



Asia Standard  
International Group Limited



Interim Report 2001

# Corporate Information

## DIRECTORS

Mr. Fung Siu To, Clement (Chairman)  
Mr. Lim Yin Cheng (Deputy Chairman)  
Mr. Poon Jing (Managing Director)  
Mr. Lun Pui Kan  
Mr. Kwan Po Lam, Phileas  
Mr. Leung King Yin, Kevin  
Mr. Loup, Nicholas James  
Mr. Lau Kwok Hing  
(Independent non-executive Director)  
Mr. Au Yat Chuen, Raymond  
(Independent non-executive Director)  
Mr. Koon Bok Ming, Alan  
(Independent non-executive Director)

## AUDIT COMMITTEE

Mr. Lau Kwok Hing  
Mr. Koon Bok Ming, Alan

## AUTHORISED REPRESENTATIVES

Mr. Fung Siu To, Clement  
Mr. Lun Pui Kan

## COMPANY SECRETARY

Ms. Chiu Yuk Ching

## REGISTERED OFFICE

Cedar House,  
41 Cedar Avenue,  
Hamilton HM12,  
Bermuda

## PRINCIPAL OFFICE IN HONG KONG

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

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

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Hang Seng Bank Limited  
The Bank of East Asia Limited  
Bank of Communications  
Nanyang Commercial Bank Limited

## LEGAL ADVISERS

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

Appleby, Spurling & Kempe  
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 Corporate Services Limited  
Rosebank Centre,  
11 Bermudiana Road,  
Pembroke,  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Central Registration Hong Kong Limited  
17 Floor, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

## Consolidated Profit and Loss Account – unaudited

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Asia Standard International Group Limited

|                                   | Note | Six months ended<br>30th September |                  |
|-----------------------------------|------|------------------------------------|------------------|
|                                   |      | 2001<br>HK\$'000                   | 2000<br>HK\$'000 |
| Turnover                          | 3    | 495,240                            | 397,639          |
| Cost of sales                     |      | (366,665)                          | (283,665)        |
| Gross profit                      |      | 128,575                            | 113,974          |
| Administrative expenses           |      | (71,466)                           | (68,594)         |
| Other charges                     | 4    | (50,500)                           | (165,721)        |
| Operating profit / (loss)         | 5    | 6,609                              | (120,341)        |
| Finance costs                     | 6    | (52,114)                           | (69,883)         |
| Share of profits less losses of   |      |                                    |                  |
| Jointly controlled entities       |      | (390)                              | 43               |
| Associated companies              |      | (42,774)                           | 1,153            |
| Loss before taxation              |      | (88,669)                           | (189,028)        |
| Taxation                          | 7    | (6,061)                            | (7,416)          |
| Loss after taxation               |      | (94,730)                           | (196,444)        |
| Minority interests                |      | 2,587                              | 1,499            |
| Loss attributable to shareholders |      | (92,143)                           | (194,945)        |
| Loss per share                    | 8    | (2.24) cents                       | (4.77) cents     |

## Consolidated Balance Sheet – unaudited

|  | Note | 30th<br>September<br>2001<br>HK\$'000 | 31st<br>March<br>2001<br>HK\$'000 |
|--|------|---------------------------------------|-----------------------------------|
| Goodwill   | 9    | 31,819                                | –                                 |
| Fixed assets                                     |      | 4,858,008                             | 4,679,760                         |
| Jointly controlled entities                      |      | 301,487                               | 295,435                           |
| Associated companies                             |      | 644,445                               | 680,186                           |
| Mortgage loans receivable                        |      | 56,302                                | 93,364                            |
| <b>Current assets</b>                            |      |                                       |                                   |
| Properties held for / under development for sale |      | 1,814,696                             | 1,996,020                         |
| Completed properties held for sale               |      | 1,002,189                             | 907,516                           |
| Hotel and restaurant inventories                 |      | 3,553                                 | 3,395                             |
| Debtors and prepayments                          | 10   | 215,981                               | 246,740                           |
| Other investments                                |      | 93,651                                | 77,801                            |
| Tax recoverable                                  |      | 2,773                                 | 2,957                             |
| Bank balances and cash                           |      | 225,717                               | 270,763                           |
|  |      | <b>3,358,560</b>                      | <b>3,505,192</b>                  |
| <b>Current liabilities</b>                       |      |                                       |                                   |
| Deposits received from sale of properties        |      | 2,267                                 | 2,425                             |
| Creditors and accruals                           | 11   | 356,385                               | 277,204                           |
| Short term bank loans and overdrafts             |      |                                       |                                   |
| Secured  |      | 65,291                                | 149,081                           |
| Unsecured  |      | 33,000                                | 58,360                            |
| Convertible bonds                                |      | 251,290                               | 251,290                           |
| Current portion of long term loans               | 14   | 313,012                               | 289,024                           |
| Taxation   |      | 32,568                                | 29,410                            |
|  |      | <b>1,053,813</b>                      | <b>1,056,794</b>                  |
| Net current assets                               |      | <b>2,304,747</b>                      | <b>2,448,398</b>                  |
|  |      | <b>8,196,808</b>                      | <b>8,197,143</b>                  |
| <b>Financed by:</b>                              |      |                                       |                                   |
| Share capital                                    | 12   | 41,126                                | 41,122                            |
| Reserves   | 13   | 4,499,957                             | 4,563,306                         |
| Shareholders' funds                              |      | <b>4,541,083</b>                      | <b>4,604,428</b>                  |
| Long term loans                                  | 14   | 2,504,869                             | 2,442,053                         |
| Minority interests and loans                     |      | 1,150,856                             | 1,150,662                         |
|  |      | <b>8,196,808</b>                      | <b>8,197,143</b>                  |

## Condensed Consolidated Cash Flow Statement – unaudited

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|   | Six months ended<br>30th September |                  |
|---|------------------------------------|------------------|
|   | 2001<br>HK\$'000                   | 2000<br>HK\$'000 |
| Net cash inflow / (outflow) from operating activities                 | <b>212,808</b>                     | (120,407)        |
| Net cash outflow from returns on investments and servicing of finance | <b>(93,385)</b>                    | (121,801)        |
| Total taxation paid   | <b>(2,480)</b>                     | (598)            |
| Net cash outflow from investing activities                            | <b>(142,029)</b>                   | (139,816)        |
| Net cash outflow before financing                                     | <b>(25,086)</b>                    | (382,622)        |
| Net cash (outflow) / inflow from financing                            | <b>(3,413)</b>                     | 534,115          |
| (Decrease) / increase in cash and cash equivalents                    | <b>(28,499)</b>                    | 151,493          |
| Cash and cash equivalents at beginning of period                      | <b>150,322</b>                     | 165,555          |
| Changes in exchange rates   | <b>(1,425)</b>                     | 934              |
| Cash and cash equivalents at end of period                            | <b>120,398</b>                     | 317,982          |
| Analysis of balances of cash and cash equivalents                     |                                    |                  |
| Bank balances, unrestricted   | <b>188,689</b>                     | 372,146          |
| Short term bank loans and overdrafts                                  | <b>(68,291)</b>                    | (54,164)         |
|   | <b>120,398</b>                     | 317,982          |

## Consolidated Statement of Recognised Gains and Losses – unaudited

|  | Six months ended<br>30th September |                  |
|--|------------------------------------|------------------|
|  | 2001<br>HK\$'000                   | 2000<br>HK\$'000 |
| Revaluation surplus on hotel properties  | <b>30,820</b>                      | –                |
| Exchange differences arising on translation of<br>accounts of overseas subsidiaries, associated<br>companies and jointly controlled entities | <b>(2,174)</b>                     | (4,222)          |
| Net gains / (losses) not recognised in the profit and loss account   | <b>28,646</b>                      | (4,222)          |
| Loss for the period attributable to shareholders   | <b>(92,143)</b>                    | (194,945)        |
| Release of reserves upon deemed disposal of a subsidiary   | –                                  | (98,892)         |
| Total recognised losses  | <b>(63,497)</b>                    | (298,059)        |

# Notes to the Interim Consolidated Accounts

## 1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the requirements of Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" as issued by the Hong Kong Society of Accountants.

## 2. ACCOUNTING POLICIES

In 2001, the Group adopted the following revised or new Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants.

|                    |  |
|--------------------|--|
| SSAP 9 (revised):  | Events after the balance sheet date  |
| SSAP 14 (revised): | Leases   |
| SSAP 26:           | Segment reporting  |
| SSAP 28:           | Provisions, contingent liabilities and contingent assets                         |
| SSAP 29:           | Intangible assets  |
| SSAP 30:           | Business combinations  |
| SSAP 31:           | Impairment of assets   |
| SSAP 32:           | Consolidated financial statements and accounting for investments in subsidiaries |

The effect of adopting these SSAPs is set out below:

- (a) In accordance with the revised SSAP 9, dividends proposed after the balance sheet date are no longer recognised as liability at the balance sheet date. This change in accounting policy has no effect to the interim accounts for the corresponding previous period.
- (b) Goodwill arising on acquisition of subsidiaries occurring on or after 1st April 2001 is included in the balance sheet as a separate asset and amortised using the straight line method over its estimated useful life of not more than twenty years. Goodwill on acquisitions, which occurred prior to 1st April 2001 was taken directly to reserves. The Group has taken advantage of the transitional provisions of SSAP 30 and goodwill previously written off against reserves has not been restated. Any impairment arising on such goodwill is accounted for in accordance with SSAP 31. This change in accounting policy has no effect to the interim accounts for the corresponding previous period.

Apart from the foregoing, the principal accounting policies adopted in preparing the unaudited interim financial report are consistent with those described in the 2001 Annual Report and Accounts.

### 3. TURNOVER AND CONTRIBUTION TO OPERATING PROFIT / (LOSS)

The Group is principally engaged in property investment and development, hotel and management services businesses, travel agency operation, financing service and other investment activities. Turnover comprises proceeds from sales of properties, rental and management fee income, income from hotel and travel agency operation, income from sales of other investments, interest and dividend income.

Analyses of the Group's turnover and contribution to operating profit / (loss) by principal activities and principal markets are set out below:

|   | Turnover                        |                  | Contribution to operating profit / (loss) |                  |
|---|---------------------------------|------------------|---|------------------|
|   | Six months ended 30th September |                  | Six months ended 30th September           |                  |
|   | 2001<br>HK\$'000                | 2000<br>HK\$'000 | 2001<br>HK\$'000                          | 2000<br>HK\$'000 |
| <b>By principal activities</b>                          |                                 |                  |   |                  |
| Property sales  | <b>161,589</b>                  | 251,074          | <b>(506)</b>                              | 15,176           |
| Property investment                                     | <b>30,166</b>                   | 17,878           | <b>25,146</b>                             | 11,951           |
| Hotel, travel agency and management services businesses | <b>218,675</b>                  | 96,913           | <b>23,859</b>                             | 33,706           |
| Investment and others                                   | <b>84,810</b>                   | 31,774           | <b>(9,957)</b>                            | (16,956)         |
|   | <b>495,240</b>                  | 397,639          | <b>38,542</b>                             | 43,877           |
| Unallocated corporate expenses                          |                                 |                  | <b>(31,933)</b>                           | (30,847)         |
| Loss on deemed disposal of subsidiary                   |                                 |                  | -   | (133,371)        |
| Operating profit / (loss)                               |                                 |                  | <b>6,609</b>                              | (120,341)        |



## Notes to the Interim Consolidated Accounts

### 3. TURNOVER AND CONTRIBUTION TO OPERATING PROFIT / (LOSS) (CONTINUED)

|   | Turnover                        |                  | Contribution to operating profit / (loss) |                  |
|---|---------------------------------|------------------|---|------------------|
|   | Six months ended 30th September |                  | Six months ended 30th September           |                  |
|   | 2001<br>HK\$'000                | 2000<br>HK\$'000 | 2001<br>HK\$'000                          | 2000<br>HK\$'000 |
| <b>By principal markets</b>                       |                                 |                  |   |                  |
| Hong Kong   | 399,253                         | 323,537          | 17,174                                    | 22,406           |
| People's Republic of China<br>excluding Hong Kong | 46,578                          | 21,420           | 545                                       | 249              |
| Canada  | 49,409                          | 52,682           | 20,823                                    | 21,222           |
|   | <b>495,240</b>                  | <b>397,639</b>   | <b>38,542</b>                             | <b>43,877</b>    |
| Unallocated corporate expenses                    |                                 |                  | (31,933)                                  | (30,847)         |
| Loss on deemed disposal of subsidiary             |                                 |                  | –   | (133,371)        |
| Operating profit / (loss)                         |                                 |                  | <b>6,609</b>                              | <b>(120,341)</b> |

### 4. OTHER CHARGES

|   | Six months ended 30th September |                  |
|---|---------------------------------|------------------|
|   | 2001<br>HK\$'000                | 2000<br>HK\$'000 |
| Unrealised loss on other investments                          | (43,055)                        | (32,350)         |
| Amortisation of goodwill                                      | (1,675)                         | –                |
| Provision for diminution in value of properties held for sale | (1,729)                         | –                |
| Pre-operating expenses of Empire Kowloon Hotel                | (4,041)                         | –                |
| Loss on deemed disposal of subsidiary                         | –                               | (133,371)        |
|   | <b>(50,500)</b>                 | <b>(165,721)</b> |

**5. OPERATING PROFIT / (LOSS)**

|  | Six months ended<br>30th September |                  |
|--|------------------------------------|------------------|
|  | 2001<br>HK\$'000                   | 2000<br>HK\$'000 |
| Operating profit / (loss) has been arrived at<br>after crediting and charging the following: |                                    |                  |
| <b>Crediting</b>   |                                    |                  |
| Net rental income (note a)   | 25,146                             | 11,951           |
| Dividends from listed investments  | 670                                | 85               |
| Interest income  | 11,398                             | 17,494           |
| <b>Charging</b>  |                                    |                  |
| Depreciation of fixed assets   | 4,338                              | 4,248            |
| Staff costs (note b)   | 39,389                             | 35,281           |
| <b>(a) Net rental income</b>   |                                    |                  |
| Gross rental income  | 30,166                             | 17,878           |
| Outgoings  | (5,020)                            | (5,927)          |
|  | 25,146                             | 11,951           |
| <b>(b) Staff costs</b>   |                                    |                  |
| Staff costs  | 41,653                             | 40,089           |
| Capitalised as properties under development  | (2,264)                            | (4,808)          |
|  | 39,389                             | 35,281           |

## Notes to the Interim Consolidated Accounts

### 6. FINANCE COSTS

|   | Six months ended<br>30th September |                  |
|---|------------------------------------|------------------|
|   | 2001<br>HK\$'000                   | 2000<br>HK\$'000 |
| Interest expense                                    |                                    |                  |
| Long term bank loans                                | 88,532                             | 123,988          |
| Convertible bonds                                   | 11,017                             | 11,017           |
| Loans from minority shareholders of subsidiaries    | 3,004                              | 2,580            |
| Short term bank loans and overdrafts                | 1,955                              | 3,719            |
| Other incidental borrowing costs                    | 3,205                              | 14,614           |
|   | <b>107,713</b>                     | <b>155,918</b>   |
| Capitalised as cost of properties under development |                                    |                  |
| Interest expense                                    | (55,430)                           | (83,740)         |
| Other incidental borrowing costs                    | (169)                              | (2,295)          |
|   | <b>52,114</b>                      | <b>69,883</b>    |

### 7. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (30th September 2000: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

|                               | Six months ended<br>30th September |                  |
|-------------------------------|------------------------------------|------------------|
|                               | 2001<br>HK\$'000                   | 2000<br>HK\$'000 |
| Company and subsidiaries      |                                    |                  |
| Hong Kong profits tax         | (185)                              | (5,210)          |
| Overseas tax                  | (3,257)                            | (1,268)          |
| Underprovision in prior years | (2,280)                            | (388)            |
|                               | <b>(5,722)</b>                     | <b>(6,866)</b>   |
| Associated companies          |                                    |                  |
| Hong Kong profits tax         | (339)                              | (550)            |
|                               | <b>(6,061)</b>                     | <b>(7,416)</b>   |

## 8. LOSS PER SHARE

The calculation of loss per share is based on loss attributable to shareholders of HK\$92,143,000 (30th September 2000: HK\$194,945,000) and on the weighted average 4,112,292,220 (30th September 2000: 4,090,192,817) shares in issue during the period.

No diluted loss per share is presented as the exercise of subscription rights attached to the share options and the conversion of the convertible bonds would not have a dilutive effect on the loss per share.

## 9. GOODWILL

|   | HK\$'000      |
|---|---------------|
| Acquisition of a subsidiary               | 33,494        |
| Amortisation                              | (1,675)       |
| Net book amount as at 30th September 2001 | <u>31,819</u> |

On 6th April 2001, the Group acquired the entire share capital of JBC Travel Company Limited ("JBC") at a consideration of HK\$36,000,000 from Hong Kong Enterprise International Limited, a company owned by Mr. Poon Jing, a Director of the Company. JBC is engaged in the travel agency and tour business.

## 10. DEBTORS AND PREPAYMENTS

Debtors and prepayments include trade debtors, utility and other deposits, stakeholders' accounts, interest and other receivables. Trade debtors amounted to HK\$64,431,000 (HK\$84,336,000 as at 31st March 2001) of which 92% (97% as at 31st March 2001) was aged under six months.

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 debtors, credit evaluations of customers are performed periodically.

## 11. CREDITORS AND ACCRUALS

Creditors and accruals include trade creditors, rental and management fee deposits, interest and other payables, retentions payable of construction costs and various accruals. Trade creditors amounted to HK\$32,372,000 (HK\$13,294,000 as at 31st March 2001), of which 99% (98% as at 31st March 2001) was aged under six months.

## Notes to the Interim Consolidated Accounts

### 12. SHARE CAPITAL

|  | Authorised<br>Shares of HK\$0.01 each |           |
|--|---------------------------------------|-----------|
|  | Number of shares                      | HK\$'000  |
| At 31st March 2001 and 30th September 2001 | 400,000,000,000                       | 4,000,000 |

  

|                        | Issued and fully paid<br>Shares of HK\$0.01 each |          |
|------------------------|--|----------|
|                        | Number of shares                                 | HK\$'000 |
| At 31st March 2001     | 4,112,168,838                                    | 41,122   |
| Exercise of warrants   | 479,152  | 4        |
| At 30th September 2001 | 4,112,647,990                                    | 41,126   |

At 1st April 2001, the Company had 817,953,908 warrants outstanding. Each warrant entitles its holders to subscribe for fully paid shares at the initial subscription price of HK\$0.32 per share, subject to adjustment, from the date of issue of the warrants on 27th September 2000 to 30th September 2001 (both date inclusive). During the period, a total of 479,152 shares were issued upon the exercise of warrants and the remaining 817,474,756 warrants were cancelled upon expiry at 30th September 2001.

### 13. RESERVES

|                              | Share<br>premium<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Revaluation reserves                 |                                 |                                 | Contributed<br>surplus<br>HK\$'000 | Revenue<br>reserve<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------|------------------------------|--------------------------------|--|--------------------------------------|---------------------------------|---------------------------------|------------------------------------|--------------------------------|-------------------|
|                              |                              |                                |  | Investment<br>properties<br>HK\$'000 | Hotel<br>properties<br>HK\$'000 | Other<br>properties<br>HK\$'000 |                                    |                                |                   |
| At 31st March 2001           | 532,941                      | 362                            | 43,835                                       | 728,107                              | 320,574                         | 45,000                          | 2,670,292                          | 222,195                        | 4,563,306         |
| Translation difference       | -                            | -                              | -  | -                                    | (1,598)                         | -                               | -                                  | (576)                          | (2,174)           |
| Surplus on revaluation       | -                            | -                              | -  | -                                    | 30,820                          | -                               | -                                  | -                              | 30,820            |
| Exercise of warrants         | 148                          | -                              | -  | -                                    | -                               | -                               | -                                  | -                              | 148               |
| Loss for the period retained | -                            | -                              | -  | -                                    | -                               | -                               | -                                  | (92,143)                       | (92,143)          |
| At 30th September 2001       | 533,089                      | 362                            | 43,835                                       | 728,107                              | 349,796                         | 45,000                          | 2,670,292                          | 129,476                        | 4,499,957         |

**14. LONG TERM LOANS**

|   | 30th<br>September<br>2001<br>HK\$'000 | 31st<br>March<br>2001<br>HK\$'000 |
|---|---------------------------------------|-----------------------------------|
| Bank loans, secured                             |                                       |                                   |
| Repayable within one year                       | 313,012                               | 289,024                           |
| Repayable between one and two years             | 466,211                               | 314,268                           |
| Repayable between two and five years            | 765,413                               | 819,556                           |
| Repayable after five years                      | 1,273,245                             | 1,308,229                         |
|   | <b>2,817,881</b>                      | 2,731,077                         |
| Current portion included in current liabilities | <b>(313,012)</b>                      | (289,024)                         |
|   | <b>2,504,869</b>                      | 2,442,053                         |

The aggregate net book value of fixed assets, properties held for / under development for sale and completed properties held for sale pledged to banks to secure banking facilities of the Group amounts to HK\$6,794,000,000 (at 31st March 2001: HK\$6,650,000,000).

**15. CONTINGENT LIABILITIES**

|  | 30th<br>September<br>2001<br>HK\$'000 | 31st<br>March<br>2001<br>HK\$'000 |
|--|---------------------------------------|-----------------------------------|
| Guarantee for the banking and loan facilities of |                                       |                                   |
| Associated companies                             | 214,763                               | 218,558                           |
| Jointly controlled entities                      | 155,610                               | 152,610                           |
| Third parties                                    | 5,531                                 | 29,381                            |
|  | <b>375,904</b>                        | 400,549                           |

## Notes to the Interim Consolidated Accounts

### 16. COMMITMENTS

|  | 30th<br>September<br>2001<br>HK\$'000 | 31st<br>March<br>2001<br>HK\$'000 |
|--|---------------------------------------|-----------------------------------|
| Capital commitments  |                                       |                                   |
| Contracted but not provided for  | –                                     | 58,028                            |
| Operating lease commitments  |                                       |                                   |
| Future aggregate minimum lease payment under non-cancellable operating leases in respect of land and buildings, payable: |                                       |                                   |
| Within one year  | 6,854                                 | 4,230                             |
| In the second and fifth years inclusive  | 14,458                                | 7,901                             |
| After the fifth year   | 4,002                                 | 4,992                             |
|  | <b>25,314</b>                         | <b>17,123</b>                     |
| Other commitments  | <b>37,750</b>                         | 27,380                            |
|  | <b>63,064</b>                         | <b>102,531</b>                    |

### 17. SUBSEQUENT EVENTS

- (a) In October 2001, the Group has entered into an agreement to dispose of its entire interests in Cheerful Resources Limited, a wholly owned subsidiary which holds a 40% interest in a property development project in Panyu, the PRC. The estimated loss on disposal is approximately HK\$121 million. The transaction is expected to be completed in March 2002.
- (b) On 19th November 2001, the Group entered into a subscription agreement with Westrata Investment Limited (“Westrata”), a substantial shareholder of the Company, whereby Westrata will subscribe for HK\$290 million 7% five year convertible bonds to be issued by Asia Standard International Capital Limited, a wholly owned subsidiary of the Group. In addition to requiring the approval of shareholders of the Company and that of its ultimate holding company Asia Orient Holdings Limited, the subscription agreement is conditional on certain conditions being satisfied by 15th January 2002.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend (30th September 2000: Nil).

## BUSINESS REVIEW

Turnover for the Group increased by 24% to HK\$495 million (2000: HK\$398 million) whilst loss attributable to shareholders for the six months ended 30th September 2001 was reduced by 53% to HK\$92 million (2000: HK\$195 million), after sharing a HK\$45 million provision for an estimated impairment in value of a joint venture residential development project in Hong Kong.

### Properties sales

Property market continue to experience adverse sentiment throughout the six months period under review. The group continued its sales effort in clearing the existing inventory. Sales turnover for the period amounted to HK\$161 million (2000: HK\$251 million). A total of about 170,000 sq.ft. were sold with over 90% being residential units. Inventories unsold amount to 130,000 sq.ft. with an estimated sales value totalling over HK\$600 million. We are confident that improved market sentiments in the coming year will help to further reduce these inventories.

On the other hand, new projects will be launched for sales in the coming months. A total proceeds of over HK\$600 million will be achieved upon successful sale. The luxury residential development at Pokfulam Road has been recently completed and sales campaign will commence shortly. Presale consent for another residential development at Shaukeiwan on Hong Kong Island is being applied. This 94,000 sq.ft. development will provide 155 residential units together with carparks.

In October 2001, the Group has contracted to dispose of 40% interests in the Panyu development project at a total consideration of approximately HK\$118 million. The proceeds will be received in several installments and the transaction is expected to be completed by March 2002. The disposal will give rise to a loss of approximately HK\$121 million.



**BUSINESS REVIEW (CONTINUED)****Leasing**

Rental income has increased by 67% compared to the same period last year. After finishing the complete overhaul of the retail floors in year 2000, Asia Standard Tower in Central has regained its traditional high occupancy and now stayed at close to 90%. Income from the Wanchai office remained stable. Occupancy rates for our joint venture investment at Goldmark Centre in Causeway Bay was still unsatisfactory and more effort have to be made to improve its contribution. On the other hand, it is encouraging to see that the new 108,000 sq.ft. office building at Wing Hing Street, Causeway Bay, has achieved over 80% occupancy. Currently, a total floor area of 430,000 sq.ft. is being leased.

**Development**

Two residential buildings with a total GFA of about 235,000 sq.ft. were completed during the period, namely the Royal Jubilee in Sheung Shui and the Royalton II at Pokfulam.

Properties under development include the residential building at Yiu Hing Road, Shaukeiwan which is now at superstructure level. The residential developments at Repulse Bay, Bayshore Apartment II in Aberdeen and Shiu Fai Terrace at Stubbs Road and the service apartment development at Nathan Road in Mongkok totally 400,000 sq.ft. are all at foundation stages.

We are under negotiation with the government of lease modification for residential developments at Bayshore Apartment II, Shiu Fai Terrace, Repulse Bay and Yau Tong. Total development area is approximately 446,000 sq.ft.

Three sites in the New Territories are also under land exchange application for residential development. Total development area is over 600,000 sq.ft. Another three joint venture projects in New Territories are under application for planning approval and land exchange.

**Hotel**

Turnover for the hotel division has increased significantly to HK\$219 million (2000: HK\$96.9 million). This is a direct result of travel agencies business by the hotel group. Occupancy rates were 85% and 80% for Hong Kong and Vancouver Empire Hotel respectively. Development of the Empire Kowloon Hotel has been completed and soft opening has been made in September. While the hotel industry has been temporarily affected by the September 11 terrorist attack in the USA, situation has stabilised. With the government's supportive actions to the local tourism industry, we are confident with the longer term prospect of this group.

**BUSINESS REVIEW (CONTINUED)****Financial review**

The Group's borrowings are mostly denominated in Hong Kong dollars. They are principally at floating rates, with reference to interbank rates. As a result of the aggressive interest rate cuts in US, which were followed closely by banks in Hong Kong, the Group's borrowing costs have reduced significantly by HK\$48 million compared to that of last year.

As at 30th September 2001, the Group had total asset value of HK\$9.3 billion. The net asset value was HK\$4.5 billion (March 2001: HK\$4.6 billion), while minority interests in equity stayed at HK\$1.0 billion (March 2001: HK\$1.0 billion). Net debts improved to HK\$2.9 billion (March 2001: HK\$3.0 billion). Accordingly, the net debt to equity ratio has stayed at approximately 53%.

As at 30th September 2001, the Group has contingent liabilities in respect of guarantees given to banks and financial institution on credit facilities to associated companies, jointly controlled entities and third parties of HK\$376 million (March 2001: HK\$401 million).

As at 30th September 2001, fixed assets, properties held for/under development for sale and completed properties held for sale with an aggregate net book value of HK\$6,794 million (March 2001: HK\$6,650 million) were pledged to secure banking facilities of the Group.

Recently in November 2001, the Group has entered into agreement with our second largest shareholder, the Grosvenor Group of England, whereby Grosvenor will subscribe a 5 year convertible bond of HK\$290 million. This issue will further strengthen the financial base of the Company.

**Employees and remuneration policies**

As at 30th September 2001 the Group employed a total of 757 full time employees, with over 85% working for the hotel subsidiary group. Their remuneration package, which commensurate with their job nature and experience level, include basic salary, annual bonus, retirement and other benefits. There was no share option granted during the period.

**BUSINESS REVIEW (CONTINUED)****Future prospects**

Property market sentiments and values in general have remain soft in the last few years. Recently, we have seen very encouraging news on property transaction volume showing a return of confidence by home buyers.

We remain cautiously optimistic in the coming year for a number of factors. These are enormous banking liquidity, record breaking low mortgage rates and government's less retreat in intervening housing policies.

China's economy remains robust. Its entry into the WTO will further improve the prosperity in the years ahead. The Group will consider to participate in property developments in the major cities in the PRC.

**PROFORMA COMBINED BALANCE SHEET OF AFFILIATED COMPANIES**

The Group had amounts due from and loans to certain affiliated companies in a total sum of HK\$1,106 million (before Group's provisions) and guarantees given to banks for facilities utilised of HK\$370 million totalling HK\$1,476 million as at 30th September 2001 which exceeds 25% of the Group's net assets. A proforma combined balance sheet of certain affiliated companies with major financial assistance from the Group and the Group's attributable interest in these affiliated companies are presented below:

|                                | Proforma<br>combined<br>balance sheet<br>HK\$'000 | Group's<br>attributable<br>interest<br>HK\$'000 |
|--------------------------------|---|---|
| Fixed assets                   | 254   | 126   |
| Investment properties          | 1,000,000   | 330,000   |
| Investment securities          | 151,618   | 75,809  |
| Jointly controlled entities    | 94,331  | 21,183  |
| Properties under development   | 1,984,066   | 990,382   |
| Current assets                 | 31,760  | 14,851  |
| Current liabilities            | (95,108)  | (51,529)  |
| Long term bank and other loans | (807,250)   | (370,373)                                       |
| Minority interests             | (20,083)  | (10,042)  |
| Shareholders' advance          | (2,274,422)                                       | (1,105,603)                                     |
| Net assets / (liabilities)     | 65,166  | (105,196)                                       |

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY SECURITIES

As at 30th September 2001, the interests of the Directors and Chief Executives in the equity securities of the Company and its associated corporations (as defined under the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or as otherwise known to the Directors, were as follows:

### a) The Company

#### Interests in shares

| Name of director | Nature of interests | Number of shares held as at 30th September 2001 |
|------------------|---------------------|---|
| Mr. Poon Jing    | Corporate           | 2,196,391,030                                   |
|                  | Personal            | 4,445,650                                       |

#### Interests in warrants

| Name of director | Nature of interests | Number of warrants held as at 30th September 2001 |
|------------------|---------------------|---|
| Mr. Poon Jing    | Corporate           | 439,650,816                                       |
|                  | Personal            | 683,999   |

By virtue of his controlling interest in Asia Orient, Mr. Poon Jing is deemed to be interested in the shares of the Company held by subsidiaries of Asia Orient as disclosed under the heading "Substantial Shareholders" below.

#### Interests in share options

| Name of director | Nature of interests | Exercised during the period | Exercise price per share | Number of options held as at 30th September 2001 |
|------------------|---------------------|-----------------------------|--------------------------|--|
| Mr. Lun Pui Kan  | Personal            | Nil                         | HK\$0.384                | 1,750,000  |

The options were granted under an Executive Share Option Scheme approved by the shareholders of the Company at a Special General Meeting on 23rd December 1991. The options are exercisable at any time on or before 27th March 2005.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY SECURITIES (CONTINUED)****b) Subsidiaries****Interests in shares**

| <b>Name of director</b>                       | <b>Name of subsidiary</b>     | <b>Nature of interests</b> | <b>Number of shares held as at 30th September 2001</b> |
|---|-------------------------------|----------------------------|--|
| Mr. Poon Jing                                 | Asia Standard Hotel Group Ltd | Corporate                  | 3,699,148,774  |
|   |                               | Personal                   | 248,937  |
| Mr. Poon Jing and<br>Mr. Fung Siu To, Clement | Centop Investment Limited     | Corporate                  | 20   |
| Mr. Fung Siu To, Clement                      | Mark Honour Limited           | Personal                   | 1  |

In addition, by virtue of his interest in the Company through Asia Orient, Mr. Poon Jing is deemed to be interested in the shares of all of the Company's subsidiaries.

**Interest in warrants**

| <b>Name of director</b> | <b>Name of subsidiary</b>     | <b>Nature of interests</b> | <b>Number of warrants held as at 30th September 2001</b> |
|-------------------------|-------------------------------|----------------------------|--|
| Mr. Poon Jing           | Asia Standard Hotel Group Ltd | Corporate                  | 731,814,267  |
|                         |                               | Personal                   | 49,248   |

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY SECURITIES (CONTINUED)****c) Associated company - Asia Orient****(i) Interests in shares**

| Name of director | Personal interests | Number of shares held |                     | Total as at 30th September 2001 |
|------------------|--------------------|-----------------------|---------------------|---------------------------------|
|                  |                    | Family interests      | Corporate interests |                                 |
| Mr. Poon Jing    | 1,490,721,800      | 69,826,000            | 1,900,584,936       | 3,461,132,736                   |

**(ii) Interests in share options**

| Name of director          | Nature of interests | Exercised during the period | Exercise price per share | Number of options held as at 30th September 2001 |
|---------------------------|---------------------|-----------------------------|--------------------------|--|
| Mr. Fung Siu To, Clement  | Personal            | Nil                         | HK\$0.3466               | 15,000,000                                       |
| Mr. Lim Yin Cheng         | Personal            | Nil                         | HK\$0.3466               | 15,000,000                                       |
| Mr. Lun Pui Kan           | Personal            | Nil                         | HK\$0.3466               | 15,000,000                                       |
| Mr. Kwan Po Lam, Phileas  | Personal            | Nil                         | HK\$0.3466               | 15,000,000                                       |
| Mr. Leung King Yin, Kevin | Personal            | Nil                         | HK\$0.3466               | 15,000,000                                       |

The options were granted under the Share Option Scheme approved by the shareholders of Asia Orient at a Special General Meeting on 28th August 1996. The options are exercisable at any time on or before 13th February 2010. Adjustments to the number of share options and the exercise price have been made as a result of Asia Orient's bonus issue in September 2000.

Save as disclosed above, none of the Directors or Chief Executives was interested in the equity securities of the Company or any of its associated corporations as at 30th September 2001 and none of the Directors or Chief Executives or his spouse or children under 18 years of age had been granted or exercised any right to subscribe for the equity securities of the Company during the period.

### SUBSTANTIAL SHAREHOLDERS

At 30th September 2001, the register of substantial shareholders maintained pursuant to Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following interests, being 10% or more of the Company's issued share capital.

|  | Number of shares |
|--|------------------|
| Asia Orient (Note 1)   | 2,196,391,030    |
| Asia Orient Holdings (BVI) Limited ("Asia Orient BVI") (Note 1)                  | 2,196,391,030    |
| Asia Orient Company Limited ("AOCL") (Notes 1 and 3)                             | 2,196,391,030    |
| Impetus Holdings Limited ("Impetus") (Note 2)                                    | 1,092,862,918    |
| Kingfisher Inc. and Lipton Investment Limited ("Kingfisher and Lipton") (Note 4) | 975,708,512      |
| Westrata Investment Limited (Note 5)   | 613,530,000      |

#### Notes:

- (1) AOCL is a wholly-owned subsidiary of Asia Orient BVI which in turn is a wholly-owned subsidiary of Asia Orient. Accordingly, Asia Orient BVI and Asia Orient are deemed to have interest and duplicate the interest in 2,196,391,030 shares of the Company.
- (2) Impetus is a wholly-owned subsidiary of AOCL. In accordance with the SDI Ordinance, the interests of Impetus are deemed to be, and have therefore been included in, the interests of AOCL.
- (3) The interests of AOCL and its subsidiaries duplicate the interests of Mr. Poon Jing disclosed under the heading "Directors' interests in equity securities" above which he is deemed to have by virtue of his controlling interest in Asia Orient.
- (4) Both Kingfisher and Lipton are wholly-owned subsidiaries of Impetus and jointly hold 975,708,512 shares. In accordance with the SDI Ordinance, the joint interests of Kingfisher and Lipton are deemed to be, and have therefore been included in, the interests of Impetus.
- (5) Westrata Investment Limited is an indirect wholly owned subsidiary of Grosvenor Group Holdings Limited.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

**CORPORATE GOVERNANCE**

The Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 30th September 2001.

**AUDIT COMMITTEE**

The Audit Committee members are Mr. Lau Kwok Hing and Mr. Koon Bok Ming, Alan. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

By Order of the Board

**Fung Siu To, Clement**

*Chairman*

Hong Kong, 20th December 2001