotel Vancouver

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

#### Empire Landmark Hotel Vancouver



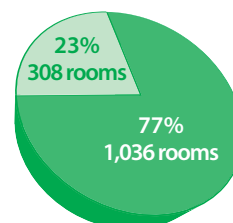
Empire Hotel Causeway Bay

### The new 280 rooms hotel in Causeway Bay

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

#### Rooms portfolio

- Existing
- New additions





# Management Discussion and Analysis

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

## Travel and catering

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

## Financial Review

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

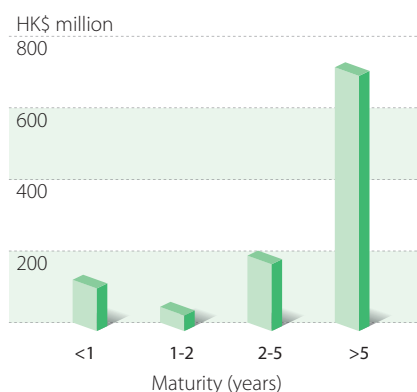
The shareholders' funds amounted to HK\$2,028 million, decreased by HK\$40 million over last year. The decrease was mainly due to the fair value loss on financial assets. Taking into account the market value of the hotel properties, the revalued net asset value of the Group would become HK\$3,407 million.

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

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

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

## Debt maturity profile



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

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

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

## Human Resources

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

## Future Prospects

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

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

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

# Independent 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 6 to 22 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 2008 and the related condensed consolidated profit and loss account, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on the Main Board of 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, 11th December 2008

## Condensed Consolidated Profit and Loss Account – Unaudited

	Note	Six months ended 30th September	
		2008 HK\$'000	2007 HK\$'000
Turnover	4	<b>339,105</b>	532,718
Revenue	4	<b>334,194</b>	333,322
Cost of sales		<b>(196,091)</b>	(188,835)
Gross profit		<b>138,103</b>	144,487
Administrative expenses		<b>(41,747)</b>	(49,230)
		<b>96,356</b>	95,257
Other income and charges	5	<b>(83,257)</b>	(29,251)
Operating profit	6	<b>13,099</b>	66,006
Interest income		<b>3,089</b>	1,277
Finance costs	7	<b>(13,710)</b>	(18,141)
Profit before income tax		<b>2,478</b>	49,142
Income tax expense	8	<b>(952)</b>	(7,007)
Profit for the period attributable to shareholders		<b>1,526</b>	42,135
Dividend	9	–	33,105
Earnings per share (HK cent)			
Basic	10	<b>0.01</b>	0.34
Diluted	10	<b>0.01</b>	0.34



## Condensed Consolidated Balance Sheet – Unaudited

	<i>Note</i>	<b>30th September 2008 HK\$'000</b>	31st March 2008 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	942,078	899,114
Leasehold land	11	1,672,190	1,685,653
Goodwill		9,640	9,640
Deferred income tax assets		12,259	18,883
Available-for-sale investments		324,702	313,976
		<b>2,960,869</b>	<b>2,927,266</b>
<b>Current assets</b>			
Inventories		2,201	2,268
Derivative financial instruments		14,775	–
Financial assets at fair value through profit or loss		106,809	88,108
Trade and other receivables	12	100,836	88,101
Bank balances and cash		40,120	84,116
		<b>264,741</b>	<b>262,593</b>
<b>Current liabilities</b>			
Derivative financial instruments		2,158	18,332
Trade and other payables	13	105,667	51,540
Dividend payable		9,036	–
Current income tax payable		8,353	14,025
Short term borrowings	14	93,635	378,295
Current portion of borrowings, secured	14	24,511	11,075
		<b>243,360</b>	<b>473,267</b>
<b>Net current assets/(liabilities)</b>		<b>21,381</b>	<b>(210,674)</b>
<b>Total assets less current liabilities</b>		<b>2,982,250</b>	<b>2,716,592</b>
<b>Non-current liabilities</b>			
Warrants liabilities	15	16,475	51,325
Borrowings, secured	14	937,809	594,373
Deferred income tax liabilities		–	2,607
		<b>954,284</b>	<b>648,305</b>
<b>Net assets</b>		<b>2,027,966</b>	<b>2,068,287</b>
<b>Equity</b>			
Share capital	16	258,164	258,164
Reserves	17	1,769,802	1,810,123
		<b>2,027,966</b>	<b>2,068,287</b>

## Condensed Consolidated Cash Flow Statement – Unaudited

	Six months ended 30th September	
	2008 HK\$'000	2007 HK\$'000
Operating profit before working capital changes	<b>87,918</b>	83,568
Changes in working capital	<b>(126,506)</b>	(61,754)
Interest paid	<b>(19,464)</b>	(20,333)
Net cash (used in)/generated from operating activities	<b>(58,052)</b>	1,481
Net cash used in investing activities	<b>(44,251)</b>	(2,574)
Net cash generated from financing activities	<b>76,408</b>	13,034
Net (decrease)/increase in cash and cash equivalents	<b>(25,895)</b>	11,941
Cash and cash equivalents at the beginning of the period	<b>65,300</b>	68,861
Changes in exchange rates	<b>715</b>	3,323
Cash and cash equivalents at the end of the period	<b>40,120</b>	84,125
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<b>40,120</b>	84,125

## Condensed Consolidated Statement of Changes in Equity – Unaudited

	Six months ended	
	2008	2007
	HK\$'000	HK\$'000
Total equity at 1st April	<b>2,068,287</b>	1,942,641
Net (expense)/income directly recognised in equity:		
Exchange differences	<b>(5,909)</b>	24,234
Share options expense	–	22,400
Fair value loss on available-for-sale investments, net of deferred tax	<b>(59,658)</b>	–
Impairment of available-for-sale investment transferred to profit and loss account	<b>32,756</b>	–
Issue of shares upon exercise of convertible bonds	–	116,162
Issue of warrants	–	(116,832)
Net (expense)/income recognised directly in equity	<b>(32,811)</b>	45,964
Profit for the period	<b>1,526</b>	42,135
Total recognised (expense)/income for the period	<b>(31,285)</b>	88,099
Dividend	<b>(9,036)</b>	(32,523)
Total equity at 30th September	<b>2,027,966</b>	1,998,217

# 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 2008.

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

The following new interpretations are mandatory for the Group’s accounting periods beginning on or after 1st April 2008:

HK (IFRIC) – Int 12	Service Concession Arrangements
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

Certain new standards, amendments and interpretations have been issued but not effective for the Group’s financial year beginning 1st April 2008 and have not been early adopted.

## 2. Financial risk management

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and interest rate risk. The Group’s overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

# Notes to the Interim Financial Information

### 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 assets, income taxes and fair value of warrant liabilities and derivative financial instruments.

### 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 registered office is 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

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

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

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

In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments.

#### Primary reporting format – business segments

The Group is organised into the following main business segments:

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
Investment	–	investment in financial instruments

## Notes to the Interim Financial Information

## 4. Turnover and segment information (Continued)

Primary reporting format – business segments (Continued)

	Hotel operation HK\$'000	Catering services HK\$'000	Travel agency HK\$'000	Investment HK\$'000	Other operations 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	12,908	–	339,105
Segment revenue	167,436	9,397	149,364	7,997	–	334,194
Contribution to segment results	93,746	1,014	740	7,517	–	103,017
Other income and charges	(33,371)	(22)	(24)	(84,646)	34,806	(83,257)
Unallocated corporate expenses						(6,661)
Operating profit						13,099
Interest income						3,089
Finance costs						(13,710)
Profit before income tax						2,478
Income tax expense						(952)
Profit for the period						1,526
Six months ended 30th September 2007						
Room rentals	127,394					
Food and beverages	27,474					
Ancillary services	6,459					
Rental income	6,343					
Turnover	167,670	10,241	144,419	210,388	–	532,718
Segment revenue	167,670	10,241	144,419	10,992	–	333,322
Contribution to segment results	94,025	914	5	10,992	–	105,936
Other income and charges	(34,677)	(27)	(19)	25,120	(19,648)	(29,251)
Unallocated corporate expenses						(10,679)
Operating profit						66,006
Interest income						1,277
Finance costs						(18,141)
Profit before income tax						49,142
Income tax expense						(7,007)
Profit for the period						42,135



## Notes to the Interim Financial Information

### 4. Turnover and segment information (Continued)

#### Secondary reporting format – geographical segments

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

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

A summary of geographical segments is set out as follows:

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

## Notes to the Interim Financial Information

## 5. Other income and charges

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

## 6. Income and expenses by nature

	Six months ended 30th September	
	2008 HK\$'000	2007 HK\$'000
<b>Income</b>		
Dividend income	7,584	212
Net realised gain on financial assets at fair value through profit or loss	413	10,780
Gain on disposal of property, plant and equipment	–	580
Operating lease rental income for hotel buildings	6,478	7,361
<b>Expenses</b>		
Employee benefit expense, including Directors' emoluments	46,587	66,359
Operating lease rental expense for properties	3,167	3,209
Cost of goods sold	130,805	129,641
<b>Employee benefit expense</b>		
Wages and salaries	44,824	43,016
Share option expense (note)	–	22,400
Retirement benefits costs	1,763	943
	<b>46,587</b>	<b>66,359</b>

Note:

Share option expense of the staff costs has been included in other income and charges (note 5) in the condensed consolidated profit and loss account. The remaining staff costs are included in cost of sales and administrative expenses.

## Notes to the Interim Financial Information

## 7. Finance costs

	Six months ended 30th September	
	2008 HK\$'000	2007 HK\$'000
Interest expense		
Bank loans and overdrafts	18,051	19,430
Finance lease obligations wholly payable within five years	10	3
Other incidental borrowing costs	330	1,426
Fair value gain on interest rate swap	(2,779)	(944)
	15,612	19,915
Interest capitalised under property, plant and equipment	(1,902)	(1,774)
	13,710	18,141

## 8. Income tax expense

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

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

## Notes to the Interim Financial Information

### 9. Dividend

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

### 10. Earnings per share

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

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

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

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

## Notes to the Interim Financial Information

## 11. Property, plant and equipment and leasehold land

	Freehold land and hotel buildings HK\$'000	Plant and equipment HK\$'000	Sub-total HK\$'000	Leasehold land HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1st April 2008	1,071,393	345,101	1,416,494	1,936,356	3,352,850
Exchange differences	(14,359)	(2,154)	(16,513)	–	(16,513)
Additions	68,343	7,034	75,377	–	75,377
Disposals	–	(33)	(33)	–	(33)
<b>At 30th September 2008</b>	<b>1,125,377</b>	<b>349,948</b>	<b>1,475,325</b>	<b>1,936,356</b>	<b>3,411,681</b>
<b>Accumulated depreciation and amortisation</b>					
At 1st April 2008	273,169	244,211	517,380	250,703	768,083
Exchange differences	(5,474)	(1,790)	(7,264)	–	(7,264)
Capitalised in property, plant and equipment	–	–	–	3,145	3,145
Recognised in the profit and loss account	13,820	9,323	23,143	10,318	33,461
Charge for the year	13,820	9,323	23,143	13,463	36,606
Disposals	–	(12)	(12)	–	(12)
<b>At 30th September 2008</b>	<b>281,515</b>	<b>251,732</b>	<b>533,247</b>	<b>264,166</b>	<b>797,413</b>
<b>Net book value</b>					
<b>At 30th September 2008</b>	<b>843,862</b>	<b>98,216</b>	<b>942,078</b>	<b>1,672,190</b>	<b>2,614,268</b>
At 31st March 2008	798,224	100,890	899,114	1,685,653	2,584,767

	<b>30th September 2008 HK\$'000</b>	31st March 2008 HK\$'000
Net book value of hotel properties comprise the following:		
Freehold land and hotel buildings	<b>843,862</b>	798,224
Plant and equipment	<b>94,323</b>	99,174
Property, plant and equipment	<b>938,185</b>	897,398
Leasehold land	<b>1,672,190</b>	1,685,653
	<b>2,610,375</b>	2,583,051

## Notes to the Interim Financial Information

### 11. Property, plant and equipment and leasehold land (Continued)

Supplementary information with hotel properties at valuation:

The aggregate valuation of hotel properties in Hong Kong and Canada were revalued by Knight Frank and Grant Thornton Management Consultants respectively, independent professional valuers and amounted to HK\$4,295,624,000 (31st March 2008: HK\$4,455,139,000).

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.

### 12. Trade and other receivables

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

Trade receivables of the Group amounted to HK\$42,143,000 (31st March 2008: HK\$37,099,000). The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

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

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



## Notes to the Interim Financial Information

### 13. Trade and other payables

Trade and other payables of the Group include trade payables, rental and other deposits received, other payables, retention payable of construction costs and various accruals.

Trade payables of the Group amounted to HK\$57,443,000 (31st March 2008: HK\$16,710,000).

Aging analysis of trade payables is as follows:

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

### 14. Borrowings

	<b>30th September 2008 HK\$'000</b>	31st March 2008 HK\$'000
Short term bank borrowings, unsecured	<b>3,734</b>	20,000
Short term bank and other borrowings, secured (note a)	<b>89,901</b>	358,295
	<b>93,635</b>	378,295
Long term bank borrowings, secured (notes a and b)	<b>962,311</b>	605,385
Obligations under finance leases (note b)	<b>9</b>	63
	<b>1,055,955</b>	983,743

## Notes to the Interim Financial Information

### 14. Borrowings (Continued)

Notes:

(a) The short term bank borrowings of HK\$89,901,000 (31st March 2008: HK\$265,111,000) and the bank borrowings of HK\$962,311,000 (31st March 2008: HK\$605,385,000) are secured by mortgages of the Group's hotel properties and leasehold land (note 11), floating charges over all the assets of certain subsidiaries and corporate guarantees given by the Company. At 31st March 2008, the short term other borrowings of HK\$93,184,000 were secured by certain available-for-sale investments.

(b) The maturity of long term bank borrowings and obligations under finance leases is as follows:

	<b>30th September 2008 HK\$'000</b>	31st March 2008 HK\$'000
Bank borrowings not wholly repayable within five years		
Repayable within one year	<b>24,502</b>	11,012
Repayable within one to two years	<b>42,002</b>	11,012
Repayable within two to five years	<b>185,004</b>	122,038
Repayable after five years	<b>710,803</b>	461,323
	<b>962,311</b>	605,385
Obligations under finance leases wholly payable within five year	<b>9</b>	63
	<b>962,320</b>	605,448
Current portion included in current liabilities	<b>(24,511)</b>	(11,075)
	<b>937,809</b>	594,373

## Notes to the Interim Financial Information

### 15. Warrant liabilities

On 7th September 2007, the Company issued warrants to shareholders on the basis of one warrant for every five shares of the Company. The initial subscription price was at HK\$0.146 per share and the warrants are exercisable at any time within three years from the date of issue. Apart from the adjustments upon occurrence of the usual adjustment events, the subscription price is subject to the reset adjustment at the end of each six months period from the date of issue of the warrants and a final reset adjustment on the tenth business day before the date of expiration of the warrants. The subscription price was adjusted from HK\$0.146 to HK\$0.084 per share on 6th March 2008, and from HK\$0.084 to HK\$0.052 per share on 6th September 2008.

Movement of the warrant liabilities during the period is as follows:

	HK\$'000
At 1st April 2008	51,325
Fair value gain credited to profit and loss account (note 5)	(34,850)
<b>At 30th September 2008</b>	<b>16,475</b>

### 16. Share capital

	Number of shares of HK\$0.02 per share	Amount HK\$'000
<b>Authorised:</b>		
At 1st April 2008 and 30th September 2008	35,000,000,000	700,000
<b>Issued and fully paid:</b>		
At 1st April 2008 and 30th September 2008	12,908,206,641	258,164

## Notes to the Interim Financial Information

## 17. Reserves

	Share premium	Warrants reserve	Contributed surplus	Available- for-sale investments reserve	Exchange reserve	Share options reserve	Revenue reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2008	1,030,856	(116,827)	899,333	12,291	65,581	27,520	(108,631)	1,810,123
Exchange differences	-	-	-	-	(5,909)	-	-	(5,909)
Fair value loss on investments	-	-	-	(62,265)	-	-	-	(62,265)
Impairment of available-for-sale investments transferred to profit and loss account	-	-	-	32,756	-	-	-	32,756
Add: provision for deferred tax written back	-	-	-	2,607	-	-	-	2,607
Profit for the period	-	-	-	-	-	-	1,526	1,526
2008 final dividend	-	-	-	-	-	-	(9,036)	(9,036)
<b>At 30th September 2008</b>	<b>1,030,856</b>	<b>(116,827)</b>	<b>899,333</b>	<b>(14,611)</b>	<b>59,672</b>	<b>27,520</b>	<b>(116,141)</b>	<b>1,769,802</b>

## 18. Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	<b>30th September 2008 HK\$'000</b>	<b>31st March 2008 HK\$'000</b>
Property, plant and equipment		
Contracted but not provided for	<b>83,285</b>	111,900
Authorised but not contracted for	<b>15,430</b>	29,827
	<b>98,715</b>	141,727

## 19. Financial guarantee

As at 30th September 2008 and 31st March 2008, the Group has no significant contingent liabilities.

## 20. Comparative figures

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

## Other Information

### Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 30th September 2008, the interests and short position of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of the Hong Kong 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 in 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

Name of Director	Number of shares held			Percentage of shares in issue (%)
	Personal interest	Corporate interest	Total	
Poon Jing	403,383	9,121,284,139	9,121,687,522	70.67

By virtue of his 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 Jing is deemed to be interested in the shares of all of the Company's subsidiaries.

## Other Information

### Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

(Continued)

#### (I) Long positions in shares (Continued)

##### (b) Associated corporations

Name of Director	Associated corporation	Number of shares held			Percentage of shares in issue (%)
		Personal interest	Corporate interest	Total	
Poon Jing	Asia Standard International Group Ltd ("ASI") (Note 1)	9,397,533	4,979,427,048	4,988,824,581	45.43
Poon Jing and Fung Siu To, Clement	Centop Investment Limited ("Centop") (Note 2)	–	20	20	20
Poon Jing	Centop (Note 3)	–	80	80	80
Fung Siu To, Clement	Mark Honour Limited	9	–	9	9

Notes:

1. By virtue of his controlling interest in Asia Orient, Mr. Poon Jing is deemed to be interested in the shares of ASI held by subsidiaries of Asia Orient.
2. Centop is owned as to 80% by ASI and as to 20% by Kingscore Investment Limited ("Kingscore"). Each of Mr. Poon Jing and Mr. Fung Siu To, Clement holds 50% interest in Kingscore. By virtue of their interest in Kingscore, each of Mr. Poon and Mr. Fung is deemed to have interest in the 20 shares held by Kingscore and duplicate the interest of the other.
3. By virtue of his controlling interest in Asia Orient, Mr. Poon Jing is deemed to be interested in the Company's subsidiaries and associated corporations, including the 80 shares of Centop held by ASI.



## Other Information

**Directors' and chief executives' interests and short positions in shares, underlying shares and debentures**  
(Continued)

## (II) Long positions in underlying shares

*Interests in share options**(a) The Company*

As at 30th September 2008, details of the share options granted to Directors under the share option schemes are as follows:

Name of Director	Date of grant	Exercise price (HK\$)	Exercisable period	Outstanding as at 1st April 2008 and 30th September 2008
Fung Siu To, Clement	29th March 2007	0.1296	29th March 2007 to 28th March 2017	80,000,000
Poon Tin Sau, Robert	29th March 2007	0.1296	29th March 2007 to 28th March 2017	80,000,000
Lim Yin Cheng	2nd April 2007	0.1300	2nd April 2007 to 1st April 2017	80,000,000
Woo Wei Chun, Joseph	2nd April 2007	0.1300	2nd April 2007 to 1st April 2017	80,000,000

*(b) Associated corporation – ASI*

Name of Director	Outstanding as at 1st April 2008 and 30th September 2008
Poon Jing	5,155,440
Lim Yin Cheng	20,621,761
Fung Siu To, Clement	20,621,761

Options were granted on 30th March 2005 and exercisable from 30th March 2005 to 29th March 2015 at an exercise price of HK\$0.315 (as adjusted) per share. During the period, no share option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

## Other Information

### Directors' and chief executives' interests and short positions in shares, underlying shares and debentures (Continued)

#### (II) Long positions in underlying shares (Continued)

##### Interests in warrants

Details of interests in warrants of the Company and its associated corporation are as follows:

##### a) The Company

Name of Director	Number of underlying shares subject to the warrants		Total
	Personal interest	Corporate interest	
Poon Jing	76,686	1,742,211,916	1,742,288,602

The warrants are exercisable from 7th September 2007 to 6th September 2010 at an initial subscription price of HK\$0.146 per share. Following the reset adjustments pursuant to the terms of warrants, the subscription price was adjusted to HK\$0.052 per share on 6th September 2008.

##### b) Associated corporation – ASI

Name of Director	Date of grant	Subscription price (HK\$)	Exercisable period	Number of underlying shares subject to the warrants		Total
				Personal interest	Corporate interest	
Poon Jing	8th September 2008	0.100	8th September 2008 to 7th September 2009	1,879,506	977,680,196	979,559,702

Save as disclosed above, as at 30th September 2008, none of the Directors or the 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 & 8 of Part XV of the SFO (including interests and short positions which they 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 in the Listing Rules.

## Other Information

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

As at 30th September 2008, according to the register of substantial shareholders kept by the Company under Section 336 of the SFO, the following parties (other than the Directors and Chief Executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

#### Long position in shares of the Company

Name	Number of shares	Percentage (%)
Asia Standard Development (Holdings) Limited ("ASDHL")	2,957,888,314	22.91
Asia Standard International Limited ("ASIL")	5,772,774,195	44.72
ASI (Note 1)	8,738,777,562	67.70
Asia Orient Holdings (BVI) Limited (Note 2)	9,121,284,139	70.66
Asia Orient (Note 3)	9,121,284,139	70.66

#### Long position in the underlying shares of the Company

##### Interest in warrants

Name	Number of underlying shares subject to the warrants
ASDHL	571,428,570
ASIL	1,103,857,657
ASI	1,676,843,387
Asia Orient Holdings (BVI) Limited (Note 2)	1,742,211,916
Asia Orient (Note 3)	1,742,211,916

The warrants are exercisable from 7th September 2007 to 6th September 2010 at an initial subscription price of HK\$0.146 per share. Following the reset adjustments pursuant to the terms of warrants, the subscription price was adjusted to HK\$0.052 per share on 6th September 2008.

## Other Information

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

Notes:

1. 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.
2. 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.
3. 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.

Save as disclosed above, as at 30th September 2008, 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 schemes

Pursuant to the share option scheme of the Company adopted on 28th August 2006 ("Share Option Scheme"), the Board 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 2008. The detail terms of the Share Option Scheme were disclosed in the 2008 annual report.

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

Grantee	Date of grant	Exercise price (HK\$)	Exercisable period	Outstanding as at 1st April 2008 and 30th September 2008
Directors	29th March 2007	0.1296	29th March 2007 to 28th March 2017	160,000,000
	2nd April 2007	0.1300	2nd April 2007 to 1st April 2017	160,000,000
Directors of an associated company	2nd April 2007	0.1300	2nd April 2007 to 1st April 2017	160,000,000
Employees of an associated company	2nd April 2007	0.1300	2nd April 2007 to 1st April 2017	380,000,000

No option was cancelled, lapsed or exercised during the period.

### Interim dividend

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

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

### Code of Conduct regarding Securities Transactions by Directors

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

### Code on Corporate Governance Practices

During the period, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except for the deviation from code provision A.4.1 which stated that non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive directors of the Company were not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with the Bye-Laws of the Company.

### Audit Committee

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

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

On behalf of the Board

**Poon Jing**

*Chairman*

Hong Kong, 11th December 2008