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ASIA STANDARD HOTEL GROUP LIMITED

泛海酒店集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 292)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2013

FINANCIAL HIGHLIGHTS <i>(in HK\$ million, except otherwise indicated)</i>	2013	2012	Change
Revenue	846	823	+3%
Revenue from hotel operations	484	488	-1%
Net investment gain/(loss)	218	(567)	N/A
Profit/(loss) for the year attributable to shareholders	424	(311)	N/A
Net assets	2,896	2,439	+19%
Net debt	1,551	1,452	+7%
Supplementary information about valuation of the four hotel properties in operation:			
Revalued net assets	9,152	8,045	+14%
Revalued net assets per share (HK\$)	5.90	5.19	+14%
Gearing – net debt to revalued net assets	17%	18%	-1%

* for identification purpose only

The Directors of Asia Standard Hotel Group Limited (the “Company”) announce that the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2013 together with the comparative figures for the year ended 31st March 2012 were as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2013

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000
Revenue	2	845,942	822,569
Cost of sales		(371,530)	(323,538)
Gross profit		474,412	499,031
Selling and administrative expenses		(144,326)	(126,319)
Depreciation		(84,694)	(90,139)
Net investment gain/(loss)	3	217,536	(566,740)
Operating profit/(loss)		462,928	(284,167)
Net finance costs		(12,646)	(173)
Profit/(loss) before income tax		450,282	(284,340)
Income tax expense	5	(26,505)	(27,114)
Profit/(loss) for the year attributable to shareholders		423,777	(311,454)
Dividends	6	15,498	-
Earnings/(loss) per share (HK\$)			
Basic	7	0.27	(0.20)
Diluted	7	0.27	(0.20)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2013

	2013 HK\$'000	2012 HK\$'000
Profit/(loss) for the year	<u>423,777</u>	<u>(311,454)</u>
Other comprehensive income/(charge)		
Net fair value gain/(loss) on available-for-sale investments	36,402	(38,021)
Impairment of available-for-sale investments charged to profit and loss account	395	2,261
Release of reserve upon disposal of available-for-sale investments	(535)	-
Currency translation differences	(3,528)	(6,133)
	<u>32,734</u>	<u>(41,893)</u>
Total comprehensive income/(charge) for the year attributable to shareholders	<u>456,511</u>	<u>(353,347)</u>

CONSOLIDATED BALANCE SHEET

As at 31st March 2013

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000
Non-current assets			
Property, plant and equipment		3,023,706	2,496,669
Available-for-sale investments		223,923	186,331
		<u>3,247,629</u>	<u>2,683,000</u>
Current assets			
Inventories		2,218	2,342
Trade and other receivables	8	141,883	106,426
Income tax recoverable		636	-
Financial assets at fair value through profit or loss		1,189,406	1,234,554
Bank balances and cash		136,071	133,710
		<u>1,470,214</u>	<u>1,477,032</u>
Current liabilities			
Trade and other payables	9	63,981	63,905
Derivative financial instruments		338	3,402
Borrowings		332,826	668,071
Income tax payable		24,573	20,722
		<u>421,718</u>	<u>756,100</u>
Net current assets		<u>1,048,496</u>	<u>720,932</u>
Total assets less current liabilities		<u>4,296,125</u>	<u>3,403,932</u>
Non-current liabilities			
Long term borrowings		1,354,629	917,839
Deferred income tax liabilities		45,629	46,737
		<u>1,400,258</u>	<u>964,576</u>
Net assets		<u>2,895,867</u>	<u>2,439,356</u>
Equity			
Share capital		30,997	30,997
Reserves		2,864,870	2,408,359
		<u>2,895,867</u>	<u>2,439,356</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

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

The accounting policies and methods of computation used in the preparation of these annual financial statements are consistent with those used in 2012. There are no new or revised standards or interpretations that are effective for the first time for this year which are relevant to the Group’s operation and have a material impact on the Group’s annual financial statements.

Certain new and revised standards have been issued but are not yet effective for the year ended 31st March 2013 and have not been early adopted by the Group. The Group has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether they will have substantial changes to the Group’s accounting policies and presentation of the consolidated financial statements.

2. Turnover and segment information

Revenue includes revenue from hotel, catering services, travel agency operations, interest income and dividend income. Management regards turnover as comprising these revenue as defined under generally accepted accounting principles together with gross consideration from disposal of financial assets at fair value through profit or loss and derivative financial instruments.

In the past, the Group was organised into four main reportable operating segments comprising of hotel operation, catering services, travel agency and investments. As the Group’s restaurant operation in Hong Kong and Mainland China reported under catering services segment represents less than 2% and 1% of the Group’s total revenue and results, this segment of business is not reported separately. Corresponding comparative figures have been adjusted to conform with the re-classification.

	2013 HK\$’000	2012 HK\$’000
Turnover		
Revenue		
Hotel operation	484,292	487,942
- Room rentals	408,565	405,510
- Food and beverages	55,756	61,454
- Ancillary services	4,982	7,635
- Space rental	14,989	13,343
Travel agency	235,200	198,192
Financial investments	108,733	122,162
Other operations	17,717	14,273
	845,942	822,569
Gross consideration from disposal of financial assets at fair value through profit or loss and derivative financial instruments	709,801	909,526
	1,555,743	1,732,095

2. Turnover and segment information (continued)

	Hotel operation HK\$'000	Travel agency HK\$'000	Financial investments HK\$'000	Others HK\$'000	Total HK\$'000
2013					
Turnover	484,292	235,200	818,534	17,717	1,555,743
Segment revenue	<u>484,292</u>	<u>235,200</u>	<u>108,733</u>	<u>17,717</u>	<u>845,942</u>
Contribution to segment results	252,807	109	108,733	(731)	360,918
Depreciation	(84,314)	(249)	-	(131)	(84,694)
Net investment gain	-	-	<u>217,536</u>	-	<u>217,536</u>
Segment results	<u>168,493</u>	<u>(140)</u>	<u>326,269</u>	<u>(862)</u>	<u>493,760</u>
Unallocated corporate expenses					<u>(30,832)</u>
Operating profit					462,928
Net finance costs					<u>(12,646)</u>
Profit before income tax					450,282
Income tax expense					<u>(26,505)</u>
Profit for the year attributable to shareholders					<u>423,777</u>
2012					
Turnover	487,942	198,192	1,031,688	14,273	1,732,095
Segment revenue	<u>487,942</u>	<u>198,192</u>	<u>122,162</u>	<u>14,273</u>	<u>822,569</u>
Contribution to segment results	279,899	(1,597)	120,444	(188)	398,558
Depreciation	(89,806)	(30)	-	(303)	(90,139)
Net investment loss	-	-	<u>(566,740)</u>	-	<u>(566,740)</u>
Segment results	<u>190,093</u>	<u>(1,627)</u>	<u>(446,296)</u>	<u>(491)</u>	<u>(258,321)</u>
Unallocated corporate expenses					<u>(25,846)</u>
Operating loss					(284,167)
Net finance costs					<u>(173)</u>
Loss before income tax					(284,340)
Income tax expense					<u>(27,114)</u>
Loss for the year attributable to shareholders					<u>(311,454)</u>

2. Turnover and segment information (continued)

	Hotel operation HK\$'000	Travel agency HK\$'000	Financial investments HK\$'000	Others HK\$'000	Total HK\$'000
2013					
Segment assets	3,057,469	18,387	1,471,212	34,068	4,581,136
Other unallocated assets					<u>136,707</u>
					<u><u>4,717,843</u></u>
Segment liabilities					
Borrowings	1,474,202	-	213,253	-	1,687,455
Other unallocated liabilities					<u>134,521</u>
					<u><u>1,821,976</u></u>
Additions to non-current assets*	<u>615,284</u>	<u>909</u>	<u>-</u>	<u>38</u>	<u>616,231</u>
2012					
Segment assets	2,532,113	15,283	1,445,847	33,079	4,026,322
Other unallocated assets					<u>133,710</u>
					<u><u>4,160,032</u></u>
Segment liabilities					
Borrowings	1,044,007	-	541,903	-	1,585,910
Other unallocated liabilities					<u>134,766</u>
					<u><u>1,720,676</u></u>
Additions to non-current assets*	<u>7,397</u>	<u>30</u>	<u>-</u>	<u>148</u>	<u>7,575</u>

* These amounts exclude financial instruments.

2. Turnover and segment information (continued)

	2013 HK\$'000	2012 HK\$'000
Revenue		
Hong Kong	666,407	619,218
Overseas	179,535	203,351
	<u>845,942</u>	<u>822,569</u>
Non-current assets*		
Hong Kong	2,798,834	2,250,371
Overseas	224,872	246,298
	<u>3,023,706</u>	<u>2,496,669</u>

* These amounts exclude financial instruments.

3. Net investment gain/(loss)

	2013 HK\$'000	2012 HK\$'000
Financial assets at fair value through profit or loss		
– net unrealised gain/(loss) from market price movements	147,278	(249,333)
– net unrealised exchange loss	(14,496)	(16,367)
– net realised gain/(loss) (note)	83,488	(294,416)
Available-for-sale investments		
– net realised gain	1,661	-
– impairment	(395)	(2,261)
Derivative financial instruments		
– net realised loss	-	(4,363)
	<u>217,536</u>	<u>(566,740)</u>

Note:

Net realised gain/(loss) on financial assets at fair value through profit or loss		
Gross consideration	709,801	905,852
Cost of investments	(627,903)	(975,428)
Total gain/(loss)	81,898	(69,576)
Net unrealised loss/(gain) recognised in prior years	1,590	(224,840)
Net realised gain/(loss) recognised in current year	<u>83,488</u>	<u>(294,416)</u>

4. Income and expenses by nature

	2013 HK\$'000	2012 HK\$'000
Income		
Interest income		
- Listed investments	96,438	107,332
- Loan receivables	1,796	2,189
- Bank deposits	594	622
Dividend income		
- Listed investments	<u>12,283</u>	<u>13,975</u>
Expenses		
Cost of goods sold	200,242	173,880
Operating lease rental expense for land and buildings	<u>7,869</u>	<u>7,286</u>

5. Income tax expense

	2013 HK\$'000	2012 HK\$'000
Current income tax		
Hong Kong profits tax	(27,613)	(13,157)
Over provision in prior years	-	6,161
	<u>(27,613)</u>	<u>(6,996)</u>
Deferred income tax credit/(expense)	<u>1,108</u>	<u>(20,118)</u>
	<u>(26,505)</u>	<u>(27,114)</u>

Hong Kong profits tax is provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. No provision for overseas and Mainland China taxation has been made as there are no assessable profits for the year (2012: Nil).

6. Dividends

	2013 HK\$'000	2012 HK\$'000
Interim, paid, of nil (2012: Nil) per share	-	-
Final, proposed, of HK1 cent (2012: Nil) per share	<u>15,498</u>	-
	<u>15,498</u>	-

At a meeting held on 25th June 2013, the Board of Directors has proposed to pay a final dividend of HK1 cent (2012: Nil) per share for the year ended 31st March 2013. The proposed dividend is not reflected in the financial statements, but will be reflected as an appropriation of revenue reserve in the year ending 31st March 2014.

The amount of HK\$15,498,000 is based on 1,549,842,336 issued shares as at 25th June 2013.

7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit for the year attributable to shareholders of HK\$423,777,000 (2012: loss of HK\$311,454,000) and divided by the weighted average number of 1,549,842,336 (2012: 1,543,771,729) shares in issue during the year.

For the year ended 31st March 2013 and 2012, the 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.

8. Trade and other receivables

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

Trade receivables of the Group amounted to HK\$65,090,000 (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:

	2013 HK\$'000	2012 HK\$'000
0 - 60 days	63,637	31,328
61 - 120 days	1,453	901
More than 120 days	-	60
	<u>65,090</u>	<u>32,289</u>

9. Trade and other payables

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

Trade payables of the Group amounted to HK\$23,312,000 (2012: HK\$19,145,000).

Aging analysis of trade payables is as follows:

	2013 HK\$'000	2012 HK\$'000
0 - 60 days	23,059	19,098
61 - 120 days	119	36
More than 120 days	134	11
	<u>23,312</u>	<u>19,145</u>

The figures in this preliminary announcement of the Group's results for the year ended 31st March 2013 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31st March 2013, the Group's revenue rose by 3% to approximately HK\$846 million and recorded a profit attributable to shareholders of HK\$424 million when compared to a loss of HK\$311 million for the same period of last year. The turnaround from loss to profit was mainly attributable to a net gain on investments in financial assets as opposed to a net loss of last year.

BUSINESS REVIEW

Hong Kong visitors' cumulative arrivals between April 2012 and March of 2013 reached 49 million, a year-on-year increase of 13%. Mainland arrivals remain the key driving factor with arrivals growing by 20% to 35 million, representing approximately 71% of total visitor arrivals.

The Group's hotel operation continued with its stable contribution to the Group's overall performance, supported by high occupancy and increasing average room rates sales from Hong Kong.

Empire Hotel Hong Kong

Empire Hong Kong's average occupancy rate increased by 4% to 97%, and total room revenue amounted to HK\$139 million, an increase of 6% from last year.

Empire Hotel Kowloon

Empire Kowloon's average occupancy rate increased by 4% to 97%, and total room revenue amounted to HK\$126 million, an increase of 1% from last year.

Empire Hotel Causeway Bay

Empire Causeway Bay's average occupancy rate increased by 5% to 95%, and total room revenue amounted to HK\$91 million, an increase of 2% from last year.

Empire Landmark Hotel Vancouver

Empire Landmark's average occupancy rate decreased by 7% while its average room rate in Canadian dollar remained the same as last year. Total room revenue amounted to HK\$53 million.

Hotel Development Projects

Over the past twelve months, the Group has successfully strengthened its hotel asset portfolio through the acquisitions of property interests in Causeway Bay and in TsimShaTsui. These 2 property sites are located adjacent to the Group's two existing hotels in Hong Kong. Upon completion of redevelopments of these two sites into hotels by 2016 / 2017, the 184 additional rooms or 19% increase from the existing room portfolio in Hong Kong will provide the Group greater operational synergies and further business opportunities.

The above hotel development projects will have a total gross floor area of approximately 65,000 square feet, and the total investment cost is approximately HK\$859 million.

Travel and Catering

Revenue for the travel segment amounted to HK\$235 million. Revenue for catering amounted to HK\$15 million, and this segment of business has ceased to be reported separately in the notes to the financial statements due to immateriality as it represents less than 2% and 1% of the Group's total revenue and results.

Financial Investments

As at 31st March 2013, the Group's financial investment portfolio amounted to HK\$1,413 million (2012: HK\$1,421 million). The investment portfolio consisted of listed equity (45%) and debt (55%) securities. They were denominated in Hong Kong Dollars (16%), United States Dollars (54%), Sterling (18%), Euro (5%) and Renminbi (7%). During the year ended 31st March 2013, the Group recorded a net investment gain of HK\$218 million, as opposed to a loss of HK\$567 million in last year. A total of HK\$109 million in interest and dividend income were generated from the investment portfolio (2012: HK\$121 million).

As at 31st March 2013, approximately HK\$60 million (2012: HK\$250 million) of these investments were pledged to banks as collateral for credit facilities granted to the Group.

FINANCIAL REVIEW

The Group's total assets amounted to HK\$4,718 million (2012: HK\$4,160 million). Based on independent valuation, the total revalued amount of our four hotel properties in operation as at 31st March 2013 was HK\$8,703 million, an increase of 7% when compared with that as at 31st March 2012.

The shareholders' funds amounted to HK\$2,896 million (2012: HK\$2,439 million), of which the increase was mainly due to profit for the year. Taking into account the market value of the hotel properties in operation, the revalued net assets of the Group would be HK\$9,152 million (2012: HK\$8,045 million).

The consolidated net debt was HK\$1,551 million (2012: HK\$1,452 million). 90% of the gross bank borrowings or HK\$1,523 million was denominated in HK dollars, and the remaining 10% or to the equivalent of HK\$164 million were in foreign currencies incurred in operations and investment in financial assets overseas.

The maturity of our debts were spread over a long period of up to 6 years. 10% of total borrowings were from revolving credit facilities secured by hotel properties. 3% of total borrowings were in the form of revolving credit facilities through the pledge of financial assets investment. 54% was repayable between one to five years and 29% was repayable after five years, which were also secured by hotel properties. At 31st March 2013, the Group had current assets of HK\$1,470 million (2012: HK\$1,477 million).

The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, decreased to 17% (2012: 18%).

The aggregate net book value of hotel properties pledged as collateral for banking facilities of the Group as at 31st March 2013 amounted to HK\$2,944 million (2012: HK\$2,492 million).

HUMAN RESOURCES

As at 31st March 2013, the total number of employees of the Company and its subsidiaries was 419 (2012: 439). In addition to salary payment, the Group provides other benefits including insurance, share options, medical scheme and retirement plans etc. to its employees.

FUTURE PROSPECTS

Looking into 2013, we expect Mainland China and the short-haul markets to continue to be the growth engine of our hotel business. Our Empire Hotels, with premier locations and constantly improved product offerings, will continue to capture the growing spending from the vibrant tourism inflows.

Leveraging our healthy financial position and solid hotel business in Hong Kong, we remain confident in the longer-term prospects for the Group, and will continue to plan and exercise asset enhancement initiatives to bring long term growth in hotel room numbers and revenue to the Group.

With investment sentiments remaining volatile around the globe, our management continues to adopt a cautious approach towards our investment portfolio.

DIVIDENDS

The Directors recommend a final dividend for the year ended 31st March 2013 of HK1 cent (2012: Nil) per share. No interim dividend was declared during the year (2012: Nil). Total dividend for the year amounts to HK1 cent (2012: Nil) per share.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 20th August 2013 to Thursday, 22nd August 2013 both days inclusive, for the purpose of determining the identity of members who are entitled to attend and vote at the 2013 annual general meeting to be held on 22nd August 2013 (the “Annual General Meeting”). During which period no transfer of shares of the Company will be registered and no shares will be allotted and issued on the exercise of the subscription rights attached to the outstanding share options granted by the Company. In order to qualify for attending the Annual General Meeting, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 19th August 2013.

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is 28th August 2013. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on both days of Tuesday, 27th August 2013 to Wednesday, 28th August 2013, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 26th August 2013. The final dividend will be paid on 30th September 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the year.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Director of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year, and they all confirmed that they have fully complied with the required standard set out in the Model Code throughout the year ended 31st March 2013.

CORPORATE GOVERNANCE CODE

During the year, 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 of 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. The 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 of 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 at any time, and from time to 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 retire at the next annual general meeting but shall then be eligible for re-election at the meeting.

AUDIT COMMITTEE

The Audit Committee has reviewed the annual results of the Group for the year ended 31st March 2013.

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

Hong Kong, 25th June 2013

As at the date of this announcement, the Executive Directors of the Company are Mr. Poon Jing, Dr. Lim Yin Cheng, Mr. Poon Hai, Mr. Fung Siu To, Clement and Mr. Woo Wei Chun, Joseph; and the Independent Non-executive Directors are Mr. Ip Chi Wai, Mr. Leung Wai Keung and Mr. Hung Yat Ming.