

# Interim Report 2003



Asia Standard  
Hotel Group Limited

# Corporate Information

## DIRECTORS

Mr. Poon Jing (*Chairman*)  
Mr. Lim Yin Cheng (*Deputy Chairman*)  
Mr. Fung Siu To, Clement  
Mr. Poon Tin Sau, Robert  
Mr. Wong Shu Pui  
Mr. Liang Shangli  
(*Independent non-executive Director*)  
Mr. Ip Chi Wai  
(*Independent non-executive Director*)

## AUDIT COMMITTEE

Mr. Liang Shangli  
Mr. Ip Chi Wai

## AUTHORISED REPRESENTATIVES

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

## COMPANY SECRETARY

Mr. Lee Tai Hay, Dominic

## REGISTERED OFFICE

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

## PRINCIPAL OFFICE IN HONG KONG

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

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

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
DBS Bank (Hong Kong) Limited  
Wing Hang Bank Limited  
Liu Chong Hing Bank Limited  
HSBC 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  
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\$180.9 million for the six months ended 30th September 2003, which has decreased sharply by a 26.5% or HK\$65.1 million over the same period last year, due largely to the unprecedented adverse effects of SARS on our hotel and restaurant businesses. Consequently the Group recorded an operating loss of HK\$1.6 million for the reporting period as compared with a profit of HK\$39.7 million for the same period last year, while profit attributable to shareholders decreased by HK\$28.2 million to a loss of HK\$18.8 million for the six months ended 30th September 2003 as compared with the same period 2002.

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

## Operational Review

Despite the devastating effects of SARS on tourism both locally and worldwide, visitors arrival statistics recovered fairly rapidly with total visitors arrivals for the first nine months of 2003 recorded at 10.4 million as compared with 11.7 millions for the same period last year, which represents a decrease of 11% over last year. In fact September 2003 visitor arrival showed an increase of 7.9% over last September. With the relaxation of visa permit to residents of Beijing, Shanghai and major cities in Guangdong, arrivals from Mainland China continued to be the driving momentum in the growth of tourist's number.

### *The Empire Hotel, Hong Kong*

Empire Hotel Hong Kong occupancy fell sharply from 86% in 2002 to 41% in the six months to September 2003 as significantly affected by the unprecedentedly low occupancy during the SARS periods. Affected by the low occupancy and lack of consumers confidence to dine out, our food and beverages outlets business decreased by 38% during the period in question. Consequently, total revenue for this hotel fell by HK\$15.6 million.

During the above difficult period, hotel management took drastic measures to control operational cost in order to mitigate the effects of the loss of revenue by reducing operational cost by HK\$5.4 million or 31% for the six months ended 30th September 2003 as compared with last year.

### *The Empire Hotel, Kowloon*

For the six months ended 30th September 2003, Empire Hotel Kowloon occupancy was 51% as compared with last year's occupancy of 83%. Similarly, the total revenue of this hotel was adversely affected by the effects of SARS which fell from HK\$31.0 million for the half year ended September 2002 to HK\$17.1 million for the corresponding period in 2003.

As a counter-measure to the significant fall in revenue, hotel management took swift and decisive measures to reduce operational cost by HK\$3.8 million for the six months ended 30th September 2003.

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

Despite the effects of SARS and the Gulf War, Landmark Hotel's occupancy for the six months ended 30th September 2003 was 67% as compared with 71% for the same period last year. Boosted by the strength of Canadian dollar total revenue of this hotel for the six months ended 30th September 2003 was HK\$40.6 million which was marginally lower than last year's revenue of HK\$40.8 million.

***Travel Agency***

Our travel agency business recorded a total revenue of HK\$100.6 million for the six months ended 30th September 2003 which is HK\$27.4 million or 21% less than last year's revenue of HK\$128.1 million, due mainly to the poor economy, and people's tendency to avoid travel abroad as affected by the Gulf War and the WHO travel warning respectively.

In view of the above unfavourable factors our associated company engaged in travel-related business experienced another difficult period and recorded an operating loss for the six months ended 30th September 2003 of which our Group's share was HK\$712,000. In light of the poor performance of the associated company, it was disposed of in September 2003.

***Other businesses***

The Group's franchised restaurant business recorded revenue from both TGI Fridays in Hong Kong and Shanghai, for the first six months ended 30th September 2003 of HK\$7.3 million which has decreased by HK\$3.4 million or 31.7% as compared with last year of HK\$10.7 million due to the unfavourable factors previously explained and further exacerbated by the Tsim Sha Tsui East Rail road works.

**Human Resources**

As at 30th September 2003 the number of full time employees of the Group was reduced to 367 (2002: 410) through enhanced staff productivity and manpower planning. 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 2003 were HK\$1,880.5 million, a slight decrease of HK\$1.7 million as compared with 31st March 2003 of HK\$1,882.2 million. Net borrowings amounted to HK\$1,288.4 million as at 30th September 2003 (March 2003: HK\$1,269.4 million), thus giving a gearing ratio (net debt to equity) of 69%, (March 2003: 67%).

As at 30th September 2003, HK\$1,259.2 million which represents 94% of total borrowings were repayable after one year. Total borrowings are mainly denominated in Hong Kong dollars except for the Vancouver hotel's mortgage loan amounted to HK\$149.0 million originally borrowed in Canadian dollar to avoid exchange rate exposure risks.

Due to the prevailing low interest rates net financial charges fell from HK\$23.3 million for the six months ended 30th September 2002 to HK\$22.5 million for the six months ended 30th September 2003.

The aggregate net book value of fixed assets pledged as securities for loans of the Group amounts to HK\$3.0 billion (March 2003: HK\$3.0 billion).

### **Future Prospects**

With the steady recovery of visitors arrivals locally and internationally since the end of the SARS period in July 2003, and supported by the concerted efforts of the Hong Kong government to revive tourism and local spending such as the recent famous football teams games, pop-stars concerts coupled with the introduction of CEPA and further visa relaxation for PRC individual travelers, local hotel industry and hence Empire Hotel Hong Kong and Kowloon's outlook for the latter half of the year is much better than the first half of this year.

While in Canada, Empire Landmark Hotel still operates under difficult market conditions in view of a strong Canadian dollar market environment. 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. More important, the winning of the 2010 Winter Olympic host city would trigger more federal government expenditure and business activities in the city in the years ahead.

### ***Other Businesses***

In view of the favourable factors mentioned above relating to tourism and travel industry, our travel agency's performance is expected to improve gradually. Its our management strategy to continue to explore new business segments particularly relating to PRC markets while maintaining a tight control over its operational cost and hence profitability.

With the East Rail construction program along Nathan Road due to complete by mid-2004 coupled with improved tourists and local patrons spending sentiments, Hong Kong restaurant business for the latter half of the year is due to improve as compared with the first part of the year, while the Shanghai restaurant's business outlook remains optimistic as local consumers spending continue to grow as supported by PRC's strong economic growth.

## Consolidated Profit and Loss Account

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003 – UNAUDITED

	Note	Six months ended 30th September	
		2003 HK\$'000	2002 HK\$'000
TURNOVER	3	<b>180,983</b>	246,082
COST OF SALES		<b>(129,314)</b>	(164,545)
GROSS PROFIT		<b>51,669</b>	81,537
ADMINISTRATIVE EXPENSES		<b>(42,201)</b>	(39,528)
OTHER CHARGES	4	<b>(11,058)</b>	(2,272)
OPERATING (LOSS)/PROFIT	5	<b>(1,590)</b>	39,737
INTEREST INCOME	6	<b>1,982</b>	1,161
NET INVESTMENT GAIN/(LOSS)	7	<b>4,692</b>	(4,462)
FINANCE COSTS	8	<b>(22,475)</b>	(23,324)
SHARE OF LOSS OF AN ASSOCIATED COMPANY		<b>(712)</b>	(384)
(LOSS)/PROFIT BEFORE TAXATION		<b>(18,103)</b>	12,728
TAXATION	9	<b>(712)</b>	(3,338)
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<b>(18,815)</b>	9,390
(LOSS)/EARNINGS PER SHARE	10	<b>(0.372) cent</b>	0.186 cent

## Consolidated Balance Sheet

AS AT 30TH SEPTEMBER 2003 – UNAUDITED

	Note	30th September 2003 HK\$'000	31st March 2003 HK\$'000
FIXED ASSETS		<b>3,044,047</b>	3,015,926
GOODWILL	11	<b>29,795</b>	31,724
ASSOCIATED COMPANY	12	–	11,842
LONG TERM INVESTMENT		<b>1,601</b>	1,601
DEFERRED TAX ASSETS		<b>6,989</b>	4,539
CURRENT ASSETS			
Inventories		<b>2,928</b>	2,910
Other investments		<b>96,446</b>	92,347
Debtors and prepayments	13	<b>61,858</b>	51,575
Tax recoverable		<b>333</b>	333
Bank balances and cash		<b>53,953</b>	30,803
		<b>215,518</b>	177,968
CURRENT LIABILITIES			
Creditors and accruals	14	<b>52,755</b>	42,257
Current portion of long term liabilities	18	<b>75,919</b>	62,094
Tax payable		<b>974</b>	370
Bank overdrafts, unsecured		<b>7,286</b>	2
		<b>136,934</b>	104,723
NET CURRENT ASSETS		<b>78,584</b>	73,245
		<b>3,161,016</b>	3,138,877
Financed by :			
SHARE CAPITAL	15	<b>101,042</b>	101,042
RESERVES	16	<b>1,779,485</b>	1,781,182
SHAREHOLDERS' FUNDS		<b>1,880,527</b>	1,882,224
CONVERTIBLE NOTES	17	<b>46,000</b>	–
LONG TERM LIABILITIES	18	<b>1,213,162</b>	1,238,065
DEFERRED TAX LIABILITIES		<b>21,327</b>	18,588
		<b>3,161,016</b>	3,138,877

## Condensed Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003 – UNAUDITED

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	<b>(9,477)</b>	9,258
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	<b>2,543</b>	(8,011)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	<b>23,239</b>	(21,200)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>16,305</b>	(19,953)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>24,803</b>	91,856
CHANGES IN EXCHANGE RATES	<b>(441)</b>	(1,230)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<b>40,667</b>	70,673
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
BANK BALANCE (EXCLUDING RESTRICTED BANK BALANCES)	<b>47,953</b>	72,849
BANK OVERDRAFTS	<b>(7,286)</b>	(2,176)
	<b>40,667</b>	70,673



## Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003 – UNAUDITED

	Note	Six months ended 30th September	
		2003 HK\$'000	2002 HK\$'000
Balance at beginning of the period			
As previously reported		<b>1,896,273</b>	2,107,774
Change in accounting policy with respect to deferred taxation (note 2)		<b>(14,049)</b>	(7,637)
As restated		<b>1,882,224</b>	2,100,137
Revaluation deficit of hotel properties	16	<b>(854)</b>	–
Exchange difference arising on translation of overseas subsidiaries	16	<b>17,972</b>	642
Net gains not recognised in the profit and loss account		<b>17,118</b>	642
(Loss)/profit for the period attributable to shareholders	16	<b>(18,815)</b>	9,390
Balance at end of the period		<b>1,880,527</b>	2,110,169

# 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 No. 12 "Income Taxes" ("SSAP 12") 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.

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.

As a result of the adoption of the revised SSAP 12, the opening revenue reserve at 1st April 2003 and 2002 have been reduced by HK\$11,831,000 and HK\$5,596,000 respectively and the opening hotel properties revaluation reserve at 1st April 2003 and 2002 have been reduced by HK\$2,218,000 and HK\$2,041,000 respectively which represent the unprovided net deferred tax liabilities. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st March 2003 by HK\$4,539,000 and HK\$18,588,000 respectively. The profit for the six months ended 30th September 2002 has been reduced by HK\$3,272,000.

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 hotel, catering services, travel agency operations and management services. Turnover represents gross revenue from hotel, catering services, travel agency operations and management services income.

**3. TURNOVER AND SEGMENT INFORMATION (Continued)****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.

**Business segments**

	Hotel operation HK\$'000	Catering services HK\$'000	Travel agency HK\$'000	Management services HK\$'000	Total HK\$'000
<b>Six months ended</b>					
<b>30th September 2003</b>					
Segment revenue	73,018	7,329	100,636	–	180,983
Segment results	22,856	(3,592)	(11,148)	–	8,116
Unallocated corporate expenses					(9,706)
Operating loss					(1,590)
Interest income					1,982
Net investment gain					4,692
Finance costs					(22,475)
Share of loss of an associated company	–	–	(712)	–	(712)
Loss before taxation					(18,103)
Taxation					(712)
Loss attributable to shareholders					(18,815)

**3. TURNOVER AND SEGMENT INFORMATION (Continued)****Business segments (Continued)**

	Hotel operation HK\$'000	Catering services HK\$'000	Travel agency HK\$'000	*Management services HK\$'000	Total HK\$'000
Six months ended 30th September 2002					
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					(3,338)
Profit attributable to shareholders					9,390

\* Operation has been discontinued subsequent to the disposal of subsidiaries to a fellow subsidiary (note 19 (iv))

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

#### Secondary reporting format – geographical segments

The Group's business segments operate in Hong Kong, Mainland China and Canada.

A summary of geographical segments is set out as follows:

	Turnover Six months ended 30th September		Operating profit/(loss) Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	<b>137,630</b>	201,860	<b>(15,947)</b>	22,100
Mainland China	<b>2,705</b>	3,421	<b>(997)</b>	(177)
Canada	<b>40,648</b>	40,801	<b>15,354</b>	17,814
	<b>180,983</b>	246,082	<b>(1,590)</b>	39,737

### 4. OTHER CHARGES

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Loss on disposal of an associated company	<b>9,129</b>	–
Amortisation of goodwill	<b>1,929</b>	2,272
	<b>11,058</b>	2,272

### 5. OPERATING (LOSS)/PROFIT

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Operating (loss)/profit is stated after charging the following :		
Staff costs, including Directors' emoluments	<b>31,091</b>	38,440
Operating lease rental expense for land and buildings	<b>2,936</b>	3,345
Depreciation	<b>2,219</b>	2,581

**6. INTEREST INCOME**

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Interest income		
Bank deposits	<b>49</b>	161
Loans to third parties	<b>1,933</b>	1,000
	<b>1,982</b>	1,161

**7. NET INVESTMENT GAIN/(LOSS)**

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Profit on realisation of other investments	–	500
Unrealised gain/(loss) on other investments	<b>4,099</b>	(7,650)
Dividend income from listed equity securities	<b>593</b>	1,530
Interest income from unlisted debt securities	–	1,158
	<b>4,692</b>	(4,462)

**8. FINANCE COSTS**

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Interest expense		
Bank loans and overdrafts	<b>21,079</b>	23,281
Convertible notes	<b>1,065</b>	–
Finance lease obligations not wholly payable within five years	<b>19</b>	19
Other incidental borrowing costs	<b>312</b>	24
	<b>22,475</b>	23,324

## 9. TAXATION

Hong Kong profits tax is calculated at 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 profit has been calculated on the estimated taxable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax		
Current year provision	–	66
Deferred taxation	(2,935)	1,523
Overseas tax		
Under provision in prior year	604	–
Deferred taxation	3,043	1,749
	<b>712</b>	<b>3,338</b>

## 10. (LOSS)/EARNINGS PER SHARE

The calculation of (loss)/earnings per share is based on the loss attributable to shareholders of HK\$18,815,000 (2002: profit of HK\$9,390,000) and on the 5,052,108,681 (2002: weighted average of 5,052,218,681) shares in issue during the period.

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

## 11. GOODWILL

	HK\$'000
Cost	
At 1st April and 30th September 2003	38,581
Accumulated amortisation	
At 1st April 2003	6,857
Charge for the period	1,929
At 30th September 2003	8,786
Net book value	
At 30th September 2003	29,795
At 31st March 2003	31,724

**12. ASSOCIATED COMPANY**

In September 2003, the Group disposed of an associated company which was engaged in travel agency services for a consideration of HK\$2 million.

**13. DEBTORS AND PREPAYMENTS**

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

	<b>30th September 2003 HK\$'000</b>	<b>31st March 2003 HK\$'000</b>
0 day to 60 days	<b>32,361</b>	17,591
61 days to 120 days	<b>1,491</b>	3,198
More than 120 days	<b>5,607</b>	3,159
	<b>39,459</b>	23,948

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 September 2003 HK\$'000</b>	<b>31st March 2003 HK\$'000</b>
0 day to 60 days	<b>17,172</b>	11,985
61 days to 120 days	<b>1,068</b>	4,622
More than 120 days	<b>7,347</b>	1,315
	<b>25,587</b>	17,922



**15. SHARE CAPITAL**

	Number of shares of HK\$0.02 per share	HK\$'000
<b>Authorised:</b>		
At 31st March and 30th September 2003	25,000,000,000	500,000
<b>Issued and fully paid:</b>		
At 31st March and 30th September 2003	5,052,108,681	101,042

**16. RESERVES**

	Share premium HK\$'000	Contributed surplus HK\$'000	Hotel properties revaluation reserve HK\$'000	Exchange reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31st March 2003						
As previously reported	299,770	899,333	329,098	2,827	264,203	1,795,231
Change in accounting policy with respect to deferred taxation (note 2)	–	–	(2,218)	–	(11,831)	(14,049)
As restated	299,770	899,333	326,880	2,827	252,372	1,781,182
Translation difference	–	–	663	17,309	–	17,972
Deficit on revaluation	–	–	(854)	–	–	(854)
Loss for the period	–	–	–	–	(18,815)	(18,815)
At 30th September 2003	299,770	899,333	326,689	20,136	233,557	1,779,485

**17. CONVERTIBLE NOTES**

On 15th April 2003, the Company 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 the Company at a conversion price of HK\$0.25 per share, subject to adjustment, at any time from the date of issue to the last business date preceding the maturity date of 18 months from the date of issue. The Company shall redeem the outstanding principal amount of convertible notes not already converted or redeemed with accrued interest on the maturity date.

**18. LONG TERM LIABILITIES**

	<b>30th September 2003 HK\$'000</b>	<b>31st March 2003 HK\$'000</b>
Bank loans, secured		
Repayable within one year	<b>75,835</b>	62,017
Repayable within one to two years	<b>283,534</b>	271,016
Repayable within two to five years	<b>331,503</b>	310,049
Repayable after five years	<b>597,778</b>	656,628
	<b>1,288,650</b>	1,299,710
Obligations under finance leases not wholly payable within five years	<b>431</b>	449
	<b>1,289,081</b>	1,300,159
Current portion included in current liabilities	<b>(75,919)</b>	(62,094)
	<b>1,213,162</b>	1,238,065

The aggregate net book value of fixed assets pledged as securities for loans of the Group amounts to HK\$3,040,896,000 (31st March 2003: HK\$3,010,620,000).

**19. RELATED PARTY TRANSACTIONS**

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

	<b>Six months ended 30th September</b>	
	<b>2003 HK\$'000</b>	<b>2002 HK\$'000</b>
(i) Rental expense for land and buildings to fellow subsidiaries	<b>(231)</b>	(382)
(ii) Management services income from fellow subsidiaries	–	1,601
(iii) Hotel renovation cost to fellow subsidiary	–	(414)
(iv) Disposal of subsidiaries to a fellow subsidiary	–	4,129

Notes :

(i) Rental expense is subject to terms agreed by the parties involved, which is at a monthly fixed fee.

## 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 ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") were as follows:

### (I) LONG POSITIONS IN SHARES

#### (a) The Company

Director	Number of shares held			Total	Percentage of shares in issue (%)
	Personal interests	Corporate interests			
Mr. Poon Jing	248,937	3,699,148,774		3,699,397,711	73.22

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

#### (b) Associated Corporations

Associated Company	Director	Number of shares held			Total	Percentage of shares in issue (%)
		Personal interest	Corporate interest	Family interest		
Asia Orient	Mr. Poon Jing	31,714,396	38,011,695	1,396,520	71,122,611	47.47
	Mr. Fung Siu To, Clement	969,400	Nil	Nil	969,400	0.65
Asia Standard International Group Limited ("ASI") (note 1)	Mr. Poon Jing	4,445,650	2,196,391,030	Nil	2,200,836,680	53.56
Centop Investment Limited (note 2)	Mr. Poon Jing and Mr. Fung Siu To, Clement	Nil	20	Nil	20	20
Mark Honour Limited (note 2)	Mr. Fung Siu To, Clement	1	Nil	Nil	1	10

## **(I) LONG POSITIONS IN SHARES (Continued)**

### **(b) Associated Corporations (Continued)**

Notes :

1. *By virtue of his controlling interest in Asia Orient, Mr. Poon Jing is deemed to be interested in the shares of ASI held by subsidiaries of Asia Orient.*
2. *Subsidiaries of ASI.*

## **(II) LONG POSITIONS IN UNDERLYING SHARES**

### **Interests in share options**

#### **(a) The Company**

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

#### **(b) Associated Corporation – Asia Orient**

Options to subscribe for 300,000 shares of Asia Orient were granted to each of Mr. Fung Siu To, Clement, and Mr. Lim Yin Cheng, 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 or lapsed. As at 1st April 2003 and 30th September 2003, each of Mr. Fung Siu To Clement and Mr. Lim Yin Cheng, 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 the Chief Executives (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLING SHARES

As at 30th September 2003, according to the register of interests kept by the Company under Section 336 of the SFO, the following parties (other than the Directors and Chief Executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

### (a) LONG POSITION IN SHARES OF THE COMPANY

	Number of shares	Percentage
Asia Standard International Limited	3,533,280,394	69.94
ASI (note 1)	3,538,335,158	70.04
Asia Orient Company Limited (note 2)	3,699,148,774	73.22
Asia Orient Holdings (BVI) Limited (note 3)	3,699,148,774	73.22
Asia Orient (note 3)	3,699,148,774	73.22
Mr. Poon Jing (note 4)	3,699,397,711	73.22

Notes:

- (1) *Asia Standard International Limited is a wholly-owned subsidiary of ASI and ASI is deemed to be interested in and duplicates all the shares held by Asia Standard International Limited.*
- (2) *Asia Orient Company Limited and its subsidiaries together hold more than one-third of the issued shares of ASI and is deemed to be interested in and duplicates the shares held by ASI.*
- (3) *Asia Orient Company Limited is a wholly-owned subsidiary of Asia Orient Holdings (BVI) Limited which in turn is a wholly-owned subsidiary of Asia Orient. Asia Orient Holdings (BVI) Limited and Asia Orient are deemed to be interested in and duplicate the shares held by of Asia Orient Company Limited and its subsidiaries.*
- (4) *Mr. Poon Jing has personal interest in 248,937 shares and by virtue of his interest in Asia Orient, he is deemed to be interested in and duplicates the shares held by Asia Orient.*

Save as disclosed above, as at 30th September 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, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

During the period, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules at any time during the six months ended 30th September 2003.

Mr. Lee Man Kwong resigned as an independent non-executive director of the Company in November 2003. After his resignation, the Company has only one independent non-executive director and did not have the audit committee. An application for waiver has been made to The Stock Exchange for temporary non-compliance with the Listing Rule. Mr. Ip Chi Wai was appointed as an independent non-executive director to fill the vacancy of Mr. Lee in December 2003.

## **AUDIT COMMITTEE**

The Audit Committee members are Mr. Liang Shangli and Mr. Ip Chi Wai. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

By Order of the Board

**POON JING**

*Chairman*

Hong Kong 22nd December 2003