



ASIA STANDARD HOTEL GROUP LIMITED

(泛海酒店集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 00292)

INTERIM RESULTS SIX MONTHS ENDED 30TH SEPTEMBER 2004

The Directors of Asia Standard Hotel Group Limited (the “Company”) announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2004 together with the comparative figures for the period ended 30th September 2003 were as follows :

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004 - UNAUDITED

		Six months ended 30th September	
	Note	2004 HK\$'000	2003 HK\$'000
Turnover	2	286,722	180,983
Cost of sales		(197,490)	(129,314)
Gross profit		89,232	51,669
Administrative expenses		(39,313)	(42,201)
Other charges	3	(1,929)	(11,058)
Operating profit/(loss)	4	47,990	(1,590)
Interest income		1,125	1,982
Net investment (loss)/gain		(8,465)	4,692
Finance costs		(17,553)	(22,475)
Share of loss of an associated company		–	(712)
Profit/(loss) before taxation		23,097	(18,103)
Taxation	5	(5,644)	(712)
Profit/(loss) attributable to shareholders		17,453	(18,815)
Earnings/(loss) per share	7	0.345 cent	(0.372) cent

* for identification purposes only

NOTES TO THE INTERIM CONSOLIDATED ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim financial report has been prepared in accordance with the requirements of the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” as issued by the Hong Kong Institute of Certified Public Accountants.

The principal accounting policies adopted in preparing the unaudited interim financial report are consistent with those described in the 2004 Annual Report and Accounts.

Currently hotel properties are revalued annually based on independent professional valuation on an open market value basis and no depreciation is provided. Following the issuance of SSAP Interpretation 23 “The Appropriate Policies for Hotel Properties” in October 2004 which is effective for accounting periods beginning on or after 1st January 2005, owner-operated hotel properties are required to be accounted for under SSAP 17 “Property, plant and equipment” (or Hong Kong Accounting Standard 16 “Property, plant and equipment” as applicable) and depreciation is to be applied retrospectively. The Group will adopt this new accounting policy in the next financial year ending 31st March 2006.

2. TURNOVER AND SEGMENT INFORMATION

An analysis of the Group’s turnover and results by business segments and geographical segments are set out below:

Business segments

	Turnover		Contribution to	
	Six months ended		operating profit/(loss)	
	30th September		Six months ended	
	2004	2003	2004	2003
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Hotel operation	115,172	73,018	55,710	22,856
Catering services	9,675	7,329	152	(3,592)
Travel agency	161,875	100,636	(895)	(11,148)
	<u>286,722</u>	<u>180,983</u>	<u>54,967</u>	<u>8,116</u>
Unallocated corporate expenses			(6,977)	(9,706)
			<u>47,990</u>	<u>(1,590)</u>

Geographical segments

	Turnover		Operating profit/(loss)	
	Six months ended 30th September		Six months ended 30th September	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	238,945	137,630	29,526	(15,947)
Canada	4,013	2,705	386	(997)
Mainland China	43,764	40,648	18,078	15,354
	<u>286,722</u>	<u>180,983</u>	<u>47,990</u>	<u>(1,590)</u>

3. OTHER CHARGES

	Six months ended 30th September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposal of an associated company	–	9,129
Amortisation of goodwill	1,929	1,929
	<u>1,929</u>	<u>11,058</u>

4. OPERATING PROFIT/(LOSS)

	Six months ended 30th September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit/(loss) is stated after charging the following:		
Staff costs, including Directors' emoluments	32,587	31,091
Depreciation	454	2,219
Operating lease rental for land and buildings	2,667	2,936
Impairment of long term investment	1,601	–
	<u>1,601</u>	<u>–</u>

5. TAXATION

Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profit has been calculated on the estimated taxable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

	Six months ended	
	30th September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax		
Deferred taxation	3,715	(2,935)
Overseas tax		
Under provision in prior year	–	604
Deferred taxation	1,929	3,043
	<hr/>	<hr/>
	5,644	712
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6. DIVIDENDS

The Directors do not recommend the payment of an interim dividend (2003: Nil).

7. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the consolidated profit attributable to shareholders of HK\$17,453,000 (2003: loss of HK\$18,815,000) and on the weighted average of 5,052,108,681 (2003: 5,052,108,681) shares in issue during the period.

No diluted loss per share is presented as the conversion of the convertible notes would not have a dilutive effect on the earnings/(loss) per share.

8. REVIEW OF UNAUDITED INTERIM ACCOUNTS

The unaudited interim accounts for the six months ended 30th September 2004 have been reviewed by the audit committee of the Company.

RESULTS

The Group's turnover improved significantly by 58.4% or HK\$105.7 million to HK\$286.7 million for the six months ended 30th September 2004 as compared with last year following the recovery from the adverse effects of SARS and the subsequent relaxation of visa permit for Chinese individuals now extended to across 32 major cities of China with a total population of 150 million residents. As a result the Group's operating profit surged to HK\$48.0 million for the period to 30th September 2004 as compared to a loss of HK\$1.59 million last year, and profit attributable to shareholders increased to HK\$17.5 million.

The Directors do not recommend the payment of an interim dividend (2003: Nil).

OPERATIONAL REVIEW

Tourism industry in Hong Kong has recovered tremendously during the year, with total visitors figures for the first nine months of 2004 reaching a record 15.7 million visitors, more than the total arrivals for the whole of 2003 according to the Hong Kong Tourism Board.

In addition to the strong growth in the arrivals from Mainland China, other long-haul markets such as United States, Europe, Australia and New Zealand have all shown encouraging increases, with Australia and New Zealand recorded increase in visitors numbers of 68% ahead of 2003 and 15% above 2002.

The Empire Hotel, Hong Kong

In view of the above, coupled with increased number of and attendance to exhibitions and conventions held at the nearby Wanchai Convention Centre, Empire Hotel Hong Kong occupancy for the six months ended 30th September 2004 was 74% as compared with 41% for the same period last year and average room rate increased by 52.5%. Accordingly, Empire Hotel Hong Kong's total revenue and operating profit increased by 22.6% and 360% respectively.

Major renovation work has been carried out on two floors of guest rooms in August and September of this year which has yielded positive results in terms of improvements in occupancy and average rates since the renovation.

Further renovations programs in guest rooms are scheduled in the coming months, which are anticipated to enhance the performance of this hotel in the near future. The opening of Disneyland in September 2005 is anticipated to enhance the yield of Empire Hotel Hong Kong especially during months when exhibition and convention events are low.

The Empire Hotel, Kowloon

Empire Hotel Kowloon's occupancy was 93.3% for the six months ended 30th September 2004 as compared with 51% last year and room average rate improved by 47.7% versus the same period last year. As a result, total revenue and operating profit increased by 18.8% and 437% respectively.

Empire Hotel Kowloon's occupancy and average room rates have benefited from the continual growth in visitors number to Hong Kong from Mainland China, South East Asia and other Caucasian markets. With tourists arrivals reaching record high monthly and the announced opening of Disneyland in September 2005, and coupled with increasing productions from the corporate segment of our business, Empire Hotel Kowloon's average rate yield is expected to improve steadily.

The Empire Landmark Hotel, Vancouver

Empire Landmark hotel achieved occupancy of 70.4% for the six months ended 30th September 2004 as compared with 66.5% for the same period last year while room average rate improved by 5.5%. These improvements coupled with appreciation of Canadian Dollar has led to increase in total revenue and operating profit of 7% and 20% respectively as compared with the same period last year.

Increase in Empire Landmark's room revenue was partly due to the recently signed contract with China Eastern Airlines for airline crew accommodation. Further letting of conference space will generate additional rental income at the beginning of 2005.

Travel Agency

Our travel agency business recorded a total revenue of HK\$161.8 million which has increased by a staggering HK\$61.2 million or 60.8% over last year. Following the end of the SARS period and closing of the Iraq War towards the second half of 2003, travelers' confidence was restored and air-ticketing business in 2004 rebounded to pre-SARS levels coupled with addition of sub-agents which generated new business for our Company in excess of HK\$43 million.

With further expansion of sub-agency business in Japanese hotel packages and outbound tours, coupled with co-brand credit card promotions, our travel agency revenue and contribution is set to improve positively in the latter part of this year.

Catering businesses

It has been an encouraging period for our franchised chain-restaurants with total revenue for the first half of 2004 recorded at HK\$9.7 million, an increase of 32% over last year. Due to the recent opening of the East Rail terminal on Nathan Road where our Kowloon store is situated and growth in local and overseas patrons, this restaurant's business is expected to perform better in the second half of this year. Our Shanghai restaurant, on the other hand, shows strong growth both in revenue and contribution as local spending sentiments continue to prosper in line with sustainable internal economic growth.

HUMAN RESOURCES

As at 30th September 2004 the Group recorded 375 number of full time employees (2003: 367). Employees remuneration package include salary payment, insurance, medical scheme, retirement and other benefits. During the period, no share options were granted.

FINANCIAL REVIEW

Shareholders funds as at 30th September 2004 were HK\$2,031 million, an increase of HK\$24.9 million over last year. Net borrowings amounted to HK\$1,243 million as at 30th September 2004 which has decreased by HK\$54.5 million as compared with last year due largely to the early redemption of the convertible notes by HK\$34.4 million. Consequently the Group's gearing ratio (net debt to equity) fell from 64.7% to 61.2% for the six months ended 30th September 2004.

As at 30th September 2004, HK\$51.3 million which represents 4.0% of total borrowings are repayable within one year with the balance repayable by various instalments over a period exceeding 10 years. Furthermore, except for the Vancouver property mortgage loan, amounted to HK\$147.2 million (2003: HK\$148.6 million) which was borrowed in Canadian dollar for exchange hedging purposes the balance of total borrowings are denominated in Hong Kong dollar.

With prevailing low interest rates the Group's financial charges fell by HK\$4.9 million to HK\$17.6 million for the six months ended 30th September 2004.

The aggregate net book value of fixed assets pledged as securities for loans of the Group amounted to HK\$3.18 billion (March 2003: HK\$3.17 billion).

FUTURE PROSPECTS

With the recently announced opening of Disneyland in September 2005, increased frequencies of international conventions, exhibitions and major sporting events in Hong Kong, the hosting of the 2006 ITU World exhibitions in the new exhibition facility at the airport, visitors arrivals from Mainland China and other overseas countries will undoubtedly grow significantly. Consequently hospitality industry which includes hotels, travel agencies and catering business will certainly benefit as a direct result.

Major renovation program is being carried out in our Hong Kong hotel property, and with the newly renovated luxurious guests rooms the hotel is expected to generate higher yield business and hence further enhancing the profitability of the Group. While our Kowloon hotel property, situated at the heart of the Kowloon's busiest tourists area will be well-positioned to benefit from the increased demand for hotel rooms due to factors mentioned above.

The Group's travel agency and franchised restaurant business both in Hong Kong and Shanghai will be bettered by the thriving tourism industry and increased spending in traveling and dining as a result of upturn in the economy here locally as well in Mainland China.

Overseas, in our Vancouver hotel, fuelled by our recently signed all-year-round contract with China Eastern Airline for crew accommodation and anticipated additional flights by China Eastern and other airlines, the coming 2010 Winter Olympics and further letting out of conference space would all help to ensure increasing revenue for our Landmark hotel and the Group as a whole.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the period, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 30th September 2004.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Appendix 10 of the Listing Rules. The Company has also made specific enquiry of the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A detailed announcement of interim results of the Group for the period ended 30th September 2004 containing all the information previously required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules which remain applicable to this announcement under the transitional arrangement will be published on the website of the Stock Exchange in due course.

By Order of the Board
POON JING
Chairman

Hong Kong 21st December 2004

As of the date of this announcement, the Board of the Company comprises Mr. Poon Jing, Mr. Lim Yin Cheng, Mr. Fung Siu To Clement, Mr. Poon Tin Sau Robert, Mr. Wong Shu Pui, Mr. Liang Shangli, Mr. Ip Chi Wai#, Mr. Leung Wai Keung Richard# and Mr. Hung Yat Ming#.

Independent Non-Executive Director