



ASIA STANDARD HOTEL GROUP LIMITED



Interim Report 2004

Corporate Information

DIRECTORS

Mr. Poon Jing (*Chairman*)
Mr. Lim Yin Cheng (*Deputy Chairman*)
Mr. Fung Siu To, Clement
Mr. Poon Tin Sau, Robert
Mr. Wong Shu Pui
Mr. Liang Shangli
Mr. Ip Chi Wai *
Mr. Leung Wai Keung, Richard *
Mr. Hung Yat Ming *

* *Independent non-executive Director*

AUDIT COMMITTEE

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

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Hong Kong

Telephone 2866 3336
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PRINCIPAL BANKERS

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

	Six months ended		
	30th September		
	2004	2003	Change (%)
Turnover (HK\$ million)	287	181	+59
Profit/(loss) attributable to shareholders (HK\$ million)	17	(19)	N/A
Earnings/(loss) per share (HK cent)	0.345	(0.372)	N/A

	30th September	31st March	Change (%)
	2004	2004	
Total assets (HK\$ million)	3,387	3,388	-0.03
Shareholders' funds (HK\$ million)	2,031	2,006	+1
Shareholders' funds per share (HK\$)	0.40	0.40	-
Net debt (HK\$ million)	1,243	1,297	-4
Net debt to equity (%)	61%	65%	-4

Chairman Statement

Interim Results

The Group's turnover improved significantly by 58.4% or HK\$105.7 million to HK\$286.7 million for the six months ended 30th September 2004 as compared with last year following the recovery from the adverse effects of SARS and the subsequent relaxation of visa permit for Chinese individuals now extended to across 32 major cities of China with a total population of 150 million residents. As a result the Group's operating profit surged to HK\$48.0 million for the period to 30th September 2004 as compared to a loss of HK\$1.6 million last year, and profit attributable to shareholders increased to HK\$17.5 million.

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

Operational Review

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

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

The Empire Hotel, Hong Kong

In view of the above, coupled with increased number of and attendance to exhibitions and conventions held at the nearby Wanchai Convention Centre, Empire Hotel Hong Kong occupancy for the six months ended 30th September 2004 was 74% as compared with 41% for

the same period last year and average room rate increased by 52.5%. Accordingly, Empire Hotel Hong Kong's total revenue and operating profit increased by 22.6% and 360% respectively.

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

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

The Empire Hotel, Kowloon

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

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

Chairman Statement

The Empire Landmark Hotel, Vancouver

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

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

Travel Agency

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

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

Catering businesses

It has been an encouraging period for our franchised chain-restaurants with total revenue for the first half of 2004 recorded at HK\$9.7 million, an increase of 32% over last year. Due to the recent opening of the East

Rail terminal on Nathan Road where our Kowloon store is situated and growth in local and overseas patrons, this restaurant's business is expected to perform better in the second half of this year. Our Shanghai restaurant, on the other hand, shows strong growth both in revenue and contribution as local spending sentiments continue to prosper in line with sustainable internal economic growth.

Human Resources

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

Financial Review

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

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

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

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

Future Prospects

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

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

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

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

Auditors' Independent Review Report

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 financial report set out on pages 7 to 20.

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 financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report 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 financial report 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 report 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 financial report.

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 financial report for the six months ended 30th September 2004.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 21st December 2004

Consolidated Profit And Loss Account

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004 – UNAUDITED

	Note	Six months ended 30th September	
		2004 HK\$'000	2003 HK\$'000
TURNOVER	3	286,722	180,983
COST OF SALES		(197,490)	(129,314)
GROSS PROFIT		89,232	51,669
ADMINISTRATIVE EXPENSES		(39,313)	(42,201)
OTHER CHARGES	4	(1,929)	(11,058)
OPERATING PROFIT/(LOSS)	5	47,990	(1,590)
INTEREST INCOME	6	1,125	1,982
NET INVESTMENT (LOSS)/GAIN	7	(8,465)	4,692
FINANCE COSTS	8	(17,553)	(22,475)
SHARE OF LOSS OF AN ASSOCIATED COMPANY		–	(712)
PROFIT/(LOSS) BEFORE TAXATION		23,097	(18,103)
TAXATION	9	(5,644)	(712)
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		17,453	(18,815)
EARNINGS /(LOSS) PER SHARE	11	0.345 cent	(0.372) cent

Consolidated Balance Sheet

AS AT 30TH SEPTEMBER 2004 – UNAUDITED

	Note	30th September 2004 HK\$'000	31st March 2004 HK\$'000
FIXED ASSETS		3,181,613	3,169,702
GOODWILL	12	25,989	27,918
LONG TERM INVESTMENT		–	1,601
DEFERRED TAX ASSETS		3,312	3,814
CURRENT ASSETS			
Inventories		2,974	2,615
Other investments		63,924	69,984
Debtors and prepayments	13	74,831	98,429
Tax recoverable		200	200
Bank balances and cash		34,558	13,794
		176,487	185,022
CURRENT LIABILITIES			
Creditors and accruals	14	47,811	45,510
Tax payable		370	370
Bank overdrafts, unsecured		8,055	3,941
Current portion of long term liabilities	18	31,647	43,311
Convertible notes	17	11,600	46,000
		99,483	139,132
NET CURRENT ASSETS		77,004	45,890
		3,287,918	3,248,925
Financed by :			
SHARE CAPITAL	15	101,042	101,042
RESERVES	16	1,930,375	1,905,400
SHAREHOLDERS' FUNDS		2,031,417	2,006,442
LONG TERM LIABILITIES	18	1,225,950	1,217,737
DEFERRED TAX LIABILITIES		30,551	24,746
		3,287,918	3,248,925

Condensed Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004 – UNAUDITED

	Six months ended	
	30th September	
	2004	2003
	HK\$'000	HK\$'000
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	59,865	(9,477)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(1,300)	2,543
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(42,220)	23,239
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,345	16,305
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	9,853	24,803
CHANGES IN EXCHANGE RATES	305	(441)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	26,503	40,667
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
BANK BALANCE	34,558	47,953
BANK OVERDRAFTS	(8,055)	(7,286)
	26,503	40,667

Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004 – UNAUDITED

	<i>Note</i>	Six months ended	
		2004	2003
		HK\$'000	HK\$'000
Balance at beginning of the period		2,006,442	1,882,224
Revaluation deficit of hotel properties	16	–	(854)
Exchange difference arising			
on translation of overseas subsidiaries	16	7,522	17,972
Net gains not recognised in the profit and loss account		7,522	17,118
Profit/(loss) for the period attributable to shareholders	16	17,453	(18,815)
Balance at end of the period		2,031,417	1,880,527

Notes to the Interim Consolidated Accounts

1. BASIS OF PREPARATION

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

2. ACCOUNTING POLICIES

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

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

3. 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.

Notes to the Interim Consolidated Accounts

3. TURNOVER AND 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 2004				
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	55,710	152	(895)	54,967
Unallocated corporate expenses				(6,977)
Operating profit				47,990
Interest income				1,125
Net investment loss				(8,465)
Finance costs				(17,553)
Profit before taxation				23,097
Taxation				(5,644)
Profit attributable to shareholders				17,453

3. TURNOVER AND 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 2003				
Room rentals	46,129			
Food and beverages	18,639			
Ancillary services	3,070			
Rental income	5,180			
Segment revenue	73,018	7,329	100,636	180,983
Segment results	22,856	(3,592)	(11,148)	8,116
Unallocated corporate expenses				(9,706)
Operating loss				(1,590)
Interest income				1,982
Net investment gain				4,692
Finance costs				(22,475)
Share of loss of an associated company	–	–	(712)	(712)
Loss before taxation				(18,103)
Taxation				(712)
Loss attributable to shareholders				(18,815)

Notes to the Interim Consolidated Accounts

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

4. OTHER CHARGES

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

5. OPERATING PROFIT/(LOSS)

	Six months ended 30th September	
	2004	2003
	HK\$'000	HK\$'000

Operating profit / (loss) is stated after charging the following:

Staff costs, including Directors' emoluments	32,587	31,091
Operating lease rental expense for land and buildings	2,667	2,936
Depreciation	454	2,219
Impairment of long term investment	1,601	–
	<u>1,601</u>	<u>–</u>

6. INTEREST INCOME

	Six months ended 30th September	
	2004	2003
	HK\$'000	HK\$'000

Interest income		
Bank deposits	14	49
Loans to third parties	1,064	1,933
Others	47	–
	<u>1,125</u>	<u>1,982</u>

7. NET INVESTMENT (LOSS)/GAIN

	Six months ended 30th September	
	2004	2003
	HK\$'000	HK\$'000

Unrealised (loss) / gain on other investments	(8,607)	4,099
Dividend income from listed equity securities	142	593
	<u>(8,465)</u>	<u>4,692</u>

Notes to the Interim Consolidated Accounts

8. FINANCE COSTS

	Six months ended	
	30th September	
	2004	2003
	HK\$'000	HK\$'000
Interest expense		
Bank loans and overdrafts	15,533	21,079
Convertible notes	824	1,065
Finance lease obligations wholly payable within five years	17	19
Other incidental borrowing costs	1,179	312
	17,553	22,475

9. TAXATION

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

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

10. DIVIDENDS

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

11. EARNINGS/(LOSS) PER SHARE

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

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

12. GOODWILL

	HK\$'000
Cost	
At 1st April and 30th September 2004	38,581
Accumulated amortisation	
At 1st April 2004	10,663
Charge for the period	1,929
At 30th September 2004	12,592
Net book value	
At 30th September 2004	25,989
At 31st March 2004	27,918

Notes to the Interim Consolidated Accounts

13. 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	31st March
	2004	2004
	HK\$'000	HK\$'000
0 day to 60 days	37,141	28,693
61 days to 120 days	2,008	2,716
More than 120 days	1,835	3,339
	40,984	34,748

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.

14. CREDITORS AND ACCRUALS

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

	30th September	31st March
	2004	2004
	HK\$'000	HK\$'000
0 day to 60 days	19,916	17,323
61 days to 120 days	550	3,801
More than 120 days	3,524	1,283
	23,990	22,407

15. SHARE CAPITAL

	Number of shares of HK\$0.02 per share	HK\$'000
Authorised:		
At 31st March and 30th September 2004	25,000,000,000	500,000
Issued and fully paid:		
At 31st March and 30th September 2004	5,052,108,681	101,042

16. 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
At 31st March 2004	299,770	899,333	439,144	26,748	240,405	1,905,400
Translation difference	–	–	410	7,112	–	7,522
Profit for the period	–	–	–	–	17,453	17,453
At 30th September 2004	299,770	899,333	439,554	33,860	257,858	1,930,375

17. CONVERTIBLE NOTES

On 15th April 2003, the Company issued convertible notes of the principal amount of HK\$46,000,000, which bears interest at Hong Kong prime rate per annum payable semi-annually in arrears. Each holder of the notes has the option to convert the notes into fully paid shares of HK\$0.02 each of the Company at a conversion price of HK\$0.25 per share, subject to adjustment, at any time from the date of issue to the last business date preceding the maturity date of 18 months from the date of issue. During the period, the Company redeemed convertible notes of the principal amount of HK\$34,400,000 with accrued interest. Subsequently to the period end and on 14th October 2004, the Company fully redeemed the outstanding principal amount of convertible notes not already converted or redeemed with accrued interest.

Notes to the Interim Consolidated Accounts

18. LONG TERM LIABILITIES

	30th September 2004 HK\$'000	31st March 2004 HK\$'000
Bank loans, secured		
Repayable within one year	31,549	43,220
Repayable within one to two years	46,549	41,220
Repayable within two to five years	244,648	223,661
Repayable after five years	934,481	952,541
	1,257,227	1,260,642
Obligations under finance leases wholly payable within five years	370	406
	1,257,597	1,261,048
Current portion included in current liabilities	(31,647)	(43,311)
	1,225,950	1,217,737

The aggregate net book value of fixed assets pledged as securities for loans of the Group amounts to HK\$3,179,800,000 (31st March 2004: HK\$3,167,550,000).

19. RELATED PARTY TRANSACTIONS

The Group has been leasing several office floors and flats as staff quarter and office from fellow subsidiaries at a total rental of HK\$231,000 for the period ended 30th September 2004 (2003: HK\$231,000). Rental expense is subject to terms agreed by the parties involved, which is at a monthly fixed fee.

20. 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September 2004, the interests and short position of the Directors and Chief Executives 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 ("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 companies 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			Percentage of shares in issue (%)
	Personal interests	Corporate interests	Total	
Mr. Poon Jing	248,937	3,699,148,774	3,699,397,711	73.22

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" 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 Company	Director	Number of shares held			Total	Percentage of shares in issue (%)
		Personal interest	Corporate interest	Family interest		
Asia Orient	Mr. Poon Jing	31,714,396	38,011,695	1,396,520	71,122,611	40.60
	Mr. Fung Siu To, Clement	3,949,400	Nil	Nil	3,949,400	2.25
Asia Standard International Group Limited ("ASI")	Mr. Poon Jing (note 1)	4,445,650	2,170,469,712	Nil	2,174,915,362	52.93
Centop Investment Limited (note 2)	Mr. Poon Jing and Mr. Fung Siu To, Clement	Nil	20	Nil	20	20
Mark Honour Limited (note 2)	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. Subsidiaries of ASI

(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.

b) *Associated Corporation – Asia Orient*

On 12th February 2004, options to subscribe for 1,718,000 shares of Asia Orient were grant to each of Messrs. Fung Siu To, Clement and Lim Yin Cheng at exercise price of HK\$3.3 per share. These options are exercisable from 12th February 2004 to 11th February 2014. During the period, no option was exercised or lapsed. Each of Messrs. Fung Siu To, Clement and Lim Yin Cheng had options to subscribe for 1,718,000 shares of Asia Orient at 30th September 2004.

Save as disclosed above, as at 30th September 2004, none of the Directors or the Chief Executives (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 Companies in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th September 2004, 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 Executives 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	3,533,280,394	69.94
ASI (note 1)	3,538,335,158	70.04
Asia Orient Company Limited (note 2)	3,699,148,774	73.22
Asia Orient Holdings (BVI) Limited (note 3)	3,699,148,774	73.22
Asia Orient (note 3)	3,699,148,774	73.22
Mr. Poon Jing (note 4)	3,699,397,711	73.22

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.
- (4) Mr. Poon Jing has personal interest in 248,937 shares and by virtue of his interest in Asia Orient, he is deemed to be interested in and duplicates the shares held by Asia Orient.

Save as disclosed above, as at 30th September 2004, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

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.

Messrs. Hung Yat Ming and Leung Wai Keung, Richard were appointed as an independent non-executive director in September 2004.

By Order of the Board

POON JING

Chairman

Hong Kong 21st December 2004