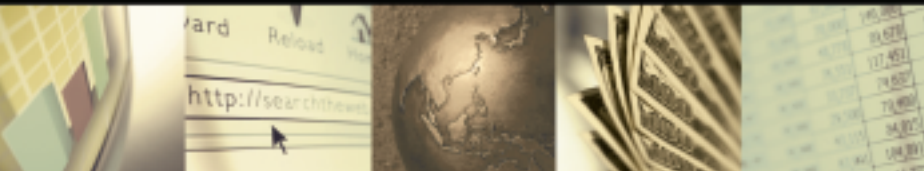




Asia Orient
Holdings Limited



Interim Report 2002

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. Chan Sze Hung
(*Independent Non-executive Director*)
Mr. Cheung Kwok Wah, Ken
(*Independent Non-executive Director*)

AUDIT COMMITTEE

Mr. Chan Sze Hung
Mr. Cheung Kwok Wah, Ken

AUTHORISED REPRESENTATIVES

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

COMPANY SECRETARY

Ms. Chiu Yuk Ching

REGISTERED OFFICE

Cedar House,
41 Cedar Avenue,
Hamilton HM12,
Bermuda

PRINCIPAL OFFICE IN HONG KONG

30th Floor, Asia Orient Tower, Town Place,
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Hong Kong

Telephone 2866 3336
Facsimile 2866 3772
Website <http://www.asiaorient.com.hk>

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
The Bank of East Asia Limited
Chiyu Banking Corporation Limited
Liu Chong Hing Bank Limited
Bank of Communications

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

Consolidated Profit and Loss Account – Unaudited

	Note	Six months ended 30th September	
		2002 HK\$'000	2001 HK\$'000
Turnover	3	662,354	510,724
Cost of sales		(481,883)	(364,831)
Gross profit		180,471	145,893
Administrative expenses		(77,613)	(79,540)
Other charges	4	(53,491)	(45,095)
Operating profit	5	49,367	21,258
Finance costs	6	(65,030)	(57,137)
Share of profits less losses of			
Jointly controlled entities		(17,687)	(2,690)
Associated companies		(8,731)	(45,474)
Loss before taxation		(42,081)	(84,043)
Taxation	7	(4,332)	(6,061)
Loss after taxation		(46,413)	(90,104)
Minority interests		(10,851)	45,520
Loss attributable to shareholders		(57,264)	(44,584)
Loss per share	8	0.76 cent	0.60 cent

Consolidated Balance Sheet – Unaudited

	Note	30th September 2002 HK\$'000	31st March 2002 HK\$'000
Fixed assets		4,877,995	4,879,527
Jointly controlled entities		377,883	327,843
Associated companies		715,132	675,932
Long term investment		1,501	1,001
Goodwill	9	44,845	26,415
Mortgage loans receivable		84,251	52,603
Current assets			
Properties held for / under development for sale		1,086,510	1,224,082
Completed properties held for sale		805,216	867,923
Hotel and restaurant inventories		3,246	3,701
Debtors and prepayments	10	344,212	377,747
Other investments		232,271	400,286
Tax recoverable		1,104	1,726
Bank balances and cash		322,806	340,306
		2,795,365	3,215,771
Current liabilities			
Creditors and accruals	11	267,112	272,444
Short term bank loans and overdrafts			
Secured		286,507	282,826
Unsecured		35,000	33,000
Convertible notes	14	60,000	60,000
Current portion of long term loans	16	205,515	314,085
Taxation		12,511	12,133
		866,645	974,488
Net current assets		1,928,720	2,241,283
		8,030,327	8,204,604
Financed by:			
Share capital	12	37,457	37,457
Reserves	13	2,675,035	2,732,094
Shareholders' funds		2,712,492	2,769,551
Convertible bonds	15	290,000	290,000
Long term loans	16	2,328,918	2,453,393
Minority interests and loans		2,698,917	2,691,660
		8,030,327	8,204,604

Condensed Consolidated Cash Flow Statement – Unaudited

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Net cash from operating activities	214,202	142,166
Net cash used in investing activities	(991)	(257,305)
Net cash (used in) / from financing activities	(254,828)	1,522
Net decrease in cash and cash equivalents	(41,617)	(113,617)
Cash and cash equivalents at beginning of period	186,733	339,566
Changes in exchange rates	(2,847)	(1,424)
Cash and cash equivalents at end of period	142,269	224,525
Analysis of the balances of cash and cash equivalents		
Bank balances (excluding pledged deposits and balance held in trust)	281,626	324,806
Short term bank loans and overdrafts	(139,357)	(100,281)
	142,269	224,525

Consolidated Statement of Changes in Equity – Unaudited

	Note	Six months ended 30th September	
		2002 HK\$'000	2001 HK\$'000
Balance at beginning of period		2,769,551	2,895,167
Exchange differences arising on translation of accounts of overseas subsidiaries, jointly controlled entities and associated companies	13	205	(1,162)
Release of goodwill upon deemed disposal of an associated company		–	9,430
Surplus on revaluation		–	16,460
Net gains not recognised in the profit and loss account		205	24,728
		2,769,756	2,919,895
Loss for the period attributable to shareholders	13	(57,264)	(44,584)
Balance at end of period		2,712,492	2,875,311

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 property development and investment, hotel, travel agency and management services 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 four main business segments, comprising property sales, property leasing, hotel and travel and investments. There is no other significant identifiable separate business segment. Segment revenue from external customers is after elimination of inter-segment revenues. No revenue (2001: HK\$4 million) charged by the property sales segment in respect of construction services provided to the hotel and travel segment has been eliminated from 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.

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

	Property	Property	Hotel	Investments	Other	Group
	sales	leasing	and travel		operations	
	HK\$'000	HK\$'000	HK\$'000		HK\$'000	
Six months ended 30th September 2002						
Segment revenue	341,236	33,164	246,082	24,893	16,979	662,354
Contribution to operating profit	46,319	29,652	42,108	6,826	7,474	132,379
Other charges	(307)	–	(1,575)	(51,609)	–	(53,491)
Unallocated corporate expenses						(29,521)
Operating profit						49,367
Finance costs						(65,030)
Share of results of jointly controlled entities and associated companies	(12,083)	3,404	(379)	(17,369)	9	(26,418)
Loss before taxation						(42,081)
Taxation						(4,332)
Loss after taxation						(46,413)
Minority interests						(10,851)
Loss attributable to shareholders						(57,264)

	Six months ended 30th September 2001					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Segment revenue	161,589	30,166	218,675	60,202	40,092
Contribution to operating profit	(4,292)	25,146	29,575	23,352	25,230	99,011
Other charges	(1,729)	–	(5,716)	(37,650)	–	(45,095)
Unallocated corporate expenses						(32,658)
Operating profit						21,258
Finance costs						(57,137)
Share of results of jointly controlled entities and associated companies	(45,296)	2,119	–	(5,000)	13	(48,164)
Loss before taxation						(84,043)
Taxation						(6,061)
Loss after taxation						(90,104)
Minority interests						45,520
Loss attributable to shareholders						(44,584)

Notes to the Interim Consolidated Accounts

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 are set out as follows:

	Segment revenue		Operating profit/ (loss)	
	Six months ended 30th September		Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	612,125	414,737	32,457	5,405
Mainland China	9,428	46,578	(904)	(4,970)
Canada	40,801	49,409	17,814	20,823
	662,354	510,724	49,367	21,258

4. OTHER CHARGES

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Amortisation of goodwill	(1,575)	(1,675)
Gain on deemed disposal of a jointly controlled entity	–	26,479
Provision for diminution in value of properties held for sale	(307)	(1,729)
Pre-operating loss of Empire Hotel Kowloon	–	(4,041)
Unrealised losses on other investments	(51,609)	(64,129)
	(53,491)	(45,095)

5. OPERATING PROFIT

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Operating profit is stated after crediting and charging the following:		
Crediting		
Net rental income (note (a))	29,652	25,146
Interest income	15,814	26,605
Dividends from listed investments	2,324	947
Net realised gains on other investments	4,502	22,405
Charging		
Staff costs (note (b))	47,554	39,389
Depreciation	5,663	4,338
Net unrealised losses on other investments	51,609	64,129
(a) Net rental income		
Gross rental income from investment properties	22,660	21,151
Gross rental income from properties held for sale	10,504	9,015
Outgoings	(3,512)	(5,020)
	29,652	25,146
(b) Staff costs		
Staff costs	49,047	41,653
Capitalised as properties under development	(1,493)	(2,264)
	47,554	39,389

Notes to the Interim Consolidated Accounts

6. FINANCE COSTS

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Interest expense		
Long term bank loans	47,206	90,308
Convertible notes	1,504	1,504
Convertible bonds	15,499	11,017
Loans from minority shareholders of subsidiaries	1,574	3,004
Short term bank loans and overdrafts	6,401	2,881
Other incidental borrowing costs	5,379	4,022
	77,563	112,736
Capitalised as cost of properties under development		
Interest expense	(12,200)	(55,430)
Other incidental borrowing costs	(333)	(169)
	65,030	57,137

7. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Company and subsidiaries		
Hong Kong profits tax	1,987	185
Overseas tax	–	3,257
Underprovision in prior years	1,800	2,280
	3,787	5,722
Associated companies		
Hong Kong profits tax	545	339
	4,332	6,061

8. LOSS PER SHARE

The calculation of loss per share is based on loss attributable to shareholders of HK\$57,264,000 (2001: HK\$44,584,000) and on the 7,491,321,498 (2001: 7,491,321,498) shares in issue during the period.

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

9. GOODWILL

	HK\$'000
Cost	
At 31st March 2002	29,349
Acquisition of a subsidiary	20,005
At 30th September 2002	49,354
Accumulated amortisation	
At 31st March 2002	2,934
Charge for the period	1,575
At 30th September 2002	4,509
Net book value	
At 30th September 2002	44,845
At 31st March 2002	26,415

10. DEBTORS AND PREPAYMENTS

Debtors and prepayments include trade debtors, utility and other deposits, stakeholders' accounts, interest and other receivables and a housing loan of HK\$1,190,000 (31st March 2002: HK\$1,224,000) 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 2002: 2% below prime rate) and the principal is repayable by quarterly instalments of HK\$17,000 each. The maximum outstanding balance during the period was HK\$1,224,000 (31st March 2002: HK\$1,292,000).

Trade debtors amounted to HK\$68,443,000 (31st March 2002: HK\$55,953,000) of which 97% (31st March 2002: 87%) 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.

Notes to the Interim Consolidated Accounts

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\$36,141,000 (31st March 2002: HK\$48,552,000), of which 98% (31st March 2002: 100%) were aged under six months.

12. SHARE CAPITAL

	Authorised Shares of HK\$0.005 each	
	Number of shares	HK\$'000
At 31st March and 30th September 2002	15,000,000,000	75,000
	Issued and fully paid Shares of HK\$0.005 each	
	Number of shares	HK\$'000
At 31st March and 30th September 2002	7,491,321,498	37,457

13. RESERVES

	Share premium HK\$'000	Capital 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 2002	1,391,348	485,917	61,803	170,547	15,398	980,201	(373,120)	2,732,094
Translation differences	-	-	-	(19)	-	-	224	205
Loss for the period	-	-	-	-	-	-	(57,264)	(57,264)
At 30th September 2002	1,391,348	485,917	61,803	170,528	15,398	980,201	(430,160)	2,675,035

14. CONVERTIBLE NOTES

On 16th January 2001, the Company issued HK\$60,000,000 convertible notes which bear interest at 5% per annum payable annually in arrears. Each holder of the notes has the option to convert the notes into fully paid shares of HK\$0.005 each of the Company at (i) HK\$0.088 per share on or before 16th January 2002 and (ii) HK\$0.090 after 16th January 2002, subject to adjustment at any time between 16th January 2001 and 15th January 2003.

The company shall repay the outstanding principal amount of the convertible notes together with accrued interest on 15th January 2003. Save for repayment on maturity, the convertible notes cannot be redeemed.

15. CONVERTIBLE BONDS

On 7th January 2002, Asia Standard International Capital Limited ("ASICL"), a wholly owned subsidiary of Asia Standard International Group Limited ("Asia Standard"), issued HK\$290,000,000 convertible bonds to Westrata Investment Limited ("Westrata"), which is a substantial shareholder of Asia Standard. The bonds bear interest at 7% per annum payable semi-annually in arrears and are guaranteed by Asia Standard.

Westrata has the option to convert the bonds into fully paid shares of HK\$0.01 each of Asia Standard 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\$7,764,000 (31st March 2002: HK\$2,443,000) 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.

16. LONG TERM LOANS

	30th September 2002 HK\$'000	31st March 2002 HK\$'000
Bank loans, secured		
Repayable within one year	205,515	314,085
Repayable between one and two years	306,664	313,739
Repayable between two and five years	739,704	935,997
Repayable after five years	1,282,550	1,203,657
	2,534,433	2,767,478
Current portion included in current liabilities	(205,515)	(314,085)
	2,328,918	2,453,393

Notes to the Interim Consolidated Accounts

17. CAPITAL COMMITMENTS

	30th September 2002 HK\$'000	31st March 2002 HK\$'000
In respect of investment in jointly controlled entities and associated companies:		
Contracted but not provided for	25,114	21,296

18. CONTINGENT LIABILITIES

	30th September 2002 HK\$'000	31st March 2002 HK\$'000
Guarantees for the banking and loan facilities of:		
Jointly controlled entities	207,454	163,869
Associated companies	263,810	219,720
Third parties	2,646	32,036
	473,910	415,625

19. SUBSEQUENT EVENTS

- i) By ordinary and special resolutions passed on 11th November 2002:
 - (a) the Company's issued and unissued share capital of HK\$0.005 each were consolidated on the basis of 50 shares into 1 share of HK\$0.25 ("consolidated share");
 - (b) the paid up capital and nominal value of all the issued consolidated shares will be reduced from HK\$0.25 per issued consolidated share to HK\$0.10 per new share by the cancellation of HK\$0.15 paid up capital on each issued consolidated share;
 - (c) the sum of HK\$22,473,964 arising from the capital reduction on the basis of 7,491,321,498 shares in issue, which will then be consolidated into 149,826,430 new shares, will be credited to the contributed surplus account of the Company;
 - (d) each of the 150,173,570 unissued consolidated share will be subdivided into 2.5 new shares; and
 - (e) the authorised share capital will be restored from HK\$52,526,036 dividend into 525,260,355 new shares to HK\$75,000,000 divided into 750,000,000 new shares by the creation of 224,739,645 new unissued shares.

19. SUBSEQUENT EVENTS *(continued)*

- ii) On 11th November 2002, the share option scheme adopted on 28th August 1996 was terminated and a new share option scheme was adopted. Details of the new scheme have been set out on page 22 of this report.

- iii) On 21st November 2002, the Company entered into a Placing Agreement with a placing agent whereby the placing agent has agreed to place up to a maximum of HK\$60 million convertible notes which bear interest at 5% per annum payable annually in arrears. The placing of the convertible notes is subject to, inter alia, approval of the shareholders at the special general meeting to be held on 23rd December 2002 and the listing committee of The Stock Exchange of Hong Kong Limited granting the listing of the conversion shares and such other conditions as stipulated in the circular to the shareholders dated 4th December 2002. Each holder of the notes has the option to convert the notes into fully paid shares of HK\$0.10 each of the Company at (a) HK\$1.10 per share from the date of issue of the convertible notes and (b) HK\$1.20 per share after the first anniversary of the date of issue of the convertible notes to the business date last preceding the second anniversary of the date of issue of the convertible notes. The Company shall repay the outstanding principal amount of the convertible notes together with accrued interest on the business date last preceding the second anniversary of the date of issue of the convertible notes. Save for repayment upon maturity, the convertible notes cannot be redeemed.

INTERIM DIVIDEND

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

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

Results

Turnover for the period amounted to HK\$662 million, representing an increase of 30% over last year. Loss attributable to shareholders was HK\$57 million, a 27% increase from HK\$45 million of last year. Net assets decreased by HK\$57 million to HK\$2.7 billion, or HK\$18.11 per share (after share consolidation in November 2002).

Property sales, leasing and development

The Group's shareholding in Asia Standard International Group Limited ("Asia Standard") remained at 53.4% as at 30th September 2002. Asia Standard recorded a HK\$15 million interim profit against a loss of HK\$92 million for last corresponding period. Turnover on property sales were more than doubled to HK\$341 million in current period compared with HK\$161 million of same period last year. Majority of sales was generated from the luxurious Royalton II at Pokfulam and the mid market residential Oakridge at Shaukeiwan, which were launched to market towards the end of the previous financial year. Over 60% and 90% respectively are sold by now.

Rental income grew by 10% to HK\$33 million resulting from the high occupancy rate achieved by the office building added into investment properties portfolio, 8 Wing Hing Street in Causeway Bay. Rental income for Asia Orient Tower and Asia Standard Tower remained at approximately the same level.

The construction of two luxurious developments at Repulse Bay and Shiu Fai Terrace progress smoothly following the conclusion of land premium at beginning of the period. Land premium totalling HK\$208 million were paid. Presale consent was applied and sales campaign will be launched in the coming year.

The Group has also been actively pursuing the lease modification and land premium negotiation of four development sites totalling approximately 860,000 sq. ft. gross floor area.

Hotel

The hotel subsidiary contributes a HK\$246 million (2001: HK\$219 million) to the Group's turnover, accounting for 37%. Following the weakening of our economies, hotel average room rates suffered a slight decrease, while visitors arrival increase by 16% for the first nine months, attributable to the influx of Mainland visitors. The full operation of Empire Kowloon Hotel since March 2002 accounts for the overall revenue increase in this sector, despite hotel operation in Canada is adversely affected by last year's terrorist attack. Travel agency business is steady for both periods. Management exercise stringent cost control to maintain the competitiveness and profitability of our Group's hotels. All these account for the HK\$9 million increase in profit of the hotel subsidiary comparing with same period last year.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS (continued)

Investments

The 32% owned GEM board listed technology investments, Q9 Technology Holdings Limited ("Q9") once again won the 2002 Federation of Hong Kong Industries Consumer Product Design Award by its newly developed Q9 CIS English version. Agreement was established with the Vocational Training Council for Q9 Chinese input skill be a recognized qualification by employers in Hong Kong. Several mobile phone manufacturers, including Nokia (Hong Kong) Ltd, commenced productions of phones with Q9 CIS embedded in September 2002. The company will begin to have licensing fees from these phone manufacturers. In Shangdong Province, Q9 CIS has been endorsed as an educational tool for primary and secondary schools.



2002 Federation of Hong Kong Industries Consumer Products Design Award

Following the Group's initial investment at end of last financial year on biotechnology company, further investments were made in the area of medical and health sector on (i) commercial sponsorship of research and development project carried out by the Beijing Medical University on athletic and diabetes drinks to reduce fat level in human blood and improve sports performance of athletics. The research is in its initial stage and expect to last 3 years before commercial production of its end products; (ii) distribution in Asia of a healthcare system which, by deploying a patented micro-nebulization treatment, penetrates every cell in the human body with soluble health substances (e.g. Minerals, vitamins) and revitalize it, thereby retarding the aging process. Programme to enter into China market is underway.



Medical Care Products — MICARD



China Infobank Ltd

The Group maintains its 40% interests in China Infobank which possesses one of the largest database of mainland Chinese business information. Users include universities, consultants, finance and banking corporations, professional companies and public relation firms. Efforts are concentrated in business penetration and streamlining operation. The Group continues its investment in web-based software developer.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS (continued)

Financial review

At 30th September 2002, the Group's net asset value per share was HK\$18.11, compared with HK\$18.49 at 31st March 2002 (Both adjusted for the share consolidation in November 2002). Gearing ratio reduced to 54% (31st March 2002: 58%) with a net debt of HK\$2,885 million and shareholders funds plus minority interests of HK\$5,302 million. The Group held HK\$172 million marketable securities at period end. Interest cost reduced significantly by 31% resulting from the low interest environment compared with the corresponding period of last year.

All the Group's borrowings are in Hong Kong dollars except for the mortgage loan of Empire Landmark Hotel in Vancouver which is denominated in Canadian dollars, accordingly there is no exchange risk exposure. 80% of these borrowings were repayable after one year, with repayment schedules spreading over a long period of time to over 10 years.

As at 30th September 2002, properties with an aggregate net book value of HK\$6,225 million (31st March 2002: HK\$6,212 million) were pledged to secure banking facilities of the Group. The Group has also provided guarantees to banks and financial institution on credit facilities to jointly controlled entities, associated companies and third parties of HK\$474 million (31st March 2002: HK\$416 million).

Subsequent to 30th September 2002, the Group undergo a capital reorganisation of consolidating 50 shares of the Company into one share and reduction of nominal value of each share from HK\$0.25 (after share consolidation) to HK\$0.10. The scheme was effective on 12th November 2002.

On 21st November 2002, the Company entered into a placing agreement to place convertible notes up to a maximum of HK\$60 million. The notes bear 5% interest p.a. for a conversion period of two years at conversion price of HK\$1.10 during the first year and HK\$1.20 during the second year.

Employees and remuneration policies

At 30th September 2002, the Group employed a total of 660 full time employees, with over 60% working for the hotel subsidiary group. Their remuneration package, which commensurate with their job nature and experience level, include basic salary, annual bonus, retirement and other benefits. There was no share option granted during the period.

PROSPECTS

Over the six months covered by the interim report, Hong Kong is still experiencing low asset prices, which certainly attract people to acquire real estate in this extremely low interest rate environment. The long awaited government housing policy was finally announced in November 2002, conveying its intentions and positive support to the public of preventing further drop in property price and ultimately let the general public re-build their confidence in this sector. Coupled with the further drop in interest rate in the same month, we believe the property sector will turn around and gradually improve in the coming year.

After the 9-11 event, the travel industry worldwide has been temporarily disrupted. Situation in Hong Kong has improved rapidly thereafter and the significant growth of PRC visitors have been a major contributor. The trend is expected to continue in the foreseeable future.

In the past few years, apart from real estates and hotels, the Group has been gradually investing in other business in the technology arena, including information technology, medical and health. Most of these investments are at the start up stages and with careful nurturing, we have confidence that these projects will give favourable returns to the Group.

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\$1,178 million (before Group's provisions) and guarantees given to banks for facilities utilised of HK\$471 million totalling HK\$1,649 million as at 30th September 2002 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	5,177	1,827
Goodwill	3,763	1,717
Investment properties	940,000	310,200
Jointly controlled entities	112,743	47,927
Properties held for / under development for sale	2,084,271	1,038,863
Current assets	95,712	33,492
Current liabilities	(65,285)	(22,398)
Long term bank and other loans	(1,032,900)	(471,264)
Minority interests	9,116	4,620
Shareholders' advance	(2,365,818)	(1,178,379)
	(213,221)	(233,395)

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 Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 as at 30th September 2002
	Personal interests	Family interests	Corporate interests	
Mr. Poon Jing	1,529,849,800	69,826,000	1,900,584,936	3,500,260,736
Mr. Fung Siu To, Clement	26,174,000	–	–	26,174,000

Note:

The shares of the Company were consolidated on the basis of 50 shares into 1 share with effect from 12th November 2002.

b) Subsidiaries

Name of director	Name of subsidiary	Number of shares held		
		Personal interests	Corporate interests	Total as at 30th September 2002
Mr. Poon Jing	Asia Standard International Group Limited ("Asia Standard")	4,445,650	2,196,391,030*	2,200,836,680
Mr. Poon Jing	Asia Standard Hotel Group Limited ("Asia Standard Hotel")	248,937	3,699,148,774*	3,699,397,711
Mr. Poon Jing and Mr. Fung Siu To, Clement	Centop Investment Limited	–	20	20
Mr. Fung Siu To, Clement	Mark Honour Limited	1	–	1

* By virtue of his controlling interest in the Company, Mr. Poon Jing is deemed to be interested in the shares of Asia Standard and Asia Standard Hotel held by the Company's subsidiaries.

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

DIRECTORS' INTERESTS IN SECURITIES (continued)

Interests in share options

a) The Company

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

Grantee	Date of Grant	Exercise Period	Exercise Price per share (Note 1)	Number of	Number of share options held as at 30th September 2002	
				share options held as at 1st April 2002	Before share consolidation	After share consolidation (Note 2)
Directors of the Company						
Fung Siu To, Clement	14th February 2000	14th March 2000 to 13th February 2010	0.3466	15,000,000	15,000,000	300,000
Lim Yin Cheng	14th February 2000	14th March 2000 to 13th February 2010	0.3466	15,000,000	15,000,000	300,000
Kwan Po Lam, Phileas	14th February 2000	14th March 2000 to 13th February 2010	0.3466	15,000,000	15,000,000	300,000
Lun Pui Kan	14th February 2000	14th March 2000 to 13th February 2010	0.3466	15,000,000	15,000,000	300,000
Director of subsidiary						
Leung King Yin, Kevin	14th February 2000	14th March 2000 to 13th February 2010	0.3466	15,000,000	15,000,000	300,000
Employees of subsidiary						
	14th February 2000	14th March 2000 to 13th February 2010	0.3466	187,500,000	187,500,000	3,750,000

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 of the Company were granted under the share option scheme.

DIRECTORS' INTERESTS IN SECURITIES (continued)

Interests in share options (continued)

a) The Company (continued)

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 the Group or any entity in which any member of the 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 the Company'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 to each grantee, provided that no option shall be exercisable later than ten years after its date of grant.

No share option has been granted under the New Share Option Scheme up to the date of this report.

b) Subsidiaries – Asia Standard

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

Name of director	Date of Grant	Exercise Period	Exercise Price per share	Number of share options held as at 1st April 2002	Number of Share options held as at 30th September 2002
Lun Pui Kan	27th February 1995	27th March 1995 to 27th March 2005	0.384	1,750,000	1,750,000

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

c) Associated company – Q9 Technology Holdings Limited

As at 30th September 2002, details of the share options granted to director under the share option schemes are as follows:

Pre-IPO share option scheme adopted on 5th May 2001

Name of director	Date of Grant	Exercise Period	Exercise Price per share	Number of share options held as at 1st April 2002	Number of Share options held as at 30th September 2002
Lim Yin Cheng	5th May 2001	See note 1 below	0.36	84,480,000	84,480,000
Fung Siu To, Clement	5th May 2001	See note 2 below	0.36	2,560,000	2,560,000
Lun Pui Kan	5th May 2001	See note 2 below	0.36	1,920,000	1,920,000

DIRECTORS' INTERESTS IN SECURITIES (continued)

Interests in share options (continued)

c) Associated company – Q9 Technology Holdings Limited (continued)

Share option scheme adopted on 7th May 2001

Name of director	Date of Grant	Exercise Period	Exercise Price per share	Number of share options held as at 1st April 2002	Number of Share options held as at 30th September 2002
Kwan Po Lam, Phileas	18th May 2001	18th May 2001 to 17th May 2011	0.45	1,000,000	1,000,000
Lun Pui Kan	18th May 2001	18th May 2001 to 17th May 2011	0.45	3,000,000	3,000,000

No options pursuant to the Pre-IPO share option scheme and share option scheme had been granted to the directors and no options granted to directors had been exercised, cancelled or lapsed during the six months ended 30th September 2002. The options may be exercised at any time within the option period provided that the options have been vested.

Note 1:

Commencement date when the options shall vest and be exercisable:	Percentage of options exercisable by each grantee in respect of options granted
(a) the date falling six months from 18th May 2001	10%
(b) the date falling six months from the date in (a)	10%
(c) the date falling six months from the date in (b)	10%
(d) the date falling six months from the date in (c)	20%
(e) the date falling six months from the date in (d)	20%
(f) the date falling six months from the date in (e)	20%
(g) the date falling six months from the date in (f)	10%

Note 2:

Commencement date when the options shall vest and be exercisable:	Percentage of options exercisable by each grantee in respect of options granted
(a) the date falling six months from 18th May 2001	10%
(b) the date falling six months from the date in (a)	20%
(c) the date falling six months from the date in (b)	20%
(d) the date falling six months from the date in (c)	20%
(e) the date falling six months from the date in (d)	20%
(f) the date falling six months from the date in (e)	10%

DIRECTORS' INTERESTS IN SECURITIES (continued)

Interests in share options (continued)

Save as disclosed above, as at 30th September 2002, none of the Directors or Chief Executives or their spouse or children under 18 years of age were granted or exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporation.

SUBSTANTIAL SHAREHOLDERS

At 30th September 2002, the register of substantial shareholders maintained pursuant to Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following interests, being 10% or more of the Company's issued share capital.

	Number of shares held as at 30 September 2002
Mr. Poon Jing	1,529,849,800
Teddington Holdings Limited ("Teddington")	792,829,080

Teddington is controlled by Mr. Poon Jing and the interest held by it are included in Mr. Poon Jing's corporate interests disclosed under the heading "Directors' interests in Securities" above.

The shares of the Company were consolidated on the basis of 50 shares into 1 share with effect from 12th November 2002.

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

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

CORPORATE GOVERNANCE

The Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on 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. Chan Sze Hung and Mr. Cheung Kwok Wah, Ken. 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, 18th December 2002