

Interim Report 2003



Asia Standard
International Group Limited

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. Loup, Nicholas James
Mr. Liang Shangli
(*Independent Non-executive Director*)
Mr. Koon Bok Ming, Alan
(*Independent Non-executive Director*)
Mr. Au Yat Chuen Raymond
(*Independent Non-executive Director*)

AUDIT COMMITTEE

Mr. Liang Shangli
Mr. Koon Bok Ming, Alan

AUTHORISED REPRESENTATIVES

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

COMPANY SECRETARY

Ms. Chiu Yuk Ching

REGISTERED OFFICE

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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
Liu Chong Hing Bank Limited

LEGAL ADVISERS

Stephenson Harwood & Lo
18th Floor, Edinburgh Tower, The Landmark,
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Appleby, Spurling & Kempe
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AUDITORS

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

SHARE REGISTRAR IN BERMUDA

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Consolidated Profit and Loss Account – Unaudited

		Six months ended 30th September	
		2003 HK\$'000	2002 HK\$'000
Turnover	3	297,944	650,402
Cost of sales		(217,426)	(484,240)
Gross profit		80,518	166,162
Administrative expenses		(57,699)	(60,002)
Provisions and other charges	4	(74,533)	(13,614)
Operating (loss)/profit	5	(51,714)	92,546
Finance costs	6	(57,138)	(60,019)
Share of profits less losses of			
Jointly controlled entities		3,275	(12,155)
Associated companies		(25,564)	3,106
(Loss)/profit before taxation		(131,141)	23,478
Taxation credit/(charge)	7	3,839	(8,893)
(Loss)/profit after taxation		(127,302)	14,585
Minority interests		6,103	(3,297)
(Loss)/profit attributable to shareholders		(121,199)	11,288
(Loss)/earnings per share	8	(2.95) cents	0.27 cents

Consolidated Balance Sheet – Unaudited

Note	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Fixed assets	4,450,831	4,423,572
Jointly controlled entities	232,343	186,920
Associated companies	430,348	458,466
Long term investment	1,601	1,601
Goodwill	18,064	19,296
Mortgage loans receivable	39,407	34,277
Deferred tax assets	46,753	39,858
Current assets		
Properties held for/under development for sale	1,006,532	992,134
Completed properties held for sale	641,314	729,515
Hotel and restaurant inventories	2,928	2,910
Debtors and prepayments	150,661	209,723
Other investments	96,696	92,596
Tax recoverable	709	744
Bank balances and cash	101,067	131,760
	1,999,907	2,159,382
Current liabilities		
Creditors and accruals	222,865	208,463
Short term bank loans and overdrafts		
Secured	59,623	59,531
Unsecured	42,285	30,002
Current portion of long term loans	227,919	316,085
Taxation	10,480	10,301
	563,172	624,382
Net current assets	1,436,735	1,535,000
	6,656,082	6,698,990
Financed by:		
Share capital	41,093	41,126
Reserves	3,283,176	3,393,226
Shareholders' funds	3,324,269	3,434,352
Convertible bonds	290,000	290,000
Convertible notes	46,000	–
Long term loans	2,213,731	2,195,176
Deferred tax liabilities	40,773	38,728
Minority interests and loans	741,309	740,734
	6,656,082	6,698,990

Condensed Consolidated Cash Flow Statement – Unaudited

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Net cash (used in)/from operating activities	(1,628)	278,390
Net cash used in investing activities	(6,406)	(27,926)
Net cash used in financing activities	(29,726)	(247,296)
Net (decrease)/increase in cash and cash equivalents	(37,760)	3,168
Cash and cash equivalents at beginning of period	58,374	135,173
Changes in exchange rates	(441)	(2,848)
Cash and cash equivalents at end of period	20,173	135,493
Analysis of the balances of cash and cash equivalents		
Bank balances and cash (excluding pledged deposits)	67,081	175,664
Bank overdrafts	(46,908)	(40,171)
	20,173	135,493

Consolidated Statement of Changes in Equity – Unaudited

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Balance at beginning of period		
As previously reported	3,427,338	4,143,738
Change in accounting policy with respect to deferred taxation (note 2)	7,014	647
As restated	3,434,352	4,144,385
Exchange differences arising on translation of accounts of overseas subsidiaries, jointly controlled entities and associated companies	12,581	449
Revaluation deficit on hotel properties	(598)	–
Net gains not recognised in the profit and loss account	11,983	449
(Loss)/profit for the period attributable to shareholders	(121,199)	11,288
Repurchase of own shares	(867)	(10)
Balance at end of period	3,324,269	4,156,112

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 2003, the Group adopted and implemented the revised Statement of Standard Accounting Practice ("SSAP") No. 12 "Income Taxes" issued by the Hong Kong Society of Accountants.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Opening revenue reserves at 1st April 2003 and 2002 have been increased by HK\$8,567,000 and HK\$2,076,000 respectively and the opening hotel properties revaluation reserves at 1st April 2003 and 2002 have been reduced by HK\$1,553,000 and HK\$1,429,000 respectively which represent the unprovided net deferred tax assets and liabilities respectively. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st March 2003 by HK\$39,858,000 and HK\$38,728,000 respectively. The profit for the six months ended 30th September 2002 has been reduced by HK\$3,484,000.

Apart from the foregoing, the principal accounting policies adopted in preparing the unaudited interim financial report are consistent with those described in the 2003 Annual Report and Accounts.

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in property development and investment, hotel, travel agency and catering operations. Turnover comprises gross revenues from property sales, property leasing, hotel and travel agency, management services, investment and interest income.

Primary reporting format – business segments

The Group is organised into three main business segments, comprising property sales, property leasing, hotel and travel. There is no other significant identifiable separate business segments. Segment revenue from external customers is after elimination of inter-segment revenues. 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.

	Property sales	Property leasing	Hotel and travel	Other operations	Group
Six months ended 30th September 2003					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	85,715	27,168	180,983	4,078	297,944
Contribution to segment results	501	24,047	9,546	4,078	38,172
Provisions and other charges	(17,172)	–	(10,361)	(47,000)	(74,533)
Unallocated corporate expenses					(15,353)
Operating loss					(51,714)
Finance costs					(57,138)
Share of results of					
Jointly controlled entities	3,275	–	–	–	3,275
Associated companies	(29,265)	3,630	96	(25)	(25,564)
Loss before taxation					(131,141)
Taxation credit					3,839
Loss after taxation					(127,302)
Minority interests					6,103
Loss attributable to shareholders					(121,199)

3. TURNOVER AND SEGMENT INFORMATION (Continued)**Primary reporting format – business segments (Continued)**

	Property sales	Property leasing	Hotel and travel	Other operations	Group
	Six months ended 30th September 2002				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	341,236	33,164	246,082	29,920	650,402
Contribution to segment results	43,310	30,368	42,108	11,854	127,640
Provisions and other charges	(307)	-	(1,575)	(11,732)	(13,614)
Unallocated corporate expenses					(21,480)
Operating profit					92,546
Finance costs					(60,019)
Share of results of					
Jointly controlled entities	(12,155)	-	-	-	(12,155)
Associated companies	72	3,404	(379)	9	3,106
Profit before taxation					23,478
Taxation charge					(8,893)
Profit after taxation					14,585
Minority interests					(3,297)
Profit attributable to shareholders					11,288

3. TURNOVER AND SEGMENT INFORMATION (Continued)**Secondary reporting format – geographical segments**

The activities of the Group are mainly based in Hong Kong. A summary of geographical segments is set out as follows:

	Segment revenue		Operating (loss)/profit	
	Six months ended 30th September		Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	237,991	600,173	(66,071)	75,636
Mainland China	19,305	9,428	(997)	(904)
Canada	40,648	40,801	15,354	17,814
	297,944	650,402	(51,714)	92,546

4. PROVISIONS AND OTHER CHARGES

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Provision for diminution in value of properties under development/held for sales	(17,172)	(307)
Net unrealised gains/(losses) on other investments	4,100	(8,139)
Amortisation of goodwill	(1,232)	(1,575)
Provision for doubtful debts	(51,100)	(3,593)
Loss on disposal of interest in an associated company	(9,129)	–
	(74,533)	(13,614)

Notes to the Interim Consolidated Accounts

5. OPERATING (LOSS)/PROFIT

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Operating (loss)/profit is stated after crediting and charging the following:		
Crediting		
Net rental income (note (a))	23,165	29,652
Interest income	3,486	5,822
Dividends from listed investments	593	1,530
Net realised gains on other investments	–	4,502
Net unrealised gains on other investments	4,100	–
Charging		
Staff costs, including Directors' emoluments (note (b))	40,491	48,875
Depreciation	2,703	5,649
Net unrealised losses on other investments	–	8,139
(a) Net rental income		
Gross rental income		
Investment properties	17,531	22,660
Properties held for sale	9,637	10,504
	27,168	33,164
Outgoings	(4,003)	(3,512)
	23,165	29,652
(b) Staff costs		
Wages and salaries	40,802	48,547
Retirement benefits costs	897	1,821
	41,699	50,368
Capitalised as properties under development	(1,208)	(1,493)
	40,491	48,875

6. FINANCE COSTS

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Interest expense		
Long term bank loans	39,357	47,206
Convertible bonds	15,499	15,499
Convertible notes	1,065	–
Loans from minority shareholders of subsidiaries	1,544	1,574
Short term bank loans and overdrafts	5,787	3,350
Other incidental borrowing costs	2,882	4,923
	66,134	72,552
Capitalised as cost of properties under development		
Interest expense	(8,462)	(12,200)
Other incidental borrowing costs	(534)	(333)
	57,138	60,019

7. TAXATION CREDIT/(CHARGE)

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. 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.

7. TAXATION CREDIT/(CHARGE) (Continued)

The amount of taxation credited/(charged) to the consolidated profit and loss account represents:

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Company and subsidiaries		
Hong Kong profits tax	–	(1,987)
Underprovision in prior years	(388)	(1,800)
Deferred taxation relating to the origination and reversal of temporary differences	3,398	(4,523)
Deferred taxation resulting from an increase in tax rate	1,634	–
	4,644	(8,310)
Associated companies		
Hong Kong profits tax	(635)	(545)
Deferred taxation relating to the origination and reversal of temporary differences	–	(38)
Deferred taxation resulting from an increase in tax rate	(170)	–
	3,839	(8,893)

8. (LOSS)/EARNINGS PER SHARE

The calculation of (loss)/earnings per share is based on loss attributable to shareholders of HK\$121,199,000 (2002: profit of HK\$11,288,000) and on the weighted average of 4,109,301,376 (2002: 4,112,642,582) shares in issue during the period.

No diluted (loss)/earnings 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)/earnings per share.

9. GOODWILL

	HK\$'000
Cost	
At 31st March and 30th September 2003	24,643
Accumulated amortisation	
At 31st March 2003	5,347
Charge for the period	1,232
At 30th September 2003	6,579
Net book value	
At 30th September 2003	18,064
At 31st March 2003	19,296

10. DEBTORS AND PREPAYMENTS

Debtors and prepayments include trade debtors, utility and other deposits, stakeholders' accounts, interest and other receivables, receivable of nil (31st March 2003: HK\$4,605,000) from a Director, Mr. Poon Jing and a housing loan of HK\$1,122,000 (31st March 2003: HK\$1,156,000) granted to a Director, Mr. Kwan Po Lam, Phileas, in March 1995. The loan is secured by a legal mortgage over the subject property, carries interest at 2% below prime rate (31st March 2003: 2% below prime rate) per annum and the principal is repayable by quarterly instalments of HK\$17,000 each. The maximum outstanding balance during the period was HK\$1,156,000 (31st March 2003: HK\$1,224,000).

Trade debtors amounted to HK\$49,208,000 (31st March 2003: HK\$33,260,000) of which 88% (31st March 2003: 81%) were 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\$32,463,000 (31st March 2003: HK\$30,812,000), all of which (31st March 2003: 100%) were aged under six months.

Notes to the Interim Consolidated Accounts

12. SHARE CAPITAL

	Number of shares	HK\$'000
Shares of HK\$0.01 each		
Authorised:		
At 31st March and 30th September 2003	400,000,000,000	4,000,000
Issued and fully paid:		
At 31st March 2003	4,112,605,990	41,126
Repurchase of own shares	(3,356,000)	(33)
At 30th September 2003	4,109,249,990	41,093

During the period, the Company repurchased 3,356,000 of its own shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$866,780. All the shares repurchased were subsequently cancelled. An amount equal to the nominal value of those shares of HK\$33,560 was transferred from the revenue reserve to capital redemption reserve.

13. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve			Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
				Investment properties HK\$'000	Hotel properties HK\$'000	Other properties HK\$'000			
At 31st March 2003									
As previously reported	533,090	362	43,835	390,357	266,834	11,908	2,670,292	(530,466)	3,386,212
Change in accounting policy with respect to deferred taxation (note 2)	-	-	-	-	(1,553)	-	-	8,567	7,014
As restated	533,090	362	43,835	390,357	265,281	11,908	2,670,292	(521,899)	3,393,226
Translation differences	-	-	-	-	464	-	-	12,117	12,581
Reclassification	-	-	-	11,908	-	(11,908)	-	-	-
Deficit on revaluation	-	-	-	-	(598)	-	-	-	(598)
Repurchase of own shares	-	-	33	-	-	-	-	(867)	(834)
Loss for the period	-	-	-	-	-	-	-	(121,199)	(121,199)
At 30th September 2003	533,090	362	43,868	402,265	265,147	-	2,670,292	(631,848)	3,283,176

14. CONVERTIBLE BONDS

On 7th January 2002, Asia Standard International Capital Limited (“ASICL”), a wholly owned subsidiary of the Company, issued HK\$290,000,000 convertible bonds to Westrata Investment Limited (“Westrata”). The bonds bear interest at 7% per annum payable semi-annually in arrears and are guaranteed by the Company. In March 2003, the bonds had been transferred from Westrata to Grosvenor Limited (“Grosvenor”), an indirect subsidiary of Grosvenor Group Holdings Limited.

Grosvenor has the option to convert the bonds into fully paid shares of HK\$0.01 each of the Company at a conversion price of HK\$0.45 per share, subject to adjustment, at any time between 7th January 2002 and 7th January 2007. ASICL may redeem all or part of the bonds at any time on or after 7th January 2002, subject to certain conditions, together with accrued interest. Unless previously converted or redeemed, the bonds will be redeemed on 7th January 2007 at a redemption price equal to 118.3% of the principal amount together with accrued interest.

Provision of HK\$18,378,000 (31st March 2003: HK\$13,057,000) for the premium payable has been made in the accounts so as to provide a constant periodic rate of charge to the profit and loss account over the term of the bonds.

15. CONVERTIBLE NOTES

On 15th April 2003, Asia Standard Hotel Group Limited (“Asia Standard Hotel”), a listed subsidiary, completed a placing of convertible notes of the principal amount of HK\$46,000,000, which bears interest at Hong Kong prime rate per annum payable semi-annually in arrears. Each holder of the notes has the option to convert the notes into fully paid shares of HK\$0.02 each of Asia Standard Hotel at a conversion price of HK\$0.25 per share, subject to adjustment, at any time from the date of issue to the last business date preceding the maturity date of 18 months from the date of issue. Asia Standard Hotel shall redeem the outstanding principal amount of convertible notes not already converted or redeemed with accrued interest on the maturity date.

16. LONG TERM LOANS

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Bank loans, secured		
Repayable within one year	227,919	316,085
Repayable between one and two years	408,987	509,317
Repayable between two and five years	787,749	660,233
Repayable after five years	1,016,995	1,025,626
	2,441,650	2,511,261
Current portion included in current liabilities	(227,919)	(316,085)
	2,213,731	2,195,176

17. CAPITAL COMMITMENTS

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
In respect of investment in jointly controlled entities:		
Contracted but not provided for	–	11,698

18. CONTINGENT LIABILITIES**(a) Guarantee**

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Guarantees for the banking and loan facilities of:		
Jointly controlled entities	216,910	211,027
Associated companies	286,900	269,080
Third parties	1,836	1,886
	505,646	481,993

- (b)** In May 2003, the Group received a writ in which the plaintiff, a purchaser of a property developed by the Group in 1997 sought to claim damages and rescission of the sale and purchase transaction on the alleged grounds that the said property consideration had been grossly overvalued. Management has engaged legal representatives to vigorously contest the proceedings. The proceeding is still in an early stage and in the opinion of the Directors, based on professional advice, it is unlikely that there will be any significant adverse effect to the overall financial position of the Group.

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend (2002: nil).

RESULTS AND APPROPRIATIONS

Turnover for the period amounts to HK\$298 million against HK\$650 million of last period. The Group recorded loss attributable to shareholders for the period of HK\$121 million (2002: HK\$11 million profit).

BUSINESS REVIEW

In the first six months of the financial period under review, the Group experienced one of the most difficult period brought about by the heavy blow of SARS which occurred during a six years' long declining economy in Hong Kong. Property sales were sluggish and price slumped. Hotel operation under the listed subsidiary was particularly hard hit. Thereafter, after the deadly disease vanished and with the great support from the PRC central government, there is a strong recovery in the business activities in Hong Kong and our group's business has a strong run in recent months.

Properties sales and development

Due to the absence of new projects launched for sales in this interim period, the Group recorded a much lower turnover in property sales of HK\$86 million compared with HK\$341 million of last year. The sales effort were directed towards clearing remaining residential inventory.

However, sales activities has gained momentum recently. The sale of a joint venture luxurious residential apartment, No. 8 Shiu Fai Terrace, was launched in November. 80% have been sold with proceeds over HK\$560 million. Occupation permit of another superluxurious development at Repulse Bay has been obtained and sales is scheduled in February 2004. We expect the proceeds from this development to reach approximately HK\$750 million.

Other residential developments are continuing, with the foundation work of the residential developments at Yau Tong and Aberdeen completed. Negotiation of land premium for these two projects, which have a combined GFA of about 340,000 sq.ft., are carrying on. Lease modification of several projects along with Western Railway with a total developable GFA of about 670,000 sq.ft are in progress.

The Group continued to participate in the PRC property market. Oriental Garden, our joint venture development in Shenzhen has been topped out. All the 700 plus residential units have been sold, while the retail shops will lease out. With the completion of this project, the Group is currently looking for opportunities for investing into other projects in major cities in the PRC.

Leasing

The decrease in rental income is mainly due to an accounting adjustment made in the last financial period for prior year's rent free period. Excluding the effect of that adjustment, rental income decreased by about 6% for the two interim periods, which is caused by a slight decrease in rental charge rate at Asia Standard Tower and Asia Orient Tower. The commercial area in 28 Marble Road is currently fully let whilst rental income from Wing Hing Street is stable.

Hotel

Owing to the SARS event, revenues from hotel operation dropped significantly. The average occupancy rates of Empire Hotel Hong Kong and Empire Kowloon Hotel were diminished to 41% and 51%, while their average room rates also decreased by 8.8% and 13.6% respectively. During that period, drastic measures and crisis management were needed to mitigate the impact and reduced the loss.

Landmark Hotel's occupancy rate also decreased from 71% to 66% due to weak economy and war in Iraq.

The SARS event also hit on air-ticketing and catering business and causing the turnover decreased by 21% and 36% respectively.

With the SARS event over, and the new policy of allowing PRC tourists to come individually, the travel business has staged a strong rebound since August. Occupancy of our two hotels in Hong Kong have recently increased to near full occupancy level and room rates have also improved. We expect a much improved results in the second half of the financial year.

FINANCIAL REVIEW

As at 30th September 2003, the Group's total assets stood at HK\$7.2 billion (31st March 2003: HK\$7.3 billion) while net assets amounted to HK\$3.3 billion (31st March 2003: HK\$3.4 billion). The net borrowing is HK\$2.8 billion (31st March 2003: HK\$2.8 billion) of which HK\$1.3 billion (31st March 2003: HK\$1.3 billion) belonged to the separate listed Hotel group. Net debt to equity ratio (including minority interests) was 70% (31st March 2003: 68%). The exchange rate risk is minimal as all the borrowings are in Hong Kong dollar except the Vancouver Landmark Hotel was denominated in Canadian dollar. Only 11% of these borrowings were repayable within one year and the others are spread over two to ten years. As at 30th September 2003, assets with an aggregated net book value of HK\$5,929 million (31st March 2003: HK\$5,914 million) were pledged to secure banking facilities of the Group. The guarantees provided to financial institutions for jointly controlled entities, associated companies and third parties was HK\$506 million (31st March 2003: HK\$482 million).

During the period under review, the finance costs for the group decreased to HK\$57 million from last year's HK\$60 million. The finance costs will be further reduced in the second half of the financial year as the interbank interest rate is recently hovering at a historical low level of near zero.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th September 2003, the Group has employed 408 employees and about 90% are working for hotel subgroup. The remuneration packages including basic salary, annual bonus, retirement and other benefits are commensurate with their job nature and experience level. There was no share options granted during the period.

FUTURE PROSPECTS

There was a significant rebound in the economy of Hong Kong since July 2003. The allowance of PRC visitors to come individually to Hong Kong has bolstered the tourism industry as well as retail business. Our hotel business have been directly benefited. We have also seen increase in price and transaction volume of retail shops. The implementation of CEPA brings enormous opportunities to the business environment. There are significant improvement in the stock market. Unemployment rate is falling. US and Japan economy is reviving. Interest rates are at all time low. All these have brought about improvement in the sentiment towards the property market. As a result, property transactions have increased substantially and price edging up. This has benefited to our Group's upcoming property sales. We have much confidence that our results in the second half and the coming years will be much better.

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\$1,145 million (before Group's provisions) and guarantees given to banks for facilities utilised of HK\$504 million totalling HK\$1,649 million as at 30th September 2003 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 combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Fixed assets	1,447	379
Investment properties	788,000	260,040
Jointly controlled entities	84,593	42,297
Properties held for/under development for sale	2,072,667	990,390
Current assets	189,183	76,296
Current liabilities	(183,581)	(92,587)
Long term bank and other loans	(1,100,098)	(505,939)
Minority interests	9,488	4,743
Shareholders' advance	(2,286,493)	(1,144,923)
	(424,794)	(369,304)

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

As at 30th September 2003, the interests and short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Hong Kong Securities and Futures Ordinance (the "SFO") which (a) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") were as follows:

(I) LONG POSITIONS IN SHARES

(a) The Company

Director	Personal interest	Number of shares held		Total	Percentage of shares in issue (%)
		Corporate interest			
Poon Jing	4,445,650	2,196,391,030		2,200,836,680*	53.56

* By virtue of his controlling interest (47.47%) in Asia Orient Holdings Limited ("Asia Orient"), Mr. Poon Jing is deemed to be interested in the shares of the Company held by the subsidiaries of Asia Orient as disclosed under the heading "Substantial Shareholders" below.

(b) Subsidiaries

Director	Subsidiary	Number of shares held		Total	Percentage of shares in issue (%)
		Personal interest	Corporate interest		
Poon Jing	Asia Standard Hotel Group Limited ("Asia Standard Hotel")	248,937	3,699,148,774	3,699,397,711	73.22
Poon Jing and Fung Siu To, Clement	Centop Investment Limited	-	20	20	20
Fung Siu To, Clement	Mark Honour Limited	1	-	1	10

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 the Company's subsidiaries.

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

(I) LONG POSITIONS IN SHARES (Continued)

(c) Asia Orient

Director	Personal interest	Number of shares held			Total	Percentage of shares in issue (%)
		Corporate interest	Family interest			
Poon Jing	31,714,396	38,011,695	1,396,520	71,122,611	47.47	
Fung Siu To, Clement	969,400	–	–	969,400	0.65	

(II) LONG POSITIONS IN UNDERLYING SHARES

Interests in share options

(a) The Company

Options to subscribe for 1,750,000 shares of the Company were granted to Mr. Lun Pui Kan on 27th February 1995. The options are exercisable from 27th March 1995 to 27th March 2005 at exercise price of HK\$0.384 per share. No option was exercised, cancelled or lapsed during the period. As at 1st April 2003 and 30th September 2003, Mr. Lun Pui Kan held options to subscribe for 1,750,000 shares of the Company.

(b) Asia Orient

Options to subscribe for 300,000 shares of Asia Orient were granted to each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Kwan Po Lam, Phileas and Lun Pui Kan, all being the Directors of the Company, on 14th February 2000. These options are exercisable from 14th March 2000 to 13th February 2010 at exercise price of HK\$17.33 per share. During the period, no option was granted, exercised, cancelled or lapsed. As at 1st April 2003 and 30th September 2003, each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Kwan Po Lam, Phileas and Lun Pui Kan had option to subscribe for 300,000 shares of Asia Orient.

Save as disclosed above, as at 30th September 2003, none of the Directors or Chief Executives (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

SHARE OPTION SCHEMES

Company

The share option scheme of the Company expired on 22nd January 2002. As at 30th September 2003, there were 1,750,000 options granted to a Director outstanding. The options are exercisable in accordance with the terms of the expired share option scheme.

Subsidiary – Asia Standard Hotel

The share option scheme was adopted on 24th May 2000 whereby options may be granted to the employees, including Executive Directors of Asia Standard Hotel and its subsidiaries, to subscribe for shares of Asia Standard Hotel. There are no changes in any terms of the scheme during the six months ended 30th September 2003. The detail terms of the scheme were disclosed in the 2003 annual report.

No option has been granted under the share option scheme.

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

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30th September 2003, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

(a) LONG POSITIONS IN SHARES OF THE COMPANY

Name	Number of shares	Percentage
Asia Orient (Note 1)	2,196,391,030	53.45
Asia Orient Holdings (BVI) Limited ("Asia Orient BVI") (Note 1)	2,196,391,030	53.45
Asia Orient Company Limited ("AOCL") (Note 1 and 3)	2,196,391,030	53.45
Impetus Holdings Limited ("Impetus") (Note 2)	1,092,862,918	26.60
Kingfisher Inc. and Lipton Investment Limited ("Kingfisher and Lipton") (Note 4)	975,708,512	23.74
Grosvenor Asset Management Limited (Note 5)	613,530,000	14.93
Grosvenor International S.A. (Note 5)	613,530,000	14.93
Grosvenor Group Holdings Limited (Note 5)	613,530,000	14.93
Jeremy Henry Moore Newsum (Note 5)	613,530,000	14.93
Robin Shedden Broadhurst (Note 5)	613,530,000	14.93
Mark Antony Loveday (Note 5)	613,530,000	14.93
Gillian Lucy Newsum (Note 5)	613,530,000	14.93
Penelope Alison Broadhurst (Note 5)	613,530,000	14.93
Mary Elizabeth Loveday (Note 5)	613,530,000	14.93

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

(b) LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

CONVERTIBLE BONDS

Substantial shareholder	Underlying share interest of HK\$290,000,000 convertible bonds at 30 September 2003
Grosvenor Limited (Note 5)	644,444,444
Grosvenor Asset Management Limited (Note 5)	644,444,444
Grosvenor International S.A. (Note 5)	644,444,444
Grosvenor Group Holdings Limited (Note 5)	644,444,444
Jeremy Henry Moore Newsum (Note 5)	644,444,444
Robin Shedden Broadhurst (Note 5)	644,444,444
Mark Antony Loveday (Note 5)	644,444,444
Gillian Lucy Newsum (Note 5)	644,444,444
Penelope Alison Broadhurst (Note 5)	644,444,444
Mary Elizabeth Loveday (Note 5)	644,444,444

The Convertible Bonds can be converted into shares of the Company at conversion price of HK\$0.45 per share at any time between 7th January 2002 to 7th January 2007. During the period, no convertible bonds was converted.

Notes:

- 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.*
- Impetus is a wholly-owned subsidiary of AOCL, the interests of Impetus are deemed to be, and have therefore been included in, the interest of AOCL.*
- The interest of AOCL and its subsidiaries duplicate the interests of Mr. Poon Jing disclosed under the heading "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above which he is deemed to have by virtue of his controlling interest (47.47%) in Asia Orient.*
- Both Kingfisher and Lipton are wholly-owned subsidiaries of Impetus and jointly hold 975,708,512 shares. The joint interests of Kingfisher and Lipton are deemed to be, and have therefore been included in, the interests of Impetus.*

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

(b) LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY (Continued)

Notes: (Continued)

5. *Grosvenor Limited is a wholly owned subsidiary of Grosvenor Asset Management Limited which is a wholly owned subsidiary of Grosvenor International S.A. Grosvenor International S.A. is a company listed in Luxemburg and is majority owned (64.04%) by Grosvenor Continental Europe Holdings Limited. Grosvenor Continental Europe Holdings Limited is an indirect wholly owned subsidiary of Grosvenor Group Holdings Limited which is controlled (43.56%) by The Fourth Duke of Westminster 1964 Settlement.*

Grosvenor Asset Management Limited owned 613,530,000 shares of the Company. Each of Grosvenor International S.A., Grosvenor Continental Europe Holdings Limited and Grosvenor Group Holdings Limited is deemed to be interested in and duplicate the interest in the 613,530,000 shares held by Grosvenor Asset Management Limited. Grosvenor Limited owned HK\$290,000,000 Convertible Bonds convertible into 644,444,444 shares of the Company. Each of Grosvenor Asset Management Limited, Grosvenor International S.A., Grosvenor Continental Europe Holdings Limited and Grosvenor Group Holdings Limited is deemed to be interested in and duplicate the interest in the underlying 644,444,444 shares of the Company under the Convertible Bonds.

Jeremy Henry Moore Newsum, Robin Shedden Broadhurst and Mark Antony Loveday are the trustees of the The Fourth Duke of Westminster 1964 Settlement. Each of Jeremy Henry Moore Newsum, Robin Shedden Broadhurst, Mark Antony Loveday are deemed to be interested and duplicate the interest in 613,530,000 shares and the underlying 644,444,444 shares of the Company under the Convertible Bonds. Gillian Lucy Newsum, Penelope Alison Broadhurst and Mary Elizabeth Loveday are spouse of Jeremy Henry Moore Newsum, Robin Shedden Broadhurst and Mark Antony Loveday respectively. Each of Gillian Lucy Newsum, Penelope Alison Broadhurst and Mary Elizabeth Loveday is deemed to have family interest and duplicate the interest in 613,530,000 shares and the underlying 644,444,444 shares of the Company under the Convertible Bonds.

Save as disclosed above, as at 30th September 2003, the directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, the Company repurchased 3,356,000 of its own shares on the Stock Exchange at an aggregate consideration of HK\$866,780. All the shares repurchased were subsequently cancelled. An amount equal to the nominal value of those shares of HK\$33,560 was transferred from the revenue reserve to capital redemption reserve.

Trading month	Number of shares purchased	Lowest price paid HK\$	Highest price paid HK\$	Total cash paid HK\$
April 2003	3,356,000	0.25	0.27	866,780

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

CORPORATE GOVERNANCE

During the period, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Mr. Lau Kwok Hing resigned as independent non-executive director in November 2003. Mr. Liang Shangli was appointed as independent non-executive director and the audit committee member in the place of Mr. Lau Kwok Hing in December 2003.

AUDIT COMMITTEE

The Audit Committee members are Mr. Liang Shangli 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.

On behalf of the Board

Fung Siu To, Clement

Chairman

HONG KONG, 22nd December 2003