



ASIA STANDARD HOTEL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 00292)

INTERIM RESULTS SIX MONTHS ENDED 30TH SEPTEMBER 2006

FINANCIAL HIGHLIGHTS

(in HK\$ million, except otherwise indicated)

	2006	2005	Change
Gross operating profit [#]	87	62	+40%
Net debt	502	837	-40%
Revalued net asset value*	3,048	2,725	+12%
Revalued net asset value per share* (HK\$)	0.32	0.43	-26%
Gearing – net debt to revalued net asset value*	16%	31%	-15%
Dividend (HK cent)	0.26	Nil	N/A

Represents operating profit before other non-cash accounting charges of depreciation and amortisation on hotel properties

* These are supplementary information taking into account the fair market value of hotel properties in addition to those in accordance with Hong Kong Financial Reporting Standards

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 2006 together with the comparative figures for the six months ended 30th September 2005 were as follows :

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006 – UNAUDITED

		Six months ended 30th September	
	<i>Note</i>	2006 HK\$'000	2005 HK\$'000
TURNOVER	2	310,795	290,169
COST OF SALES		(180,940)	(188,480)
GROSS PROFIT		129,855	101,689
ADMINISTRATIVE EXPENSES		(42,661)	(39,729)
OPERATING PROFIT BEFORE OTHER CHARGES		87,194	61,960
OTHER CHARGES	3	(36,858)	(35,748)
OPERATING PROFIT	4	50,336	26,212
INTEREST INCOME		1,035	1,728
NET LOSS FROM FINANCIAL ASSETS	5	(5,741)	(26,382)
FINANCE COSTS	6	(23,717)	(25,916)
PROFIT/(LOSS) BEFORE TAXATION		21,913	(24,358)
TAXATION	7	(5,191)	(691)
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		16,722	(25,049)
INTERIM DIVIDEND	8	24,602	–
EARNINGS/(LOSS) PER SHARE			
Basic and diluted	9	HK 0.19 cent	HK (0.46) cent

CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2006 – UNAUDITED

	30th September	31st March
	2006	2006
<i>Note</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	873,390	877,179
Leasehold land	1,315,107	1,325,426
Goodwill	13,188	13,188
Deferred tax assets	34,938	40,130
	<u>2,236,623</u>	<u>2,255,923</u>
CURRENT ASSETS		
Inventories	2,624	2,566
Derivative financial instruments	–	1,257
Financial assets at fair value through profit or loss	22,888	61,957
Trade and other receivables	58,933	50,181
Tax recoverable	–	200
Bank balances and cash	52,594	44,677
	<u>137,039</u>	<u>160,838</u>
CURRENT LIABILITIES		
Trade and other payables	54,714	47,480
Current income tax payable	10,973	10,973
Bank borrowings – secured	20,000	–
Derivative financial instruments	2,299	–
Current portion of borrowings	8,374	17,943
	<u>96,360</u>	<u>76,396</u>
NET CURRENT ASSETS	<u>40,679</u>	<u>84,442</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	2,277,302	2,340,365
NON-CURRENT LIABILITIES		
Borrowings	525,731	863,880
NET ASSETS	<u>1,751,571</u>	<u>1,476,485</u>
EQUITY		
Share capital	189,243	126,162
Reserves	1,562,328	1,350,323
	<u>1,751,571</u>	<u>1,476,485</u>

1. BASIS OF PREPARATION

The unaudited interim consolidated accounts (“Interim Accounts”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 31st March 2006.

For the six months ended 30th September 2006, the Group has also applied the new standards, amendments and interpretations issued by the HKICPA that are effective for the accounting periods beginning on or after 1st January 2006. However, the adoption of these new standards, amendments and interpretations does not have significant effect on the accounting policies or results and financial position of the Group.

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

	Hotel operation HK\$’000	Catering services HK\$’000	Travel agency HK\$’000	Total HK\$’000
Six months ended 30th September 2006				
Room rentals	122,186			
Food and beverages	28,574			
Ancillary services	5,020			
Rental income	5,962			
	<u>161,742</u>	<u>11,515</u>	<u>137,538</u>	<u>310,795</u>
Segment revenue				
	<u>161,742</u>	<u>11,515</u>	<u>137,538</u>	<u>310,795</u>
Segment results before depreciation and amortisation	91,158	1,831	688	93,677
Depreciation and amortisation	(36,689)	(66)	(33)	(36,788)
	<u>54,469</u>	<u>1,765</u>	<u>655</u>	<u>56,889</u>
Segment results				
	<u>54,469</u>	<u>1,765</u>	<u>655</u>	<u>56,889</u>
Unallocated corporate expenses				(6,553)
				<u>(6,553)</u>
Operating profit				50,336
Interest income				1,035
Net loss from financial assets				(5,741)
Finance costs				(23,717)
				<u>(23,717)</u>
Profit before taxation				21,913
Taxation				(5,191)
				<u>(5,191)</u>
Profit attributable to shareholders				<u>16,722</u>

Business segments

	Hotel operation <i>HK\$'000</i>	Catering services <i>HK\$'000</i>	Travel agency <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30th September 2005				
Room rentals	95,910			
Food and beverages	25,152			
Ancillary services	4,387			
Rental income	5,699			
	<u>131,148</u>	<u>11,408</u>	<u>147,613</u>	<u>290,169</u>
Segment revenue				
Segment results before depreciation and amortisation	66,600	2,024	111	68,735
Depreciation and amortisation	(35,502)	(117)	(59)	(35,678)
Segment results	<u>31,098</u>	<u>1,907</u>	<u>52</u>	33,057
Unallocated corporate expenses				<u>(6,845)</u>
Operating profit				26,212
Interest income				1,728
Net loss from financial assets				(26,382)
Finance costs				<u>(25,916)</u>
Loss before taxation				(24,358)
Taxation				<u>(691)</u>
Loss attributable to shareholders				<u><u>(25,049)</u></u>

Geographical segments

	Turnover		Operating profit	
	Six months ended 30th September		Six months ended 30th September	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	246,422	235,765	29,678	11,321
Mainland China	59,476	49,942	19,329	14,255
Canada	4,897	4,462	1,329	636
	<u>310,795</u>	<u>290,169</u>	<u>50,336</u>	<u>26,212</u>

3. OTHER CHARGES

	Six months ended 30th September	
	2006	2005
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	26,539	25,429
Amortisation of leasehold land	10,319	10,319
	<u>36,858</u>	<u>35,748</u>

4. OPERATING PROFIT

	Six months ended 30th September	
	2006	2005
	HK\$'000	HK\$'000
Operating profit is stated after charging the following:		
Staff costs, including directors' emoluments	40,488	37,308
Operating lease rental expense for properties	2,594	2,469
Provision for bad and doubtful debts	2,322	1,312
Cost of goods sold	17,226	11,033

5. NET LOSS FROM FINANCIAL ASSETS

	Six months ended 30th September	
	2006	2005
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss		
Net fair value losses	(6,170)	(22,651)
Realised gains/(losses)	350	(5,160)
Dividend income from listed equity securities	79	1,429
	<u>(5,741)</u>	<u>(26,382)</u>

6. FINANCE COSTS

	Six months ended 30th September	
	2006	2005
	HK\$'000	HK\$'000
Interest expense		
Bank loans and overdrafts	20,149	26,328
Finance lease obligations wholly payable within five years	12	16
Fair value losses/ (gains) on interest rate swap contracts	3,556	(428)
	<u>23,717</u>	<u>25,916</u>

7. TAXATION

	Six months ended 30th September	
	2006	2005
	HK\$'000	HK\$'000
Deferred taxation	<u>5,191</u>	<u>691</u>

No provision for Hong Kong profits tax, overseas and Mainland China tax has been made as the Group has sufficient tax losses brought forward to set off against the estimated assessable profit for the period (2005: HK\$Nil).

8. DIVIDEND

	Six months ended 30th September	
	2006	2005
	HK\$'000	HK\$'000
Interim dividend of HK 0.26 cent (2005: Nil) per ordinary share	<u>24,602</u>	<u>–</u>

The Directors declared the payment of an interim dividend HK\$24,602,000 (2005: Nil).

A final dividend of HK0.32 cent per ordinary share, totalling HK\$30,279,000 for the year ended 31st March 2006 was paid in September 2006.

9. EARNINGS/(LOSS) PER SHARE

The calculation of basis earnings/(loss) per share is based on the profit attributable to shareholders of HK\$16,722,000 (2005: loss of HK\$25,049,000) and on the weighted average of 8,815,840,410 (2005: 5,471,433,701) shares in issue during the period. The comparative figure for basic earnings per share has been adjusted to reflect the effect of rights issue completed in May 2006.

There is no dilutive effect on the earnings per share for the six months ended 30th September 2006 in respect of the outstanding share options during the period, and there were no dilutive instruments for the six months ended 30th September 2005. Accordingly, the basis earnings/(loss) per share is equal to the diluted earnings/(loss) per share for both periods.

10. TRADE AND OTHER RECEIVABLES

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

	30th September 2006	31st March 2006
	HK\$'000	HK\$'000
0 day to 60 days	40,101	38,132
61 days to 120 days	4,124	1,482
More than 120 days	<u>5,083</u>	<u>–</u>
	<u>49,308</u>	<u>39,614</u>

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.

11. TRADE AND OTHER PAYABLES

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

	30th September 2006 HK\$'000	31st March 2006 HK\$'000
0 day to 60 days	24,268	17,309
61 days to 120 days	453	33
More than 120 days	457	1,066
	<hr/>	<hr/>
	25,178	18,408
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OPERATIONAL AND FINANCIAL REVIEW

Interim Results

The Group's unaudited turnover and gross operating profit for the six months ended 30th September 2006 amounted to HK\$311 million and HK\$87 million respectively; the latter showed a 40% increase when compared with the same period of last year.

The board declares an interim dividend in respect of the half year under review of HK0.26 cent per share (2005: Nil).

Business Review

Reported visitors arrivals to Hong Kong for the first nine months of 2006 was more than 18.57 million, a 9.5% increase when compared with the same period of last year.

The Empire Hotel, Hong Kong

Prospect for higher commercial and corporate occupancy is promising as the renovation project is recently completed.

Empire Hong Kong's average rate increased 18% and occupancy also improved 12%. Total revenue increased HK\$12.5 million to HK\$52.3 million, up 31%, and its gross operating profit increased HK\$9.8 million to HK\$30.7 million, up 47%.

The Empire Hotel, Kowloon

Empire Kowloon's average rate increased 14% whilst occupancy improved 5% at 94% level. Total revenue increased HK\$8.6 million to HK\$50 million, up 21%, and gross operating profit increased HK\$8.8 million to HK\$31.8 million, up 37%.

The Empire Landmark Hotel, Vancouver

Empire Landmark's average rate increased 6% whilst occupancy improved 2% to 79%. Boosted by a strong Canadian dollar, total revenue increased HK\$9.6 million to HK\$60.0 million, up 19%, and gross operating profit increased HK\$6.1 million to HK\$28.6 million, up 27%.

Travel and catering

Revenue for the travel business amounts to HK\$137.5 million and catering revenue about HK\$11.5 million.

Human Resources

As at 30th September 2006, the total number of employees of the Company and its subsidiaries were 415 (2005: 395). In addition to salary payment, other benefits include insurance, medical scheme and retirement plans and others.

Financial Review

As at 30th September 2006, the shareholders' funds amounted to HK\$1,751 million, increased by HK\$275 million over last year.

The consolidated net debt was HK\$502 million, a decrease of HK\$335 million when compared with that at 31st March 2006. Gearing on NAV dropped from 57% to the present 29%, and against revalued NAV, from 31% to 16%.

73% of the total debt is denominated in HK\$. Total interest rate swap contracts amounts HK\$360 million. There is no principal repayment for the next four years for HK\$ denominated loans. The remaining is the Vancouver property mortgage loan of HK\$145 million (2005: HK\$146 million) that was borrowed in Canadian dollar for exchange hedging purposes.

The aggregate net book value of fixed assets pledged as securities for loans of the Group as at 30th September 2006 amounted to HK\$2,188 million (2005: HK\$2,203 million).

Total assets amounted to HK\$2,373 million, dropped 2% when compared with HK\$2,417 million as at 31st March 2006. On an open market value basis as at 30th September 2006, the total revalued amount by independent professional valuers of the three hotel properties was HK\$3,572 million, up HK\$35 million when compared with that being prepared on the same basis as at 31st March 2006.

Future Prospects

We see significant potential future value through the renovation program made in our Empire Hong Kong Hotel. We are actively pursuing new opportunities for further growth and value creation, including the search of opportunities for investment and management contracts in Hong Kong, Macau and Mainland China.

The four major attractions in Hong Kong – Hong Kong Disney Land, Madame Tussauds Hong Kong, Ngong Ping 360 and Ocean Park will mark a dazzling finale to 2006 Discover Hong Kong Year, and the diversity of romantic and spectacular activities shall continue showcase Hong Kong's vibrant appeal into 2007.

Prospects for our Vancouver hotel look equally optimistic because of the expected growth in Canada's tourism led by its sustained economic expansion in anticipation of the 2010 Winter Olympics.

Similarly, our franchised restaurants will also benefit from the thriving tourist industry here locally while our Shanghai restaurant is expected to grow in revenue and profitability alongside with Shanghai's vibrant economic growth.

Interim Dividend

The Board of Directors has declared to pay to shareholders whose names appear on the Register of Members of the Company on Tuesday, 16th January 2007 (“Record Date”) interim dividend of HK 0.26 cent per share.

The Board of Directors has also resolved that shareholders will be given an option to elect to receive shares of the Company credited as fully paid in lieu of cash in respect of part or all of such dividend (“Scrip Dividend Scheme”). The market value of the new shares to be issued under the Scrip Dividend Scheme will be fixed by reference to the average of the closing prices of the Company’s shares on The Stock Exchange of Hong Kong Limited for the five consecutive trading days up to and including the Record Date. Full details of the Scrip Dividend Scheme will be set out in a circular to the shareholders. New share certificates will be posted on or about Wednesday, 14th February 2007.

Closure of Register of Members

The Register of Members will be closed from Friday, 12th January 2007 to Tuesday, 16th January 2007, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:00 p.m. on Thursday, 11th January 2007.

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 on corporate governance practices

During the period, the Company was in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) save and except that the Chairman was absent from the Annual General Meeting for 2006 due to personal and family concern.

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 Listing Rules. The Company has also made specific enquiry of the Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

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 consolidated accounts of the Company for the six months ended 30th September 2006 have been reviewed by the Audit Committee.

Disclosure of information on the Stock Exchange's website

An interim results of the Group for the six months ended 30th September 2006 containing all information required by paragraph 46 of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Poon Jing
Chairman

Hong Kong 15th December 2006

As at the date of this announcement, the Executive Directors of the Company are Mr. Poon Jing, Dr. Lim Yin Cheng, Mr. Fung Siu To Clement, Mr. Poon Tin Sau Robert, Mr. Wong Shu Pui, Mr. Woo Wei Chun Joseph, the Non-executive Director is Mr. Liang Shangli, and Independent Non-executive Directors are Mr. Ip Chi Wai, Mr. Leung Wai Keung Richard and Mr. Hung Yat Ming.