



Asia Standard  
Hotel Group Limited



Interim Report 2002

# Corporate Information

## DIRECTORS

Mr. Poon Jing (*Chairman*)  
Mr. Lim Yin Cheng (*Deputy Chairman*)  
Mr. Fung Siu To, Clement  
Mr. Leung King Yin, Kevin  
Mr. Poon Tin Sau, Robert  
Mr. Wong Shu Pui  
Mr. Liang Shangli  
(*Independent non-executive Director*)  
Mr. Lee Man Kwong  
(*Independent non-executive Director*)

## AUDIT COMMITTEE

Mr. Liang Shangli  
Mr. Lee Man Kwong

## AUTHORISED REPRESENTATIVES

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

## COMPANY SECRETARY

Mr. Lee Tai Hay, Dominic

## REGISTERED OFFICE

Cedar House,  
41 Cedar Avenue,  
Hamilton HM12,  
Bermuda

## PRINCIPAL OFFICE IN HONG KONG

28th Floor, Asia Orient Tower, Town Place,  
33 Lockhart Road, Wanchai,  
Hong Kong

Telephone 2866 3336  
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## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Hang Seng Bank Limited  
HSBC  
DBS Kwong On Bank 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 & 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 Fund Services (Bermuda) Limited  
(Formerly known as Butterfield Corporate Services Limited)  
Rosebank Centre,  
11 Bermudiana Road,  
Pembroke,  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
17th Floor,  
Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

# Chairman Statement

## Interim Results

The Group's turnover was HK\$246.1 million for the six months ended 30th September 2002, a 12.5% or HK\$27.4 million increase over the same period last year, due primarily to the additional revenue generated from the newly opened Empire Hotel Kowloon. As a result the profit attributable to shareholders increased sharply by HK\$8.9 million to HK\$12.7 million for the six months ended 30th September 2002 as compared with the same period in 2001.

The Directors do not recommend the payment of an interim dividend (2001: Nil).

## Operational Review

Locally, visitors arrival statistics remain strong with total visitors arrivals for the first nine months of 2002 recorded at 11.7 million, a 16% increase over last year. Visitors from the Mainland China was particularly strong, with a 47% increase to 4.7 million arrivals for the first nine months of 2002.

In Hong Kong hotel industry, average hotel room occupancy across all categories was 82% in September, a significant increase on the 74% achieved in September 2001, a month marked by the 911 incident in the United States. For the first nine months of the year to date, average occupancy stands at 82%, compared with 78% in the same period in 2001. While average hotel room rates fell by 10% from HK\$756 to HK\$680 for the period January to September 2001 and 2002 respectively.

### *The Empire Hotel, Hong Kong*

Empire Hotel Hong Kong increased its occupancy marginally from 85% in 2001 to 86% in the six months to September 2002. Despite the downward pressure exerted by the overall hotel market as mentioned above, Empire Hotel Hong Kong managed to contain the decrease in average rate by 6% for the six months ended September 2002 as compared with the same period last year.

Apart from continual efforts to sustain hotel business growth, on-going efforts have been made to control cost and improve efficiency. To this end vigorous costs control measures have been taken which have resulted a 18% or HK\$3.8 million saving in total hotel operational costs for the six months from April to September 2002 as compared with the same period last year. This has contributed favourably to the profitability of the hotel.

In October 2002, fifteen luxurious guests rooms were added to the existing 345 room inventory bringing the total number of guest room to 360, thereby further enhancing the revenue generating potentials of this hotel.

### *The Empire Hotel, Kowloon*

This newly built 315 room hotel launched its soft-opening in September 2001. Strategically located in the center of Tsim Sha Tsui tourist area and equipped with the latest broadband technology, interactive paid TV entertainment/internet systems and other modernized guest facilities, this hotel has been favourably received by tourists and corporate customers from different market segments versus other competitors hotels within the vicinity.

In its first six months of this reporting period, Empire Hotel Kowloon achieved a satisfactory average occupancy of 83%.

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

The weakening of the U.S. and Canadian economies adversely affect tourism industry generally. As a result occupancy of Landmark Hotel fell from 80% in 2001 to 71% for the six months ended 30th September 2002 with average rates decreased by 8.5% to C\$118 for six months ended September 2002 as compared with C\$129 for the same period last year.

Hotel management has reacted proactively towards the adverse market changes by making extensive effort to control hotel expenditure. These stringent cost control measures have led to substantial savings in hotel operational cost and preserved profitability.

#### ***Travel Agency***

Our travel agency business recorded a total revenue of HK\$128.1 million for the six months ended 30th September 2002 which is at the same level as last year's HK\$129.7 million.

During the period, the Group acquired an associated company in a travel agency targeted at tourists from the Mainland China. This division would surely realize business potentials in China brought about by its entry into the WTO and increasing number of foreign companies being established in the PRC.

#### ***Other businesses***

The Group's franchised TGI Fridays restaurants in Hong Kong and Shanghai, recorded revenue of HK\$10.7 million for the first six months ended 30th September 2002. The Tsim Sha Tsui restaurants business has been adversely affected by East Rail construction program along Nathan Road, but a compensation claim has been lodged against East Rail for loss of business. However, the Shanghai restaurant's business outlook remain optimistic as local consumers spending continue to be high as supported by PRC's strong economic growth and increased presence of foreign companies following China's entry into the WTO.

The Group's management services companies were disposed of during August of this year due to a strategic restructuring of the Group's business activities.

#### **Human Resources**

Following the recent disposal of the management services companies, as at 30th September 2002 the number of full time employees of the Group was reduced to 410 (2001: 642). In addition to salary payment, other benefits include insurance, medical scheme and retirement and other benefits. During the period, no share options were granted.

## Financial Review

Shareholders' funds as at 30th September 2002 were HK\$2,121.1 million, an increase of HK\$13.3 million as compared with 31st March 2002 of HK\$2,107.8 million. Net borrowings amounted to HK\$1,245.7 million as at 30th September 2002 (March 2002: HK\$1,214.6 million), thus giving a gearing ratio (net debt to equity) of 58.7%, (March 2002: 57.6%). During the period, the Group has applied funding of HK\$13.0 million in the acquisition of an associated company related in travel business.

As at 30th September 2002, HK\$1,269.7 million which represents 96% total borrowings were repayable after one year. Total borrowings are mainly denominated in Hong Kong dollar except for the Vancouver hotel's mortgage loan amounted to HK\$138.9 million which was borrowed in Canadian dollar to avoid exchange rate exposure risks.

Kowloon Empire Hotel's 315 guests rooms inventory were fully opened at the beginning of 2002. Accordingly borrowing costs are no longer capitalized as the development cost of this hotel and had to be fully expensed during the period. Total finance costs for the six months ended 30th September 2002 was HK\$23.3 million which was HK\$14.8 million less than the finance costs of HK\$38.1 million (before capitalization of HK\$30.4 million) for the same period last year due to interest rate cuts both in the U.S. and in Hong Kong.

The aggregate net book value of fixed assets pledged as securities for loans of the Group amounts to HK\$3.2 billion (2001: HK\$3.2 billion).

## Future Prospects

With the significant increase of visitors arrivals in Hong Kong, together with a further fifteen luxurious guest rooms added in October 2002 in Empire Hotel Hong Kong, the outlook for the latter half of the year should be comparatively better than the first half of this year.

Operating with a strong appeal to regional travelers of both business and leisure seeking comfortable value but affordable prices, Empire Hotel Kowloon has managed to establish a firm position in Kowloon district amongst its competitors and expect to sustain its business growth achieved thus far since its opening in September 2001.

While in Canada, Empire Landmark Hotel still operates under adverse market conditions in view of the downturn in the U.S and Canadian economies. However, a number of major local developments such as expansion of the Vancouver International Airport, proposed expansion of Vancouver Trade & Exhibition Centre and the continued expansion of Robson Street corridor where our hotel is situated should help to boost tourism in Vancouver.

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002 – UNAUDITED

|  | Note | Six months ended<br>30th September |                  |
|--|------|------------------------------------|------------------|
|  |      | 2002<br>HK\$'000                   | 2001<br>HK\$'000 |
| TURNOVER                               | 3    | <b>246,082</b>                     | 218,675          |
| COST OF SALES                          |      | <b>(164,545)</b>                   | (157,296)        |
| GROSS PROFIT                           |      | <b>81,537</b>                      | 61,379           |
| ADMINISTRATIVE EXPENSES                |      | <b>(39,528)</b>                    | (32,457)         |
| OTHER CHARGES                          | 4    | <b>(2,272)</b>                     | (5,716)          |
| OPERATING PROFIT                       | 5    | <b>39,737</b>                      | 23,206           |
| INTEREST INCOME                        | 6    | <b>1,161</b>                       | 224              |
| NET INVESTMENT LOSS                    | 7    | <b>(4,462)</b>                     | (11,722)         |
| FINANCE COSTS                          | 8    | <b>(23,324)</b>                    | (7,704)          |
| SHARE OF LOSS OF AN ASSOCIATED COMPANY |      | <b>(384)</b>                       | –                |
| PROFIT BEFORE TAXATION                 |      | <b>12,728</b>                      | 4,004            |
| TAXATION                               | 9    | <b>(66)</b>                        | (185)            |
| PROFIT ATTRIBUTABLE TO SHAREHOLDERS    |      | <b>12,662</b>                      | 3,819            |
| EARNINGS PER SHARE                     | 10   | <b>0.251 cent</b>                  | 0.076 cent       |

# Consolidated Balance Sheet

AS AT 30TH SEPTEMBER 2002 – UNAUDITED

|  | Note | 30th<br>September<br>2002<br>HK\$'000 | 31st<br>March<br>2002<br>HK\$'000 |
|--|------|---------------------------------------|-----------------------------------|
| FIXED ASSETS                             |      | <b>3,233,277</b>                      | 3,231,881                         |
| GOODWILL                                 | 11   | <b>37,964</b>                         | 40,236                            |
| ASSOCIATED COMPANY                       | 12   | <b>12,616</b>                         | –                                 |
| LONG TERM INVESTMENT                     |      | <b>1,501</b>                          | 1,001                             |
| CURRENT ASSETS                           |      |                                       |                                   |
| Inventories                              |      | <b>3,246</b>                          | 3,701                             |
| Other investments                        |      | <b>80,078</b>                         | 87,227                            |
| Debtors and prepayments                  | 13   | <b>50,508</b>                         | 48,833                            |
| Tax recoverable                          |      | <b>324</b>                            | 587                               |
| Bank balances and cash                   |      | <b>72,849</b>                         | 121,560                           |
|  |      | <b>207,005</b>                        | 261,908                           |
| CURRENT LIABILITIES                      |      |                                       |                                   |
| Creditors and accruals                   | 14   | <b>52,176</b>                         | 90,760                            |
| Bank overdrafts – secured                |      | <b>2,176</b>                          | –                                 |
| Current portion of long term liabilities | 17   | <b>46,697</b>                         | 40,405                            |
| Tax payable                              |      | <b>522</b>                            | 370                               |
|  |      | <b>101,571</b>                        | 131,535                           |
| NET CURRENT ASSETS                       |      | <b>105,434</b>                        | 130,373                           |
|  |      | <b>3,390,792</b>                      | 3,403,491                         |
| Financed by :                            |      |                                       |                                   |
| SHARE CAPITAL                            | 15   | <b>101,044</b>                        | 101,044                           |
| RESERVES                                 | 16   | <b>2,020,034</b>                      | 2,006,730                         |
| SHAREHOLDERS' FUNDS                      |      | <b>2,121,078</b>                      | 2,107,774                         |
| LONG TERM LIABILITIES                    | 17   | <b>1,269,714</b>                      | 1,295,717                         |
|  |      | <b>3,390,792</b>                      | 3,403,491                         |

# Condensed Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002 – UNAUDITED

|  | Six months ended<br>30th September |                  |
|--|------------------------------------|------------------|
|  | 2002<br>HK\$'000                   | 2001<br>HK\$'000 |
| NET CASH FROM / (USED IN) OPERATING ACTIVITIES       | <b>9,258</b>                       | (13,965)         |
| NET CASH USED IN INVESTING ACTIVITIES                | <b>(8,011)</b>                     | (74,765)         |
| NET CASH (USED IN) / FROM NET FINANCING ACTIVITIES   | <b>(21,200)</b>                    | 16,409           |
| NET DECREASE IN CASH AND CASH EQUIVALENTS            | <b>(19,953)</b>                    | (72,321)         |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | <b>91,856</b>                      | 101,828          |
| CHANGES IN EXCHANGE RATES                            | <b>(1,230)</b>                     | (1,363)          |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD       | <b>70,673</b>                      | 28,144           |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS    |                                    |                  |
| BANK BALANCE (EXCLUDING BALANCES HELD IN TRUST)      | <b>72,849</b>                      | 28,144           |
| BANK OVERDRAFTS                                      | <b>(2,176)</b>                     | –                |
|  | <b>70,673</b>                      | 28,144           |



# Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002 – UNAUDITED

|  | Note | Six months ended<br>30th September |                  |
|--|------|------------------------------------|------------------|
|  |      | 2002<br>HK\$'000                   | 2001<br>HK\$'000 |
| Balance at beginning of the period                                     |      | <b>2,107,774</b>                   | 1,991,374        |
| Exchange difference arising on translation of<br>overseas subsidiaries | 16   | <b>642</b>                         | (2,089)          |
| Net gains / (losses) not recognised in the<br>profit and loss account  |      | <b>642</b>                         | (2,089)          |
| Profit for the period attributable to shareholders                     | 16   | <b>12,662</b>                      | 3,819            |
| Balance at end of the period   |      | <b>2,121,078</b>                   | 1,993,104        |

# 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 No.25 "Interim Financial Reporting" as issued by the Hong Kong Society of Accountants.

## 2. ACCOUNTING POLICIES

In 2002, the Group adopted and implemented the new Statement of Standard Accounting Practice No. 34 "Employee benefits" issued by the Hong Kong Society of Accountants. The adoption of this new standard has no material effect on the Group's results or net asset value.

Apart from the foregoing, the principal accounting policies adopted in preparing the unaudited interim financial report are consistent with those described in the 2002 Annual Report and Accounts.

## 3. TURNOVER AND SEGMENT INFORMATION

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

### Primary reporting format – business segments

The Group is organised into four 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    |
| Management services | – | property management                                  |

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<br>operation<br>HK\$'000 | Catering<br>services<br>HK\$'000 | Travel agency<br>HK\$'000 | * Management<br>services<br>HK\$'000 | Total<br>HK\$'000 |
|---|--------------------------------|----------------------------------|---------------------------|--------------------------------------|-------------------|
| <b>Six months ended 30th September 2002</b> |                                |                                  |                           |                                      |                   |
| Segment revenue                             | 102,676                        | 10,729                           | 128,082                   | 4,595                                | 246,082           |
| Segment results                             | 46,383                         | (1,867)                          | (1,158)                   | 1,464                                | 44,822            |
| Unallocated corporate expenses              |                                |                                  |                           |                                      | (5,085)           |
| Operating profit                            |                                |                                  |                           |                                      | 39,737            |
| Interest income                             |                                |                                  |                           |                                      | 1,161             |
| Net investment loss                         |                                |                                  |                           |                                      | (4,462)           |
| Finance costs                               |                                |                                  |                           |                                      | (23,324)          |
| Share of loss of an associated company      | –                              | –                                | (384)                     | –                                    | (384)             |
| Profit before taxation                      |                                |                                  |                           |                                      | 12,728            |
| Taxation                                    |                                |                                  |                           |                                      | (66)              |
| Profit attributable to shareholders         |                                |                                  |                           |                                      | 12,662            |

|   | Hotel<br>operation<br>HK\$'000 | Catering<br>services<br>HK\$'000 | Travel agency<br>HK\$'000 | Management<br>services<br>HK\$'000 | Total<br>HK\$'000 |
|---|--------------------------------|----------------------------------|---------------------------|------------------------------------|-------------------|
| <b>Six months ended 30th September 2001</b> |                                |                                  |                           |                                    |                   |
| Segment revenue                             | 83,176                         | –                                | 129,690                   | 5,809                              | 218,675           |
| Segment results                             | 32,775                         | –                                | (1,617)                   | (2,499)                            | 28,659            |
| Unallocated corporate expenses              |                                |                                  |                           |                                    | (5,453)           |
| Operating profit                            |                                |                                  |                           |                                    | 23,206            |
| Interest income                             |                                |                                  |                           |                                    | 224               |
| Net investment loss                         |                                |                                  |                           |                                    | (11,722)          |
| Finance costs                               |                                |                                  |                           |                                    | (7,704)           |
| Profit before taxation                      |                                |                                  |                           |                                    | 4,004             |
| Taxation                                    |                                |                                  |                           |                                    | (185)             |
| Profit attributable to shareholders         |                                |                                  |                           |                                    | 3,819             |

\* Operation has been discontinued subsequent to the disposal of subsidiaries to a fellow subsidiary (note 18 (v))

### 3. TURNOVER AND SEGMENT INFORMATION (continued)

#### Secondary reporting format – geographical segments

The Group's business segments operating in Hong Kong, Mainland China and Canada are as follows:

|                | Turnover<br>Six months ended<br>30th September |                  | Operating profit / (loss)<br>Six months ended<br>30th September |                  |
|----------------|--|------------------|---|------------------|
|                | 2002<br>HK\$'000                               | 2001<br>HK\$'000 | 2002<br>HK\$'000  | 2001<br>HK\$'000 |
| Hong Kong      | <b>201,860</b>                                 | 169,266          | <b>22,100</b>   | 1,271            |
| Mainland China | <b>3,421</b>                                   | –                | <b>(177)</b>  | –                |
| Canada         | <b>40,801</b>                                  | 49,409           | <b>17,814</b>   | 21,935           |
|                | <b>246,082</b>                                 | 218,675          | <b>39,737</b>   | 23,206           |

### 4. OTHER CHARGES

|  | Six months ended<br>30th September |                  |
|--|------------------------------------|------------------|
|  | 2002<br>HK\$'000                   | 2001<br>HK\$'000 |
| Pre-opening expenses of Empire Kowloon Hotel | –                                  | 4,041            |
| Amortisation of goodwill                     | <b>2,272</b>                       | 1,675            |
|  | <b>2,272</b>                       | 5,716            |

### 5. OPERATING PROFIT

|   | Six months ended<br>30th September |                  |
|---|------------------------------------|------------------|
|   | 2002<br>HK\$'000                   | 2001<br>HK\$'000 |
| Operating profit is stated after charging the following : |                                    |                  |
| Staff costs   | <b>34,940</b>                      | 32,189           |
| Depreciation  | <b>2,581</b>                       | 407              |
| Operating lease rental for land and buildings             | <b>3,345</b>                       | 1,459            |

### 6. INTEREST INCOME

|                        | Six months ended<br>30th September |                  |
|------------------------|------------------------------------|------------------|
|                        | 2002<br>HK\$'000                   | 2001<br>HK\$'000 |
| Interest income        |                                    |                  |
| Bank deposits          | <b>161</b>                         | 224              |
| Loans to third parties | <b>1,000</b>                       | –                |
|                        | <b>1,161</b>                       | 224              |

# Notes to the Interim Consolidated Accounts

## 7. NET INVESTMENT LOSS

|   | Six months ended<br>30th September |                  |
|---|------------------------------------|------------------|
|   | 2002<br>HK\$'000                   | 2001<br>HK\$'000 |
| Profit on realisation of other investments    | 500                                | 22,405           |
| Unrealised loss on other investments          | (7,650)                            | (35,955)         |
| Dividend income from listed equity securities | 1,530                              | 670              |
| Interest income from unlisted debt securities | 1,158                              | 1,158            |
|   | <b>(4,462)</b>                     | <b>(11,722)</b>  |

## 8. FINANCE COSTS

|  | Six months ended<br>30th September |                  |
|--|------------------------------------|------------------|
|  | 2002<br>HK\$'000                   | 2001<br>HK\$'000 |
| Interest expense   |                                    |                  |
| Bank loans and overdrafts                                      | 23,281                             | 38,081           |
| Finance lease obligations not wholly payable within five years | 19                                 | 17               |
| Other incidental borrowing costs                               | 24                                 | 24               |
|  | <b>23,324</b>                      | <b>38,122</b>    |
| Amount capitalised in cost of hotel property under development | –                                  | (30,418)         |
|  | <b>23,324</b>                      | <b>7,704</b>     |

## 9. TAXATION

|                        | Six months ended<br>30th September |                  |
|------------------------|------------------------------------|------------------|
|                        | 2002<br>HK\$'000                   | 2001<br>HK\$'000 |
| Current year provision | 66                                 | 185              |

Hong Kong profits tax is calculated at 16% (30th September 2001 : 16%) on the estimated assessable profit for the period. No provision for overseas taxation has been made as there are sufficient tax losses brought forward to offset the overseas assessable profits for the period.

## 10. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$12,662,000 (30th September 2001: HK\$3,819,000) and on the 5,052,218,681 (30th September 2001: weighted average of 5,052,212,539) shares in issue during the period.

## 11. GOODWILL

|                                      | HK\$'000 |
|--------------------------------------|----------|
| Cost                                 |          |
| At 1st April and 30th September 2002 | 43,287   |
| Accumulated amortisation             |          |
| At 1st April 2002                    | 3,051    |
| Charge for the period                | 2,272    |
| At 30th September 2002               | 5,323    |
| Net book value                       |          |
| At 30th September 2002               | 37,964   |
| At 31st March 2002                   | 40,236   |

## 12. ASSOCIATED COMPANY

In June 2002, the Group acquired 50% of the share capital of a company which is engaged in travel agency services for a consideration of HK\$13 million. The resulting goodwill of HK\$13 million is amortised on a straight-line basis over 10 years.

# Notes to the Interim Consolidated Accounts

## 13. DEBTORS AND PREPAYMENTS

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

|                     | <b>30th<br/>September<br/>2002<br/>HK\$'000</b> | 31st<br>March<br>2002<br>HK\$'000 |
|---------------------|---|-----------------------------------|
| 0 day to 60 days    | <b>25,209</b>                                   | 20,626                            |
| 61 days to 120 days | <b>1,695</b>                                    | 1,347                             |
| More than 120 days  | <b>2,023</b>                                    | 2,940                             |
|                     | <b>28,927</b>                                   | 24,913                            |

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:

|                     | <b>30th<br/>September<br/>2002<br/>HK\$'000</b> | 31st<br>March<br>2002<br>HK\$'000 |
|---------------------|---|-----------------------------------|
| 0 day to 60 days    | <b>15,756</b>                                   | 26,431                            |
| 61 days to 120 days | <b>2,910</b>                                    | 3,745                             |
| More than 120 days  | <b>3,363</b>                                    | 2,664                             |
|                     | <b>22,029</b>                                   | 32,840                            |

## 15. SHARE CAPITAL

|  | Number of shares | HK\$'000 |
|--|------------------|----------|
| <b>Authorised (Ordinary shares of HK\$0.02 each):</b>            |                  |          |
| At 30th September and 31st March 2002                            | 25,000,000,000   | 500,000  |
| <b>Issued and fully paid (Ordinary shares of HK\$0.02 each):</b> |                  |          |
| At 30th September and 31st March 2002                            | 5,052,218,681    | 101,044  |

## 16. RESERVES

|                                | Share premium<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Revaluation reserve<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Revenue reserve<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------|---------------------------|---------------------------------|---------------------------------|------------------------------|-----------------------------|-------------------|
| At 31st March 2002             | 299,784                   | 899,333                         | 568,875                         | (13,517)                     | 252,255                     | 2,006,730         |
| Translation difference         | –                         | –                               | (45)                            | 687                          | –                           | 642               |
| Profit for the period retained | –                         | –                               | –                               | –                            | 12,662                      | 12,662            |
| At 30th September 2002         | 299,784                   | 899,333                         | 568,830                         | (12,830)                     | 264,917                     | 2,020,034         |

## 17. LONG TERM LIABILITIES

|   | 30th<br>September<br>2002<br>HK\$'000 | 31st<br>March<br>2002<br>HK\$'000 |
|---|---------------------------------------|-----------------------------------|
| Bank loans, secured   |                                       |                                   |
| Repayable within one year   | <b>46,623</b>                         | 40,333                            |
| Repayable within one to two years                                     | <b>77,622</b>                         | 64,495                            |
| Repayable within two to five years                                    | <b>498,868</b>                        | 479,485                           |
| Repayable after five years  | <b>692,858</b>                        | 751,340                           |
|   | <b>1,315,971</b>                      | 1,335,653                         |
| Obligations under finance leases not wholly payable within five years | <b>440</b>                            | 469                               |
|   | <b>1,316,411</b>                      | 1,336,122                         |
| Current portion included in current liabilities                       | <b>(46,697)</b>                       | (40,405)                          |
|   | <b>1,269,714</b>                      | 1,295,717                         |

The aggregate net book value of fixed assets pledged as securities for loans of the Group amounts to HK\$3,224,520,000 (31st March 2002 : HK\$3,221,040,000).



# Notes to the Interim Consolidated Accounts

## 18. RELATED PARTY TRANSACTIONS

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

|  | Six months ended<br>30th September |                  |
|--|------------------------------------|------------------|
|  | 2002<br>HK\$'000                   | 2001<br>HK\$'000 |
| (i) Rental expense for land and buildings to fellow subsidiaries | <b>(382)</b>                       | (1,304)          |
| (ii) Management services income from fellow subsidiaries         | <b>1,601</b>                       | 1,979            |
| (iii) Property development cost to a fellow subsidiary           | –                                  | (4,333)          |
| (iv) Hotel renovation cost to a fellow subsidiary                | <b>(414)</b>                       | –                |
| (v) Disposal of subsidiaries to a fellow subsidiary              | <b>4,129</b>                       | –                |

Notes :

- (i) *Rental expense is subject to terms agreed by the parties involved, which is at a monthly fixed fee.*
- (ii) *Management services income, including repair and maintenance, cleaning, property management and administration, are subject to terms agreed by the parties involved, which are at fixed fees.*
- (iii) *Property development cost was payable in accordance with the terms of the construction contract and by reference to the stage of completion of the construction work.*
- (iv) *Hotel renovation cost is payable in accordance with the terms of the contract.*
- (v) *In August 2002, the Group disposed of 100% of the entire issued share capital of three subsidiaries which are engaged in property management, cleaning services and providing mechanical and electrical services, to Asia Orient Holdings (BVI) Limited, a subsidiary of Asia Orient Holdings Limited, the ultimate holding company, at a total consideration based on the aggregate net asset value of these subsidiaries.*

## DIRECTORS' INTERESTS IN SECURITIES

As at 30th September 2002 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 Interest) 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 :

### Interests in shares

#### a) The Company

| Name of director | Number of shares held |                     | Total         |
|------------------|-----------------------|---------------------|---------------|
|                  | Personal interests    | Corporate interests |               |
| Poon Jing        | 248,937               | 3,699,148,774       | 3,699,397,711 |

In addition, 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.

#### b) Associated Corporations

|   | Nature of interest | Number of shares |
|---|--------------------|------------------|
| Asia Orient                                       |                    |                  |
| Poon Jing ( <i>note 1</i> )                       | Personal           | 1,529,849,800    |
|   | Family             | 69,826,000       |
|   | Corporate          | 1,900,584,936    |
| Fung Siu To, Clement ( <i>note 1</i> )            | Personal           | 26,174,000       |
| Asia Standard International Group Limited ("ASI") |                    |                  |
| Poon Jing ( <i>note 2</i> )                       | Personal           | 4,445,650        |
|   | Corporate          | 2,196,391,030    |
| Centop Investment Limited ( <i>note 3</i> )       |                    |                  |
| Poon Jing and Fung Siu To, Clement                | Corporate          | 20               |
| Mark Honour Limited ( <i>note 3</i> )             |                    |                  |
| Fung Siu To, Clement                              | Personal           | 1                |

Notes :

1. Shares consolidated on basis of 50 shares into 1 share effective from 12th November 2002.
2. 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.
3. Subsidiaries of ASI.

## DIRECTORS' INTERESTS IN SECURITIES (continued)

### Interest in share options

#### a) The Company

No option has been granted under the share option scheme of the Company.

#### b) Associated Corporations

Asia Orient

As at 30th September 2002, details of share options granted to directors and employees under the share option scheme of Asia Orient adopted on 28th August 1996 are as follow:

| Grantee                           | Date of grant      | Exercise period                          | Exercise price<br>per share<br>(Note 1) | No. of share<br>options held as at<br>1st April 2002 | No. of share options held<br>as at 30th September 2002<br>(Note 2) |                              |
|-----------------------------------|--------------------|--|---|--|--|------------------------------|
|                                   |                    |  |   |  | Before share<br>consolidation                                      | After share<br>consolidation |
| <b>Directors of the Company</b>   |                    |  |   |  |  |                              |
| Fung Siu To, Clement              | 14th February 2000 | 14th March 2000 to<br>13th February 2010 | HK\$0.3466                              | 15,000,000   | 15,000,000   | 300,000                      |
| Lim Yin Cheng                     | 14th February 2000 | 14th March 2000 to<br>13th February 2010 | HK\$0.3466                              | 15,000,000   | 15,000,000   | 300,000                      |
| Leung King Yin, Kevin             | 14th February 2000 | 14th March 2000 to<br>13th February 2010 | HK\$0.3466                              | 15,000,000   | 15,000,000   | 300,000                      |
| <b>Directors of ASI</b>           |                    |  |   |  |  |                              |
| Lun Pui Kan                       | 14th February 2000 | 14th March 2000 to<br>13th February 2010 | HK\$0.3466                              | 15,000,000   | 15,000,000   | 300,000                      |
| Kwan Po Lam, Phileas              | 14th February 2000 | 14th March 2000 to<br>13th February 2010 | HK\$0.3466                              | 15,000,000   | 15,000,000   | 300,000                      |
| Employees of Asia Orient<br>group | 14th February 2000 | 14th March 2000 to<br>13th February 2010 | HK\$0.3466                              | 187,500,000  | 187,500,000  | 3,750,000                    |

## DIRECTORS' INTERESTS IN SECURITIES (continued)

### Interest in share options (continued)

#### b) Associated Corporations (continued)

Notes:

1. The exercise price has been adjusted from HK\$0.3466 to HK\$17.33 due to consolidation of 50 shares into 1 share with effect from 12th November 2002.
2. The numbers of share options has been adjusted by consolidation of 50 into 1 due to consolidation of 50 shares into 1 share with effect from 12th November 2002.

During the six months ended 30th September 2002, no options to subscribe for ordinary shares in Asia Orient were granted under the share option scheme.

No share option was exercised, cancelled or lapsed during the six months ended 30th September 2002.

On 11th November 2002, the share option scheme adopted on 28th August 1996 was terminated and a new share option scheme ("New Share Option Scheme") was adopted, whereby the board of directors may at its discretion grant options to (1) any director, employee, consultant, customer, supplier, agent, partner or advisers of or contractors to Asia Orient group or any entity in which any member of Asia Orient group holds any interest ("eligible participants"); (2) any discretionary trust whose discretionary objects include the eligible participants; and (3) a company beneficially owned by the eligible participants. The exercise price shall be at least the higher of (a) the closing price of Asia Orient's shares on the Stock Exchange on the date of grant; and (b) the average of the closing prices of the shares on the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the share. The option may be exercisable at any time during such period to be notified by the board of Asia Orient to each grantee, provided that no option shall be exercisable later than ten years after its date of grant.

ASI

As at 30th September 2002, details of share options granted to director under the share option scheme adopted on 23rd December 1991 are as follows:

| Grantee                | Date of grant      | Exercise period                       | Exercise price<br>per share | No. of share options       |                                 |
|------------------------|--------------------|---------------------------------------|-----------------------------|----------------------------|---------------------------------|
|                        |                    |                                       |                             | As at<br>1st April<br>2002 | As at<br>30th September<br>2002 |
| <b>Director of ASI</b> |                    |                                       |                             |                            |                                 |
| Lun Pui Kan            | 27th February 1995 | 27th March 1995<br>to 27th March 2005 | HK\$0.384                   | 1,750,000                  | 1,750,000                       |

## DIRECTORS' INTERESTS IN SECURITIES (continued)

### Interest in share options (continued)

#### b) Associated Corporations (continued)

ASI (continued)

No option was granted, exercised or cancelled during the six months ended 30th September 2002. The share option scheme expired in January 2002.

Save as disclosed above, none of the Directors or Chief Executive was interested in the equity securities of the Company or any of its subsidiaries or associated corporations as at 30th September 2002 and none of the Directors or Chief Executive 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 or any of its associated corporation during the period.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September 2002, the register of substantial shareholders maintained pursuant to Section 16(1) of the SDI Ordinance showed that the following parties had interests of 10% or more of the issued share capital of the Company.

|   | Number of shares |
|---|------------------|
| Asia Standard International Limited         | 3,533,280,394    |
| ASI (note 1)                                | 3,538,335,158    |
| Asia Orient Company Limited (note 2)        | 3,699,148,774    |
| Asia Orient Holdings (BVI) Limited (note 3) | 3,699,148,774    |
| Asia Orient (note 3)                        | 3,699,148,774    |

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.

### **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**

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 2002.

### **AUDIT COMMITTEE**

The Audit Committee members are Mr. Liang Shangli and Mr. Lee Man Kwong. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal control.

By Order of the Board

**POON JING**

*Chairman*

Hong Kong 18th December 2002