



# ASIA STANDARD HOTEL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 292)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2005

The Directors of Asia Standard Hotel Group Limited (the “Company”) announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2005 together with comparative figures for the year ended 31st March 2004 were as follows:

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Note</i>	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	2	<b>569,248</b>	425,966
Cost of sales		<b>(388,016)</b>	(307,429)
Gross profit		<b>181,232</b>	118,537
Administrative expenses		<b>(84,279)</b>	(76,626)
Other charges	3	<b>(14,730)</b>	(12,935)
Operating profit	4	<b>82,223</b>	28,976
Interest income		<b>2,140</b>	3,485
Net investment gain	5	<b>58,601</b>	807
Finance costs		<b>(37,205)</b>	(40,200)
Share of loss of an associated company		<b>–</b>	(712)
Profit/(loss) before taxation		<b>105,759</b>	(7,644)

Taxation	6	<u>(20,863)</u>	<u>(4,323)</u>
Profit/(loss) attributable to shareholders		<u><b>84,896</b></u>	<u>(11,967)</u>
Earnings/(loss) per share			
Basic	8	<u><b>HK1.68 cent</b></u>	<u>HK(0.24 cent)</u>
Diluted	8	<u><b>HK1.67 cent</b></u>	<u>N/A</u>

## NOTES TO THE ACCOUNTS

### 1. BASIS OF PREPARATION

The accounts have been prepared under the historical cost convention as modified by the revaluation of hotel properties and other investments and in accordance with accounting principles generally accepted in Hong Kong.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised financial reporting and accounting standards (collectively referred to as “new HKFRSs”), which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005.

The Group is in the process of making an assessment of the impact of these new HKFRSs and has so far concluded that they will not affect the Group’s cash flows but are expected to affect the Group as follows:

Under the new HKFRSs, the Group’s hotel properties will be stated at cost less accumulated depreciation and impairment; the underlying freehold land will be accounted for as property, plant and equipment and stated at cost less impairment; and the underlying leasehold land will be accounted for as prepayment of lease and stated at cost less accumulated amortisation and the amortisation will be recognised as an expense on a straight-line basis over the lease term.

### 2. SEGMENT INFORMATION

The Group is principally engaged in hotel and catering services, travel agency operations. Turnover represents gross revenue from hotel and catering services, travel agency operations.

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

**Business segments**

	<b>Hotel operation</b> <i>HK\$'000</i>	<b>Catering services</b> <i>HK\$'000</i>	<b>Travel agency</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Year ended 31st March 2005</b>				
Room rentals	172,025			
Food and beverages	39,710			
Ancillary services	8,271			
Rental income	11,089			
	<hr/>			
Segment revenue	<b>231,095</b>	<b>20,478</b>	<b>317,675</b>	<b>569,248</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Segment results	108,459	1,156	(12,939)	96,676
Unallocated corporate expenses				(14,453)
				<hr/>
Operating profit				82,223
Interest income				2,140
Net investment gain				58,601
Finance costs				(37,205)
				<hr/>
Profit before taxation				105,759
Taxation				(20,863)
				<hr/>
Profit attributable to shareholders				<b>84,896</b>
				<hr/>
	<b>Hotel operation</b> <i>HK\$'000</i>	<b>Catering services</b> <i>HK\$'000</i>	<b>Travel agency</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>

**Year ended 31st March 2004**

Room rentals	108,655			
Food and beverages	36,207			
Ancillary services	7,226			
Rental income	9,460			
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Segment revenue	<b>161,548</b>	<b>16,310</b>	<b>248,108</b>	<b>425,966</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Segment results	61,801	(5,093)	(12,512)	44,196
Unallocated corporate expenses				(15,220)
				<hr/>

Operating profit				28,976
Interest income				3,485
Net investment gain				807
Finance costs				(40,200)
Share of loss of an associated company	–	–	(712)	<u>(712)</u>
Loss before taxation				(7,644)
Taxation				<u>(4,323)</u>
Loss attributable to shareholders				<u><u>(11,967)</u></u>

### *Geographical segments*

	Turnover		Operating profit/(loss)	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b>493,118</b>	360,797	<b>63,595</b>	16,185
Canada	<b>67,910</b>	59,175	<b>17,790</b>	13,634
Mainland China	<b>8,220</b>	5,994	<b>838</b>	(843)
	<u><b>569,248</b></u>	<u>425,966</u>	<u><b>82,223</b></u>	<u>28,976</u>

### **3. OTHER CHARGES**

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposal of an associated company	–	9,129
Impairment loss of goodwill	<b>10,924</b>	–
Amortisation of goodwill	<b>3,806</b>	3,806
	<u><b>14,730</b></u>	<u>12,935</u>

### **4. OPERATING PROFIT**

Operating profit is stated after charging depreciation of HK\$926,000 (2004: HK\$3,243,000).

## 5. NET INVESTMENT GAIN

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Realised profit on other investments	<b>22,419</b>	12,178
Net unrealised profit/(loss) on other investments	<b>35,847</b>	(11,963)
Dividend income from listed equity securities	<b>335</b>	592
	<u><b>58,601</b></u>	<u>807</u>

## 6. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the year (2004: Nil). No provision for overseas and Mainland China taxation has been made as there are no assessable profits for the year (2004: Nil).

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Hong Kong profits tax		
Current taxation	<b>10,603</b>	–
Under provision in prior years	–	30
Deferred taxation	<b>6,957</b>	1,622
Overseas tax		
Deferred taxation	<b>4,266</b>	2,671
Mainland China tax		
Deferred taxation	<b>(963)</b>	–
Taxation charge	<u><b>20,863</b></u>	<u>4,323</u>

## 7. DIVIDEND

No interim dividend was declared for the year (2004: Nil). The Directors do not recommend the payment of a final dividend for the year ended 31st March 2005 (2004: Nil).

## 8. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the profit attributable to shareholders of HK\$84,896,000 (2004: loss of HK\$11,967,000) and on the weighted average of 5,052,108,681 (2004: 5,052,108,681) shares in issue during the year ended 31st March 2005.

For the year ended 31st March 2005, the calculation of diluted earnings per share is based on profit attributable to shareholders of HK\$84,896,000 plus after tax interest savings of HK\$845,000 and the weighted average number of 5,052,108,681 shares in issue during the year plus 68,019,726 shares deemed to be in issue assuming the convertible notes had been converted.

For the year ended 31st March 2004, no diluted loss per share is presented as the conversion of the convertible notes would not have a dilutive effect on the loss per share.

## **RESULTS**

2005 has proved to be a very exciting year with the Group's turnover surged by HK\$143.3 million or 34% to HK\$569.2 million from last year.

With stringent controls on operating costs, operating profit has increased by HK\$53.2 million to HK\$82.2 million, a staggering 184% growth on last year. Together with a reduced finance costs, the Group had a significant turnaround and achieved profit attributable to shareholders for the year ended 31st March 2005 of HK\$84.9 million as compared with a loss of HK\$12.0 million last year.

## **BUSINESS REVIEW**

It has been an exciting year for tourism as the Hong Kong Tourism Board reported visitors arrivals for the year to December 2004 reaching a record high of 21.8 million which is 40% higher than 2003 and nearly 30% over 2002. Visitors from Mainland China continue to show record-breaking growth while many of Hong Kong's key source markets such as the United States, Canada, Australia and South East Asia have achieved their best-ever figures during 2004.

With increased visitors, the average occupancy rate across all categories of hotels for 2004 was 88% while average achieved room rate improved by 19% over 2003 according to the Hong Kong Tourism Board.

With the imminent opening of Disneyland, Tung Chung Cable Car, Hong Kong Wetland Park, the new AsiaWorld-Expo Center adjacent to the new Airport, the Hong Kong-Zhuhai-Macau bridge, Ocean Park's redevelopment plan and 2006 designated as Hong Kong tourism year will all ensure continuous growth in business and leisure visitors in 2005 and beyond.

### **The Empire Hotel, Hong Kong**

Empire Hotel Hong Kong achieved occupancy of 78% for year ended 31st March 2005 as compared with 62% last year while average room rate increased by 38% over last year. During the year 5 floors of executive guests rooms, which represents 105 rooms were upgraded. This led to direct improvements in average rates. As a result room revenue increased significantly by HK\$27 million or 73% on last year.

Further renovation work for the remaining hotel guest rooms is currently underway.

Empire Hotel Hong Kong operating profit was HK\$43.6 million (before room renovation cost of HK\$6.8 million), an increase of HK\$22.7 million or almost 100% improvement on last year.

### **The Empire Hotel, Kowloon**

Empire Hotel Kowloon recorded occupancy of 94% much improved from 69% last year while average room rate increased by almost 30% on last year. This resulted in an increase of room revenue of HK\$28.3 million and which represents a sharp rise of 76%. With a tight control on operating cost we were able to increase our gross operating profit margin by HK\$25.2 million reflecting an improvement of 117% on last year.

The above positive results in terms of room revenue are attributable mainly to growth in our high yield corporate client base, which currently accounts for almost one third of our room revenue as opposed to twenty five percent last year. Increasing individual travelers from the PRC has boosted overall average room rates and occupancy particularly during weekends when demand tends to be high.

### **The Empire Landmark Hotel, Vancouver**

In Canada, visitors to British Columbia (B.C.) increased by 2.2% in 2004 after a two-year decline to 22.4 million according to Tourism B.C.

Helped by increases in visitors and an all-year-round airline crew accommodation contract signed with China Eastern Airlines, Empire Landmark Hotel achieved occupancy of 56.7% as compared with 50.2% last year, while there was a slight increase in average room rate. As a result and boosted by a strong Canadian dollar which had appreciated by 8% during the year, room revenue increased by HK\$7.9 million or 23% to HK\$42.2 million.

Furthermore, it was announced earlier that Canada would become an approved destination for PRC travelers. This would certainly benefit our hotel in Vancouver.

### **Travel Agency**

Our travel agency business recorded an increase of HK\$69.6 million in air-ticketing and other travel-related revenue to HK\$317.7 million for the year ended 31st March 2005.

However, intensive competition between travel agencies and airline companies for direct retail air-ticketing business coupled with declined commission income from airlines continue to exert immense pressure on profit margins on travel agency businesses. A provision for impairment in value of purchased goodwill for this travel agency subsidiary of HK\$10.9 million was applied in this year.

## **Catering Business**

Our franchised restaurants revenue increased by HK\$4.2 million or 26% to HK\$20.5 million for the year ended 31st March 2005 as compared with last year. Following the opening of the East Rail terminal on Nathan Road Tsim Sha Tsui towards the end of 2004, patrons number for our Kowloon store has returned to the level prior to the closure of Nathan Road. Our Shanghai store continues to show positive growth as boosted by strong consumer spending. This year the catering business recorded a gross operating profit of HK\$1.2 million which is significant turn-around from an operating loss of HK\$5.1 million last year.

## **HUMAN RESOURCES**

As at 31st March 2005 the total number of employees of the Company and its subsidiaries were 356 as compared with 328 last year. In addition to salary payment, other benefits include insurance, medical scheme and retirement plans and others. During the year no share options were granted.

## **FINANCIAL REVIEW**

As at the year end shareholders' funds amounted to HK\$2,223 million, increased by HK\$217.0 million on last year. Total assets stood at HK\$3,584 million as compared with HK\$3,388 million last year. Total borrowings of the Group fell from HK\$1,311 million to HK\$1,262 million as at 31st March 2005. All of the HK\$46 million convertible notes were redeemed during the year. As a result of the increase in net assets coupled with improvement in operating cash flow, the Group's gearing ratio (net debt to equity) was significantly reduced from 64.7% to 53.9% as at 31st March 2005.

As at 31st March 2005, HK\$47.7 million (2004: HK\$93.3 million), which represented 3.8% (2004: 7.1%) of total borrowings, are repayable in one year. The balance is repayable by various instalments over a long period exceeding 10 years. The borrowings were principally denominated in Hong Kong dollar except for the Vancouver Hotel's mortgage loan which stood at HK\$148.1 million (2004: HK\$148.6 million) and which was borrowed in Canadian dollar as a hedging against exchange rate fluctuations.

The Group's finance expenses fell by HK\$3 million to HK\$37.2 million for the year ended 31st March 2005.

The aggregate net book value of fixed assets pledged as securities for loans of the Group amounts to HK\$3,313 million (2004: HK\$3,168 million).



## **FUTURE PROSPECTS**

Hong Kong hotels outlook appears very promising due to the following addition of many tourist-related infrastructure developments such as the Hong Kong Disneyland, the new convention center at the new airport, expansion of the Hong Kong Convention and Exhibition center, Ocean Park redevelopment project and the construction of the Hong Kong-Zhuhai-Macau bridge.

On the other hand there are a number of major events to be held in Hong Kong as follows:–

- The WTO ministerial conference in 2005;
- The hosting of the International Telecommunication Union Conference at end of 2006;
- 2006 being designated by Hong Kong Tourism Board as Hong Kong Tourism Year.

In light of the proposed relaxation of travel visa issued to PRC visitors to Canada, the financial performance of our Vancouver Hotel is expected to improve.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **CODE OF BEST PRACTICE AND CODE ON CORPORATE GOVERNANCE PRACTICE**

During the year, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. In January 2005, the code of Best Practice was replaced by the Corporate Governance Practice. The Company has taken appropriate actions to comply with the Code on Corporate Governance Practice including setting up Remuneration and Audit Committees, holding of board meetings at least once a quarter. The Audit Committee has reviewed the annual results for the year ended 31st March 2005.

## **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 exacting 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 annual results of the Group for the year ended 31st March 2005 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules (which was in force prior to 31st March 2004 and remains applicable to the final results announcement for the year ended 31st March 2005 under certain transitional arrangements) will be published on the website of the Stock Exchange in due course.

By Order of the Board  
**POON JING**  
*Chairman*

Hong Kong, 19th July 2005