



ASIA ORIENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 214)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

The Directors of Asia Orient Holdings 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 six months ended 30th September 2003 were as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT – UNAUDITED

		Six months ended	
		30th September	
		2004	2003
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	2	361,158	311,051
Cost of sales		(260,703)	(222,978)
		<hr/>	<hr/>
Gross profit		100,455	88,073
Administrative expenses		(60,256)	(59,654)
Other income/(charges)	3	4,830	(85,675)
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Operating profit/(loss)	4	45,029	(57,256)
Finance costs		(48,565)	(62,696)
Share of profits less losses of			
Jointly controlled entities		196,383	(8,059)
Associated companies		(16,163)	(51,472)
		<hr/>	<hr/>
Profit/(loss) before taxation		176,684	(179,483)
Taxation (charge)/credit	5	(38,221)	3,894
		<hr/>	<hr/>
Profit/(loss) after taxation		138,463	(175,589)
Minority interests		(85,200)	61,924
		<hr/>	<hr/>
Profit/(loss) attributable to shareholders		53,263	(113,665)
		<hr/>	<hr/>
Dividend	6	3,997	–
		<hr/>	<hr/>
Earnings/(loss) per share			
Basic	7	30.7 cents	(75.9) cents
		<hr/>	<hr/>
Diluted	7	23.8 cents	
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NOTES TO THE 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”) No. 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 stated 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 for the year ending 31st March 2006.

2. Segment Information

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

Business segments

	Turnover		Contribution to operating profit/(loss)	
	Six months ended 30th September		Six months ended 30th September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property sales	36,165	85,715	(18,805)	501
Property leasing	25,208	27,168	21,930	24,047
Hotel and travel	286,722	180,983	49,996	9,546
Investments	2,214	949	127	949
Other operations	10,849	16,236	6,957	10,684
	<u>361,158</u>	<u>311,051</u>	<u>60,205</u>	<u>45,727</u>
Unallocated corporate expenses			(20,006)	(17,308)
Other income/(charges)			4,830	(85,675)
Operating profit/(loss)			<u>45,029</u>	<u>(57,256)</u>

Geographical segments

	Turnover		Contribution to operating profit/(loss)	
	Six months ended 30th September		Six months ended 30th September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	313,381	251,098	26,565	(71,613)
Mainland China	4,013	19,305	386	(997)
Canada	43,764	40,648	18,078	15,354
	<u>361,158</u>	<u>311,051</u>	<u>45,029</u>	<u>(57,256)</u>

3. Other income/(charges)

	Six months ended 30th September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Write-back of provision/(provision) for diminution in value of properties under development/held for sales	11,400	(17,172)
Net unrealised losses on other investments	(15,662)	(6,073)
Amortisation of goodwill	(3,232)	(3,232)
Write-back of provision/(provision) for doubtful debts	12,324	(51,100)
Loss on disposal of interest in an associated company	–	(9,129)
Negative goodwill recognised	–	1,031
	4,830	(85,675)

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 crediting and charging the following:		
Crediting		
Dividends from listed investments	142	949
Interest income	5,238	7,187
Charging		
Depreciation	652	2,804
Net realised losses on other investments	15	–
Net unrealised losses on other investments	15,662	6,073

5. Taxation (charge)/credit

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

The amount of taxation (charged)/credited to the consolidated profit and loss account represents:

	Six months ended 30th September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	(136)	–
Over/(under) provision in prior years	140	(388)
Deferred taxation		
Relating to the origination and reversal of timing differences	(1,250)	2,653
Resulting from an increase in tax rate	–	2,434
	(1,246)	4,699
Share of taxation attributable to		
Associated companies	(510)	(805)
Jointly controlled entities	(36,465)	–
	(38,221)	3,894

6. Dividend

Six months ended 30th September

2004	2003
HK\$'000	HK\$'000

Proposed interim dividend of HK2 cents (2003: Nil) per share,
based on the 199,826,426 shares in issue at the date of this report

3,997

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7. Earnings/(loss) per share

The calculation of earnings/(loss) per share is based on profit attributable to shareholders of HK\$53,263,000 (2003: loss of HK\$113,665,000) and on the weighted average of 173,629,706 (2003:149,826,429) shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30th September 2004 is based on HK\$47,535,000 equalling to the profit attributable to shareholders of HK\$53,263,000 plus after tax interest savings of HK\$13,685,000 less increased minority interests' share of the profit of HK\$19,413,000 and, 199,826,426 shares equalling to the weighted average number of 173,629,706 shares in issue during the period plus 26,196,721 shares deemed to be in issue assuming the convertible notes and bonds had been converted.

No diluted loss per share for the six months ended 30th September 2003 is presented as the exercise of subscription rights attached to the share options and the conversion of the convertible notes would not have a dilutive effect on the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Appropriations

Turnover for the period amounted to HK\$361 million, a 16% increase from last corresponding period. The Group reported a profit attributable to shareholders of HK\$53 million, compared with a loss of HK\$114 million last period.

The Board of Directors has declared to pay to shareholders whose names appear on the Register of Members of the Company on 20th January 2005 ("Record Date") interim dividend of HK2 cents (2003: Nil) per share.

The Board of Directors has also resolved that shareholders will be given the option to elect to receive an allotment and issue of shares of the Company credited as fully paid in lieu of cash in respect of part or all of the proposed 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.

Property sales and leasing

During the period, the Group continued to hold a 52.8% interest in the listed subsidiary, Asia Standard International Group Limited and it recorded a profit attributable to shareholders of HK\$174 million in this period, much improved from last period's loss of HK\$121 million.

Asia Standard sold the 50.1% owned joint venture luxury development, Grosvenor Place in Repulse Bay, in April 2004 for HK\$940 million, contributing an attributable profit after tax of HK\$90 million during this interim period.

Rental income decreased slightly by 7% as compared with last period. Occupancies remained high at an average of 89%. We hold a positive outlook upon coming renewal of tenancies given a very strong demand signal in the market place. We are also positioned to benefit from the quality investment portfolio of some 450,000 sq.ft. of retail and offices.

Two residential projects with a total gross floor area of 233,000 sq.ft. are now under development. Pre-sale is expected in 2005.

Land premium negotiation of three other development sites totalling approximately 810,000 sq.ft. gross floor area carries on.

Asia Standard also acquired a residential development site at Ting Kau, Castle Peak Road for HK\$261 million and our partner, Grosvenor had participated in 50% in this development. Total plot ratio area is 155,000 sq.ft.

In November, the Group disposed of 80 million (representing 1.95% interests) Asia Standard shares for a consideration of HK\$27.1 million. The disposal resulted in a loss of HK\$25 million which will be accounted for in the Group's full year result. The Group has proposed to further dispose 40 million Asia Standard shares. Thereafter, Asia Standard will become an associated company and will be equity accounted for in future.

Hotel

Hotel performance made a strong rebound since last interim period. It achieved a HK\$287 million (58% increase) turnover and HK\$17 million profit compared with HK\$181 million turnover and a loss of HK\$19 million of last period.

Prospect for hotel performances continue to be very promising as a result of CEPA (Phase I) signing and the coming of Phase II, individual visas relaxation by Mainland, the explosion of gaming industry attractions in Macau, and the Disney Park opening in 2005. With these exciting developments, we hold that hotel and travel industries are now in a very favorable structural swing upward as Hong Kong / Macau combined will form a must see destination to 1.3 billion Mainland population and over 500 million South East Asia population. While our Canadian operation is also expecting further improvement as the city had been awarded Winter Olympics in 2010.

Upgrading renovation program had been carried out on parts of the guest accommodation at Empire Hotel, Hong Kong which will enhance the competitiveness and prospect for improved yields. This hotel subsidiary holds approximately 824,000 sq.ft in guest accommodation, restaurants and 395 carparks.

Investments

The 32% owned associate, Q9 Technology Holdings Limited quoted on the GEM board since May 2001, is facing challenging times. Turnover for the three quarters ended 30th September 2004 decreased by 25% compared with last corresponding period, while operating expenses was down by 6.8%. Loss for the three quarters ended 30th September 2004 amount to HK\$4.9 million. Similarly, our investment and associate in health, energy saving venture also suffer setbacks and continue to be less hopeful in the near future. Spending and cost control in these ventures had been implemented to aim for prospect to succeed in the longer run. However, total investments in these associates and ventures represent only 1.7% of total assets.

FINANCIAL REVIEW

At 30th September 2004, the Group's net asset value was HK\$2.15 billion compared with HK\$2.09 billion at 31st March 2004. Net asset value per share increased from HK\$12.05 at 31st March 2004 to HK\$12.27 at 30th September 2004.

Gearing ratio is 60% (31st March 2004: 62%) with a net debt of HK\$2,742 million (31st March 2004: HK\$2,748 million) and shareholders' funds plus minority interests of HK\$4,592 million (31st March 2004: HK\$4,442 million). Finance costs were reduced by 22% compared with last period.

All the Group's borrowings are in Hong Kong dollars except for the mortgage loan of the Vancouver hotel which is denominated in Canadian dollars. Over 89% (31st March 2004: 86%) of the Group's borrowings were repayable over schedules spreading over a long period of time to over 10 years.

As at 30th September 2004, properties with an aggregate net book value of HK\$6,221 million (31st March 2004: HK\$6,055 million) were pledged to secure banking facilities of the Group. The Group has also provided guarantees to banks and financial institutions on credit facilities to jointly controlled entities, associated companies and third parties of HK\$138 million (31st March 2004: HK\$246 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 30th September 2004, the Group employed a total of 617 full time employees, with over 61% working for the hotel subsidiary group and 33% for estate management services. Their remuneration package, which commensurate with their job nature and experience level, include basic salary, annual bonus, retirement and other benefits.

PROSPECTS

We expect a stronger performance from our property subsidiary Asia Standard in the coming years. Forecasted market conditions and data warrants our optimism. Equally, encouraging public policy had been reinstated to revitalize this very important cornerstone of the economy. We consider the property market is now in a long-term gradual structural upward cycle. This will inevitably lead to assets revaluation opportunity in future to our subsidiary.

Similarly, our hotel company is also enjoying a very positive and favorable environment in the coming years. The exciting emerging of Hong Kong as a business destination, the opening of Disney Park, gaming industry in Macau all to be linked up by an announced bridge plan will in our opinion cement both Special Administrative Regions as a tourist mecca for Mainlanders and surrounding regional population. We are therefore very positive on hotel performance in future.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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

The Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 the 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.

BOOK CLOSURE

The Register of Members will be closed from Tuesday, 18th January 2005 to Thursday, 20th January 2005, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30p.m. on Monday, 17th January 2005.

By Order of the Board
Fung Siu To, Clement
Chairman

Hong Kong, 21st December 2004

As at the date of this announcement, the directors of Asia Orient are: Mr. Fung Siu To, Clement, Mr. Lim Yin Cheng, Mr. Poon Jing, Mr. Lun Pui Kan, Mr. Kwan Po Lam, Phileas, Mr. Chan Sze Hung; and the independent non-executive directors are Mr. Cheung Kwok Wah, Ken, Mr. Wong Chi Keung, Mr. Hung Yat Ming.