



Asia Standard Hotel Group Limited
Interim Report 2005

Corporate Information

Directors

Executive

Mr. Poon Jing (*Chairman*)
 Mr. Lim Yin Cheng
*(Deputy Chairman and
 Chief Executive)*
 Mr. Fung Siu To, Clement
 Mr. Poon Tin Sau, Robert
 Mr. Wong Shu Pui

Non-executive

Mr. Liang Shangli

Independent Non-executive

Mr. Ip Chi Wai
 Mr. Leung Wai Keung, Richard
 Mr. Hung Yat Ming

Audit committee

Mr. Hung Yat Ming (*Chairman*)
 Mr. Leung Wai Keung, Richard
 Mr. Ip Chi Wai

Remuneration committee

Mr. Lim Yin Cheng (*Chairman*)
 Mr. Hung Yat Ming
 Mr. Ip Chi Wai

Authorised representatives

Mr. Lim Yin Cheng
 Mr. Lee Tai Hay, Dominic

Company secretary

Mr. Lee Tai Hay, Dominic

Registered office

Canon's Court,
 22 Victoria Street,
 Hamilton HM12,
 Bermuda

Principal office in Hong Kong

30th Floor, Asia Orient Tower,
 Town Place,
 33 Lockhart Road, Wanchai,
 Hong Kong.

Telephone 2866 3336
 E-mail info@asia-standard.com.hk
 Facsimile 2866 3772

Principal bankers

Bank of China (Hong Kong) Limited
 CITIC Ka Wah Bank Limited
 Industrial and Commercial Bank of
 China (Asia) Limited
 Hang Seng Bank Limited
 The Hongkong and Shanghai Banking
 Corporation Limited
 DBS Bank (Hong Kong) Limited
 Wing Hang Bank Limited
 Liu Chong Hing Bank Limited
 HSBC Canada
 Royal Bank of Canada

Legal advisers

Stephenson Harwood & Lo
 18th Floor, Edinburgh Tower,
 The Landmark,
 15 Queen's Road Central,
 Hong Kong

Appleby, Spurling Hunter
 5511 The Center,
 99 Queen's Road Central,
 Hong Kong

Auditors

PricewaterhouseCoopers
 Certified Public Accountants
 22nd Floor, Prince's Building,
 Central, Hong Kong

Share registrar in Bermuda

Butterfield Fund Services (Bermuda)
 Limited
 Rosebank Centre,
 11 Bermudiana Road,
 Pembroke,
 Bermuda

Hong Kong branch share registrar and transfer office

Computershare Hong Kong Investor
 Services Limited
 46th Floor, Hopewell Centre,
 183 Queen's Road East,
 Hong Kong

Financial Highlights

(in HK\$ million, except otherwise indicated)

	Six months ended 30th September		Change (%)
	2005	2004 (restated)	
Consolidated profit and loss account			
Turnover	290	287	+1
Operating profit before depreciation and amortisation	62	53	+17
Loss attributable to shareholders	(25)	(11)	N/A
Basic loss per share (HK cent)	(0.50)	(0.22)	N/A
	30th September 2005	31st March 2005 (restated)	Change (%)
	Consolidated balance sheet		
Total assets	2,508	2,548	-2
Equity attributable to the Company's shareholders	1,207	1,227	-2
Net debt	1,119	1,197	-7

Supplementary information with hotel properties at valuations (note):

Revalued total assets	3,567	3,584	-
Revalued net asset value	2,224	2,223	-
Revalued net asset value per share (HK\$)	0.44	0.44	-
Net debt to revalued net asset value (%)	50%	54%	-4

Note:

Hong Kong Financial Reporting Standards ("HKFRS") do not permit leasehold land other than investment properties to be carried at valuation. The Group considers that such treatment does not reflect the economic substance of its hotel property investments. Therefore the Group has presented supplementary unaudited financial information taking into account the fair market value of hotel properties in addition to those in accordance with HKFRS.

The hotel properties in Hong Kong and Canada were revalued by Knight Frank and Grant Thornton Management Consultants respectively, independent professional valuers, on an open market value basis as at 30th September 2005.

Management Discussion and Analysis

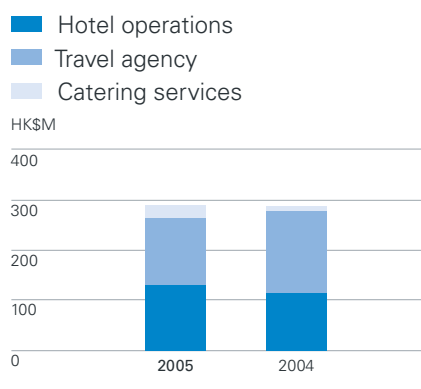


Left Empire Hotel, Hong Kong
 Middle Empire Hotel, Kowloon
 Right Empire Landmark Hotel, Vancouver

Results

The Group revenue increased moderately by HK\$3.4 million to HK\$290.2 million for the six months ended 30th September 2005. However, the hotel sector of the Group's business performed relatively better than the travel agency segment with the former increased by HK\$16.0 million, 14%, while the latter fell by HK\$14.3 million, 9%, and the balance of the increase in revenue attributable to the franchised restaurants.

Revenue by business segment



The improvement in hotel revenue stems largely from increase in average room rate in Empire Hong Kong, Empire Kowloon and Landmark Hotel of 13%, 15% and 5% respectively.

The Group's operating profit before depreciation and amortisation increased by HK\$9.0 million (17%) to HK\$62.0 million from last year as helped by improvement in hotels and franchised restaurants operating profit of HK\$10.0 million (17%) increase from last year.

However during the period a number of new and revised Hong Kong Financial Reporting Standards (new "HKFRS") have been adopted and have a significant and adverse impact on the financial statements of the Group. A detailed reconciliation of the financial impact of the new accounting standards is given in the note 3 to the Interim Accounts.

In particular, it should be noted that the Group's owned and operated hotels are now stated at cost less depreciation and impairment losses, rather than at open market value as in previous years.

As a result of the above, coupled with increased finance costs, the Group recorded a loss attributable to shareholders of HK\$25.5 million as compared with a loss of HK\$11.1 million for the same period last year (as restated).

The Directors do not recommend the payment of an interim dividend (2004: Nil).

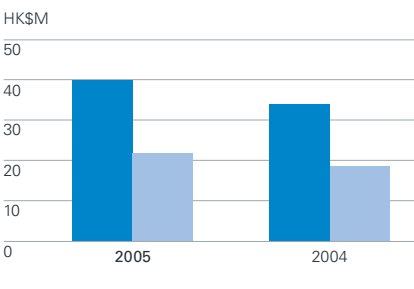
Empire Hotel, Hong Kong



Empire Hotel, Kowloon

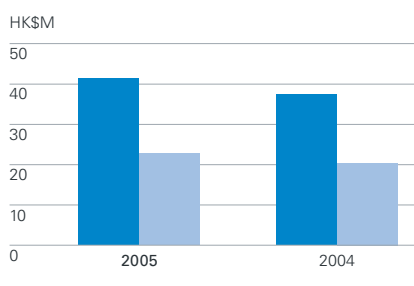
Empire Hotel Hong Kong

■ Revenue
■ Gross operating profit



Empire Hotel Kowloon

■ Revenue
■ Gross operating profit



Operational review

The Empire Hotel, Hong Kong

The total revenue of Empire Hong Kong increased by 17% while operating profit improved by 18% as compared with last year.

Empire Hong Kong's average rate improved by 13% for the six months to September 2005 boosted by recently upgraded guest rooms which account for over 80% of our hotel room inventory. Occupancy remained similar to that of last year.

The newly renovated rooms and lobby lounge area have been well received by our corporate and high yield customers and hence would further improve the yield rate of this hotel.

During the period, a new Chinese restaurant was opened at the Empire Hong Kong hotel which brought increased rental income to the hotel while offering convenience of fine Chinese cuisines to our staying guests.

The Empire Hotel, Kowloon

Empire Kowloon's total revenue and operating profit improved by 11% and 12% respectively from last year.

Empire Kowloon's average rate increased by 15% for the period to September 2005 as compared with last year as helped by higher yield business segments such as corporate and frequent individual travelers. Occupancy for this hotel stood at 90% for the six months ended September 2005, slightly lower than 93% of last year.

Management Discussion and Analysis



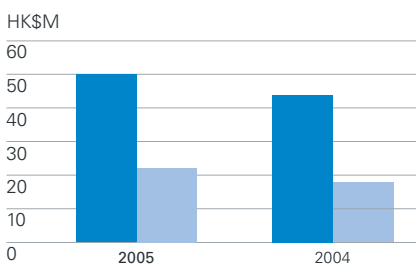
JBC Travel Company Limited



Empire Landmark Hotel, Vancouver

Empire Landmark Hotel

■ Revenue
■ Gross operating profit



The Empire Landmark Hotel, Vancouver

Landmark Hotel's total revenue increased by 14% while operating profit improved by 22% for the six months ended 30th September 2005.

Empire Landmark Hotel average rate rose by 5% as compared with last year attributable mainly to a stronger Canadian dollar which has appreciated by 9% during the period, while occupancy improved by 6.4% as compared with last year.

In April 2005 an additional crew were added to our existing airline crew accommodation contract which further enhances the occupancy of this hotel all-year-round.

Travel agency

Fierce competition within travel agencies wholesale industry continues to exert pressure on our travel agency business which caused revenue to fall by HK\$14.3 million or 9% to HK\$147.6 million as compared with that of last year.

With rapidly rising oil prices, airline fuel surcharges increase overall air-ticket prices for the consumers which in turn dampen consumers' sentiment to travel.

Concerted effort is made by our management team to direct resources to higher yield businesses in terms of different airlines and product types such as hotels and tour packages in order to alleviate the adverse effect of falling demand and improve margins.

TGI Friday restaurant



Catering businesses

First half of 2005 has proved to be an encouraging period which saw revenue for our franchised restaurants increased by 18% to HK\$11.4 million as compared with last year.

With strong recovery of international visitor arrivals in Hong Kong and the opening of East Rail terminal adjacent to our Tsim Sha Tsui restaurant towards the end of 2004, revenue increased by 23% as compared with last year due largely to higher patrons numbers.

A moderate increase of 11% in revenue of the Shanghai restaurant was recorded as compared with last year.

Financial review

Following the adoption of HKAS 17 which do not allow leasehold interest of owner-occupied land to be carried at valuation, hotel properties are now stated at cost less depreciation and impairment losses. Consequently shareholders' funds as at 30th September 2005 were significantly reduced to HK\$1,207 million, a

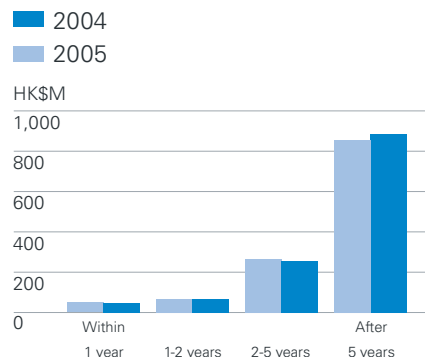
decrease of HK\$20.3 million over last year (as restated). Net borrowings amounted to HK\$1,119 million as compared with HK\$1,197 million last year due chiefly to improvement in operating profitability and cash flow.

However, the Group considers that it is more meaningful to present supplementary information for revalued net assets by taking into consideration the valuation of our hotels which reflects more closely the economic substance of the hotel properties investments.

Accordingly revalued net assets and revalued net asset per share based on valuation at 30th September 2005 are HK\$2,224 million and HK\$0.44 respectively. Based on the adjusted net assets, the Group's gearing ratio as at 30th September 2005 was 50% as compared with 54% last year

As at 30th September 2005, amount of HK\$47.4 million which represents 3.8% of total borrowings is repayable within one year with the balance repayable by various instalments over a period exceeding 10 years.

Debts maturity profile



Furthermore, except for the Vancouver property mortgage loan amounting to HK\$148.3 million (2005: HK\$148.1 million) which was borrowed in Canadian dollar for exchange hedging purposes, all the other borrowings are denominated in Hong Kong dollar.

With rapidly rising interest rates both in the USA and locally, the Group's finance cost increased substantially by HK\$7.9 million, which represents a 44% increase from last year. However, up to date, interest rate swap contracts amounting to HK\$360

Management Discussion and Analysis

million have been entered to mitigate the effects of higher interest expenses.

After the period end the group issued 1,010 million new shares through share placement and thereby raised new capital of HK\$193 million. The funds raised from this share placement were used to reduce bank borrowings which will lead to interest cost savings, lower future bank loan repayments and reduced gearing.

The aggregate net book value of fixed assets pledged as securities for loans of the Group amounted to HK\$2,228.4 million (2005: HK\$2,239.6 million as restated).

Future prospects

With the opening of Disneyland in September 2005, the WTO conference in December 2005, the hosting of 2006 ITU World exhibition in December 2006 at the all-new exhibition facilities near the airport, the outlook for hotel industry continues to be promising.

The upgrading program of remaining guestrooms at the Wanchai Empire Hotel will ensure that we are well positioned to capitalise on the high yield business opportunities brought about by the above and other major business conference and sporting and leisure events due to take place in the near future.

With 2006 designated by the Hong Kong Tourism Board as Tourism Year, our Empire Kowloon hotel located in the center of a traditionally popular tourist area will be able to command higher occupancy and room rates brought about by influx of foreign visitors.

Similarly, our franchised restaurants will also benefit by the thriving tourist industry here locally while our Shanghai restaurant is expected to maintain stable growth in revenue and profitability.

Overseas, following the recent visit by our Hong Kong Chief Executive and delegates to Canada aimed at closer

trade ties between the two countries and with Canada being an approved destination for PRC travelers, and the forthcoming 2010 Winter Olympics, the future prospects for our Vancouver hotel look optimistic.

We are continuing our efforts searching for partners and opportunities for management contracts in the PRC.

Employees and remuneration policies

As at 30th September 2005 the Group recorded 395 number of full time employees (2004: 375). Employee remuneration package includes salary payment, insurance, medical scheme, retirement and other benefits. During the period, no share options were granted.

Independent Review Report of the Auditors

To the Board of Directors of Asia Standard Hotel Group Limited

(incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the interim accounts set out on pages 8 to 29.

Respective responsibilities of Directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim accounts to be in compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim accounts is the responsibility of, and has been approved by, the Directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim accounts and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim accounts.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim accounts of the Company for the six months ended 30th September 2005.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20th December 2005

Consolidated Profit and Loss Account – Unaudited

	<i>Note</i>	Six months ended 30th September	
		2005 HK\$'000	2004 HK\$'000 (restated)
Turnover	6	290,169	286,722
Cost of sales		(188,480)	(197,490)
Gross profit		101,689	89,232
Administrative expenses		(39,729)	(36,249)
Other charges	7	(35,748)	(37,463)
Operating profit	8	26,212	15,520
Interest income		1,728	1,125
Net loss from financial assets	9	(26,382)	(8,465)
Finance costs	10	(25,916)	(18,008)
Loss before taxation		(24,358)	(9,828)
Taxation	11	(691)	(1,232)
Loss attributable to shareholders		(25,049)	(11,060)
Loss per share			
Basic and diluted	13	(0.50) cent	(0.22) cent

Consolidated Balance Sheet – Unaudited

	<i>Note</i>	30th September 2005 HK\$'000	31st March 2005 HK\$'000 (restated)
Non-current assets			
Property, plant and equipment	14	893,855	894,931
Leasehold land	14	1,335,744	1,346,063
Goodwill		13,188	13,188
Derivative financial instruments		428	–
Deferred tax assets		42,260	42,951
		2,285,475	2,297,133
Current assets			
Inventories, at cost		2,577	2,690
Financial assets at fair value through profit or loss		52,277	93,137
Debtors and prepayments	15	51,272	89,711
Tax recoverable		200	200
Bank balances and cash		116,697	64,972
		223,023	250,710
Current liabilities			
Creditors and accruals	16	55,238	47,585
Tax payable		10,973	10,973
Bank overdraft-unsecured		4,164	8,778
Borrowings	17	43,211	38,963
		113,586	106,299
Net current assets		109,437	144,411
Total assets less current liabilities		2,394,912	2,441,544
Non-current liabilities			
Borrowings	17	1,188,181	1,214,514
Net assets		1,206,731	1,227,030
Equity			
Share capital	18	101,042	101,042
Reserves	19	1,105,689	1,125,988
Equity attributable to the Company's shareholders		1,206,731	1,227,030

Condensed Consolidated Cash Flow Statement – Unaudited

	Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Net cash from operating activities	74,292	59,865
Net cash from/(used in) investing activities	1,185	(1,300)
Net cash used in financing activities	(19,524)	(42,220)
Changes in exchange rates	386	305
Net increase in cash and cash equivalents	56,339	16,650
Cash and cash equivalents at the beginning of the period	56,194	9,853
Cash and cash equivalents at the end of the period	112,533	26,503
Analysis of balances of cash and cash equivalents		
Bank balance	116,697	34,558
Bank overdrafts	(4,164)	(8,055)
	112,533	26,503

Consolidated Statement of Changes in Equity – Unaudited

	<i>Note</i>	Six months ended 30th September	
		2005 HK\$'000	2004 HK\$'000
Total equity at the beginning of the period, as previously reported		2,223,477	2,006,442
Prior period adjustments as a result of changes in accounting policies	3	(996,447)	(819,705)
Total equity at the beginning of the period, as restated		1,227,030	1,186,737
Net income directly recognised in equity			
Exchange differences	19	4,750	4,165
Loss attributable to shareholders	19	(25,049)	(11,060)
Total equity at the end of the period		1,206,731	1,179,842

Notes to the Interim Consolidated Accounts

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 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 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and HKAS (collectively "HKFRS") which are effective for accounting periods commencing on or after 1st January 2005 as described in note 2 below. A summary of effects of the changes in accounting policies between the Statements of Standard Accounting Practices ("SSAPs") in effect until 31st December 2004 (the "Old Hong Kong Accounting Standards") and the new HKFRS which has been applied in the Interim Accounts for the six months ended 30th September 2005 is set out in note 3.

2 Changes in accounting policies

Commencing on 1st April 2005, the Group adopted the new/revised of HKFRS set out below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant provisions of these new/revised standards.

HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations
HK-Int 2	The Appropriate Policies for Hotel Properties

(i) Hotel properties

The adoption of HKAS 16 and HK-Int 2 has resulted in a change in the accounting policy for the Group's hotel properties, which are now stated at cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

In prior years, hotel properties were stated at valuation and were not depreciated. The initial cost of the hotel operating equipment was included in the cost of hotel properties and subsequent additions or replacements were charged to profit and loss account as incurred.

2 Changes in accounting policies (continued)

(i) Hotel properties (continued)

Depreciation is calculated to write off the carrying value of the assets on a straight line basis over the shorter of the unexpired period of the land lease and the estimated remaining useful lives of the assets. The useful lives which have been adopted are summarised as follows:

Hotel building	Shorter of 50 years or the remaining lease period of the land on which the hotel building is located
Plant and machinery	10 years
Furniture, fixtures and equipment	5 years – 10 years
Computer equipment	3 ¹ / ₃ years

Freehold land is accounted for as property, plant and equipment and stated at cost less impairment. No depreciation is provided for freehold land.

(ii) Leasehold land

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to prepaid operating leases. Leasehold land is accounted for as prepayment of lease and stated at cost less accumulated amortisation and the amortisation is recognised as an expense on a straight line basis over the lease term. In prior years, the leasehold land was included in hotel properties and was accounted for at fair value.

(iii) Goodwill

The adoption of HKAS 36, HKAS 38 and HKFRS 3 results in a change in the accounting policy for goodwill. The Group ceased amortisation of goodwill from 1st April 2005. The accumulated amortisation as at 31st March 2005 has been eliminated with a corresponding decrease in the cost of goodwill. From the year ending 31st March 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

(iv) Financial instruments

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy relating to the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All the new/revised standards adopted by the Group require retrospective application other than those stated below:

- (a) HKAS 39 – the adjustments to recognise all derivatives at fair value and to remeasure those financial assets or financial liabilities are adjusted to the opening balance of the revenue reserve at 1st April 2005; and
- (b) HKFRS 3 – prospectively after the adoption date.

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 18, 19, 21, 23, 24, 27, 33, 37, HKFRS 2 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies.

Notes to the Interim Consolidated Accounts

3 Summary of the effects of the changes in accounting policies

(a) Effects of the changes in accounting policies on consolidated profit and loss account

	(Loss)/profit attributable to shareholders HK\$'000	(Loss)/ earnings per share HK cents
Six months ended 30th September 2005		
Reported under the Old Hong Kong Accounting Standards	(23,752)	(0.47)
Increase/(decrease) in:		
HKAS 16 and HK-Int 2		
Renovation cost of hotel properties capitalised	15,100	0.30
Depreciation of hotel buildings, plant and equipment	(25,003)	(0.49)
Hotel revaluation deficit	14,308	0.27
Deferred taxation	4,189	0.08
HKAS 17		
Amortisation of leasehold land	(10,319)	(0.20)
HKAS 32 and HKAS 39		
Fair value gains on interest rate swap contracts	428	0.01
	(1,297)	(0.03)
Reported under new HKFRS	(25,049)	(0.50)
Six months ended 30th September 2004		
Reported under the Old Hong Kong Accounting Standards	17,453	0.35
Increase/(decrease) in:		
HKAS 16 and HK-Int 2		
Renovation cost of hotel properties capitalised	2,610	0.05
Depreciation of hotel buildings, plant and equipment	(24,761)	(0.49)
Deferred taxation	4,412	0.09
HKAS 17		
Amortisation of leasehold land	(10,319)	(0.21)
HKAS 32 and HKAS 39		
Interest expenses on convertible notes	(455)	(0.01)
	(28,513)	(0.57)
Reported under new HKFRS	(11,060)	(0.22)

3 Summary of the effects of the changes in accounting policies (continued)

(b) Effects of the changes in accounting policies on consolidated balance sheet

	HKAS 16 & HK-Int 2 HK\$'000	HKAS 17 HK\$'000	HKAS 32 & HKAS 39 HK\$'000	Total HK\$'000
At 30th September 2005				
Increase/(decrease) in net assets/equity:				
Hotel properties	(1,796,094)	(1,527,516)	–	(3,323,610)
Property, plant and equipment	892,626	–	–	892,626
Leasehold land	–	1,335,744	–	1,335,744
Derivative financial instruments	–	–	428	428
Deferred tax assets	36,112	–	–	36,112
Total assets	(867,356)	(191,772)	428	(1,058,700)
Deferred tax liabilities	41,511	–	–	41,511
Net assets	(825,845)	(191,772)	428	(1,017,189)
Hotel properties revaluation reserve	(567,921)	–	–	(567,921)
Exchange reserve	(11,456)	–	–	(11,456)
Revenue reserve	(246,468)	(191,772)	428	(437,812)
Equity	(825,845)	(191,772)	428	(1,017,189)

Notes to the Interim Consolidated Accounts

3 Summary of the effects of the changes in accounting policies (continued)

(b) Effects of the changes in accounting policies on consolidated balance sheet (continued)

	HKAS 16 & HK-Int 2 HK\$'000	HKAS 17 HK\$'000	Total HK\$'000
At 31st March 2005			
Increase/(decrease) in net assets/equity:			
Hotel properties	(1,785,094)	(1,527,516)	(3,312,610)
Property, plant and equipment	893,545	–	893,545
Leasehold land	–	1,346,063	1,346,063
Deferred tax assets	36,799	–	36,799
Total assets	(854,750)	(181,453)	(1,036,203)
Deferred tax liabilities	39,756	–	39,756
Net assets	(814,994)	(181,453)	(996,447)
Hotel properties revaluation reserve	(552,234)	–	(552,234)
Exchange reserve	(7,697)	–	(7,697)
Revenue reserve	(255,063)	(181,453)	(436,516)
Equity	(814,994)	(181,453)	(996,447)

3 Summary of the effects of the changes in accounting policies (continued)

(b) Effects of the changes in accounting policies on consolidated balance sheet (continued)

	HKAS 16 & HK-Int 2 HK\$'000	HKAS 17 HK\$'000	HKAS 32 & HKAS 39 HK\$'000	Total HK\$'000
At 1st April 2004				
Increase/(decrease) in net assets/equity:				
Hotel properties	(1,640,034)	(1,527,516)	–	(3,167,550)
Property, plant and equipment	915,367	–	–	915,367
Leasehold land	–	1,366,700	–	1,366,700
Deferred tax assets	40,543	–	–	40,543
Total assets	(684,124)	(160,816)	–	(844,940)
Convertible notes	–	–	489	489
Deferred tax liabilities	24,746	–	–	24,746
Net assets	(659,378)	(160,816)	489	(819,705)
Hotel properties revaluation reserve	(439,144)	–	–	(439,144)
Exchange reserve	265	–	–	265
Other reserve	–	–	1,363	1,363
Revenue reserve	(220,499)	(160,816)	(874)	(382,189)
Equity	(659,378)	(160,816)	489	(819,705)

Notes to the Interim Consolidated Accounts

4 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be equal to related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include those related to impairment of assets and income taxes.

6 Turnover and segment information

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

Primary reporting format – business segments

The Group is organised into three main business segments:

- Hotel – hotel operation in Hong Kong and Canada
- Catering services – restaurant operation in Hong Kong and Mainland China
- Travel agency – sale of air tickets and hotel reservation service

There is no other significant identifiable separate business segment. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments.

6 Segment information (continued)

Business segments

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

Notes to the Interim Consolidated Accounts

6 Segment information (continued)

Business segments (continued)

	Hotel operation HK\$'000	Catering services HK\$'000	Travel agency HK\$'000	Total HK\$'000
Six months ended 30th September 2004 (restated)				
Room rentals	85,341			
Food and beverages	20,869			
Ancillary services	3,966			
Rental income	4,996			
Segment revenue	115,172	9,675	161,875	286,722
Segment results before depreciation and amortisation	57,649	969	384	59,002
Depreciation and amortisation	(35,296)	(817)	(1,278)	(37,391)
Segment results	22,353	152	(894)	21,611
Unallocated corporate expenses				(6,091)
Operating profit				15,520
Interest income				1,125
Net loss from financial assets				(8,465)
Finance costs				(18,008)
Loss before taxation				(9,828)
Taxation				(1,232)
Loss attributable to shareholders				(11,060)

6 Segment information (continued)**Secondary reporting format – geographical segments**

The Group's business segments operating in various geographical areas are as follows:

- Hong Kong – all the Group's business segments
- Canada – hotel and catering
- Mainland China – catering

A summary of geographical segments is set out as follows:

	Turnover		Operating profit	
	Six months ended		Six months ended	
	30th September		30th September	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(restated)
Hong Kong	235,765	238,945	11,321	4,797
Canada	49,942	43,764	14,255	10,337
Mainland China	4,462	4,013	636	386
	290,169	286,722	26,212	15,520

Notes to the Interim Consolidated Accounts

7 Other charges

	Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000 (restated)
Depreciation of property, plant and equipment	25,429	25,215
Amortisation of leasehold land	10,319	10,319
Amortisation of goodwill	–	1,929
	35,748	37,463

8 Operating profit

	Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Operating profit is stated after charging the following:		
Staff costs, including directors' emoluments	37,308	32,587
Operating lease rental expense for properties	2,469	2,667
Impairment of long term investment	–	1,601
Provision for bad and doubtful debts	1,312	1,589
Cost of goods sold	11,033	10,131

9 Net loss from financial assets

	Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss		
Net fair value losses	(22,651)	(8,607)
Realised losses	(5,160)	–
Dividend income from listed equity securities	1,429	142
	(26,382)	(8,465)

10 Finance costs

	Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000 (restated)
Interest expense		
Bank loans and overdrafts	26,328	15,533
Convertible notes	–	1,279
Finance lease obligations wholly payable within five years	16	17
Other incidental borrowing costs	–	1,179
Fair value gains on interest rate swap contracts	(428)	–
	25,916	18,008

Notes to the Interim Consolidated Accounts

11 Taxation

	Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000 (restated)
Deferred taxation	691	1,232

Hong Kong profits tax has been provided at rate of 17.5% (2004: 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.

12 Dividend

The Directors do not recommend the payment of an interim dividend (2004: Nil).

13 Loss per share

The calculation of loss per share is based on the loss attributable to shareholders of HK\$25,049,000 (2004: HK\$11,060,000 restated) and on the weighted average of 5,052,108,681 (2004: 5,052,108,681) shares in issue during the period.

As there are no dilutive instruments for the six months ended 30th September 2005 and the conversion of the convertible notes would not have a dilutive effect on the loss per share for the six months ended 30th September 2004, the basic loss per share is equal to the diluted loss per share for the two periods.

14 Property, plant & equipment and leasehold land

Group

Cost	Freehold land and hotel buildings HK\$'000	Plant and equipment HK\$'000	Leasehold land HK\$'000	Total HK\$'000
At 31st March 2005, as previously reported	3,312,610	28,180	–	3,340,790
Prior period adjustments as a result of changes in accounting policies	(2,349,364)	267,055	1,527,516	(554,793)
At 31st March 2005, as restated	963,246	295,235	1,527,516	2,785,997
Exchange difference	11,786	1,909	–	13,695
Additions	–	15,366	–	15,366
Disposals	–	(19,681)	–	(19,681)
At 30th September 2005	975,032	292,829	1,527,516	2,795,377
Accumulated depreciation and amortisation				
At 31st March 2005, as previously reported	–	26,794	–	26,794
Prior period adjustments as a result of changes in accounting policies	172,053	164,703	181,453	518,209
At 31st March 2005, as restated	172,053	191,497	181,453	545,003
Exchange difference	3,355	1,353	–	4,708
Charge for the period	12,644	12,785	10,319	35,748
Disposals	–	(19,681)	–	(19,681)
At 30th September 2005	188,052	185,954	191,772	565,778
Net book value				
At 30th September 2005	786,980	106,875	1,335,744	2,229,599
At 31st March 2005, as restated	791,193	103,738	1,346,063	2,240,994

Notes to the Interim Consolidated Accounts

14 Property, plant & equipment and leasehold land (continued)

	30th September 2005 HK\$'000	31st March 2005 HK\$'000 (restated)
Net book value of hotel properties comprise the followings:		
(i) Freehold land and hotel buildings	786,980	791,193
(ii) Plant and equipment	106,875	103,738
Property, plant and equipment	893,855	894,931
(iii) Leasehold land	1,335,744	1,346,063
	2,229,599	2,240,994

Supplementary information with hotel properties at valuation:

The aggregate valuation of the hotel properties in Hong Kong and Canada based on the valuation reports of Knight Frank and Grant Thornton Management Consultants respectively, independent professional valuers, amounted to HK\$3,323,610,000 (31st March 2005: HK\$3,312,610,000).

15 Debtors and prepayments

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

	30th September 2005 HK\$'000	31st March 2005 HK\$'000
0 day to 60 days	39,297	32,999
61 days to 120 days	1,123	2,039
More than 120 days	1,565	1,684
	41,985	36,722

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.

16 Creditors and accruals

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

	30th September 2005 HK\$'000	31st March 2005 HK\$'000
0 day to 60 days	8,846	16,578
61 days to 120 days	104	308
More than 120 days	1,084	1,366
	10,034	18,252

17 Borrowings

The maturity of borrowings is as follows:

	30th September 2005 HK\$'000	31st March 2005 HK\$'000
Bank borrowings, secured		
Repayable within one year	43,100	38,858
Repayable within one to two years	63,604	54,335
Repayable within two to five years	264,117	256,125
Repayable after five years	860,275	903,823
	1,231,096	1,253,141
Obligations under finance leases wholly payable within five years	296	336
	1,231,392	1,253,477
Current portion included in current liabilities	(43,211)	(38,963)
	1,188,181	1,214,514

Bank borrowings are secured by mortgages of property, plant, equipment and leasehold land of the Group (note 14) of the aggregate amount of HK\$2,228,370,000 (31st March 2005: HK\$2,239,608,000), floating charges over all the assets of certain subsidiaries and corporate guarantees given by the Company.

Notes to the Interim Consolidated Accounts

18 Share capital

	30th September 2005 HK\$'000	31st March 2005 HK\$'000
Authorised:		
25,000,000,000 shares of HK\$0.02 per share	500,000	500,000
Issued and fully paid:		
5,052,108,681 shares of HK\$0.02 per share	101,042	101,042

On 31st October 2005, options to subscribe for a total of 250,000,000 shares of the Company were granted under the share option scheme at an exercise price of HK\$0.217 per share. In November 2005, the options for a total of 246,000,000 shares were exercised.

19 Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Hotel properties revaluation reserve HK\$'000	Exchange reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
As 1st April 2005, as previously reported	299,770	899,333	552,234	45,797	325,301	2,122,435
Prior period adjustments as a result of changes in accounting policies (note 3)	–	–	(552,234)	(7,697)	(436,516)	(996,447)
At 1st April 2005, as restated	299,770	899,333	–	38,100	(111,215)	1,125,988
Exchange difference	–	–	–	4,750	–	4,750
Loss attributable to shareholders	–	–	–	–	(25,049)	(25,049)
At 30th September 2005	299,770	899,333	–	42,850	(136,264)	1,105,689

20 Related party transactions

The following is a summary of significant related party transactions during the period:

	Six months ended	
	30th September	
	2005	2004
	HK\$'000	HK\$'000
(i) Operating lease rental expense for properties to fellow subsidiaries	(231)	(231)
(ii) Management service expenses to related companies	(479)	(438)

Notes:

- (i) Rental expense is subject to terms agreed by the parties involved, which is at a monthly fixed fee.
- (ii) Management service expenses, including cleaning, repair and maintenance, are subject to terms agreed by the parties involved, which are at fixed fees.

21 Capital commitments

As at 30th September 2005 and 31st March 2005, the Group has no capital commitments.

22 Contingent liabilities

As at 30th September 2005 and 31st March 2005, the Group has no significant contingent liabilities.

23 Post balance sheet event

On 15th November 2005, the Company issued 1,010,000,000 new shares of HK\$0.02 each at the issue price of HK\$0.195 per share. Net proceeds of HK\$193 million from the placing were used for repayment of bank loans. All new shares rank pari passu with the existing shares.

Other Information

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 30th September 2005, the interests and short position of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of the Hong Kong Securities and Futures Ordinance (the "SFO") which (a) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(I) Long positions in shares

a) *The Company*

Director	Number of shares held		Total	Percentage of shares in issue (%)
	Personal interest	Corporate interest		
Mr. Poon Jing	248,937	3,749,148,774	3,749,397,711	74.21

By virtue of his interest in the Company through Asia Orient Holdings Limited ("Asia Orient") and its subsidiaries as disclosed under the heading "Substantial Shareholders and Other Persons' Interests and Short Positions in Shares and Underlying Shares" below, Mr. Poon Jing is deemed to be interested in the shares of all of the Company's subsidiaries.

(I) Long positions in shares (continued)

b) Associated Corporations

Associated Corporation	Director	Number of shares held			Total	Percentage of shares in issue (%)
		Personal interest	Corporate interest	Family interest		
Asia Standard International Group Limited ("ASI")	Mr. Poon Jing (note 1)	4,445,650	2,055,469,712	Nil	2,059,915,362	40.58
Centop Investment Limited ("Centop")	Mr. Poon Jing and Mr. Fung Siu To, Clement (note 2)	Nil	20	Nil	20	20
Centop	Mr. Poon Jing (note 3)	Nil	80	Nil	80	80
Mark Honour Limited	Mr. Fung Siu To, Clement	9	Nil	Nil	9	9

Notes:

1. By virtue of his controlling interest in Asia Orient, Mr. Poon Jing is deemed to be interested in the shares of ASI held by subsidiaries of Asia Orient.
2. Centop is owned as to 80% by ASI and as to 20% by Kingscore Investment Limited ("Kingscore"). Each of Mr. Poon Jing and Mr. Fung Siu To, Clement holds 50% interest in Kingscore. By virtue of their interest in Kingscore, each of Mr. Poon and Mr. Fung is deemed to have interest in the 20 shares held by Kingscore and duplicate the interest of the other.
3. By virtue of his controlling interest in Asia Orient, Mr. Poon Jing is deemed to be interested in the Company's subsidiaries and associated corporations including Centop.

Other Information

(II) Long positions in underlying shares

Interests in share options

a) The Company

No option has been granted under the share option scheme of the Company during the six months ended 30th September 2005.

b) Associated corporation – ASI

On 30th March 2005, options to subscribe for shares of ASI were granted to the following Directors of the Company. The options are exercisable from 30th March 2005 to 29th March 2015 at an exercise price of HK\$0.325 per share of ASI:

Name of Directors	Outstanding as at 1st April 2005	Outstanding as at 30th September 2005
Poon Jing	5,000,000	5,000,000
Lim Yin Cheng	20,000,000	20,000,000
Fung Siu To, Clement	20,000,000	20,000,000
Wong Shu Pui	15,000,000	15,000,000

During the period, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

Save as disclosed above, as at 30th September 2005, none of the Directors or the Chief Executive (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

Substantial shareholders and other persons' interests and short positions in shares and underlying shares

As at 30th September 2005, according to the register of substantial shareholders kept by the Company under Section 336 of the SFO, the following parties (other than the Directors and Chief Executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

(a) Long position in shares of the company

	Number of shares	Percentage
Asia Standard International Limited	3,583,280,394	70.93
ASI (note 1)	3,588,335,158	71.03
Asia Orient Company Limited (note 2)	3,749,148,774	74.21
Asia Orient Holdings (BVI) Limited (note 3)	3,749,148,774	74.21
Asia Orient (note 3)	3,749,148,774	74.21

Notes:

- (1) Asia Standard International Limited is a wholly owned subsidiary of ASI and ASI is deemed to be interested in and duplicates all the shares held by Asia Standard International Limited.
- (2) Asia Orient Company Limited and its subsidiaries together hold more than one-third of the issued shares of ASI and is deemed to be interested in and duplicates the shares held by ASI.
- (3) Asia Orient Company Limited is a wholly owned subsidiary of Asia Orient Holdings (BVI) Limited which in turn is a wholly owned subsidiary of Asia Orient. Asia Orient Holdings (BVI) Limited and Asia Orient are deemed to be interested in and duplicate the shares held by of Asia Orient Company Limited and its subsidiaries.

Save as disclosed above, as at 30th September 2005, the Directors are not aware of any other persons who had interests or short position in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under Section 336 of the SFO.

Other Information

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 Listing Rules at any time during the six months ended 30th September 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 than the required standard of dealings as set out 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.

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 condensed consolidated accounts of the Company for the six months ended 30th September 2005 have been reviewed by the Audit Committee.

On behalf of the Board

Poon Jing

Chairman

Hong Kong, 20th December 2005