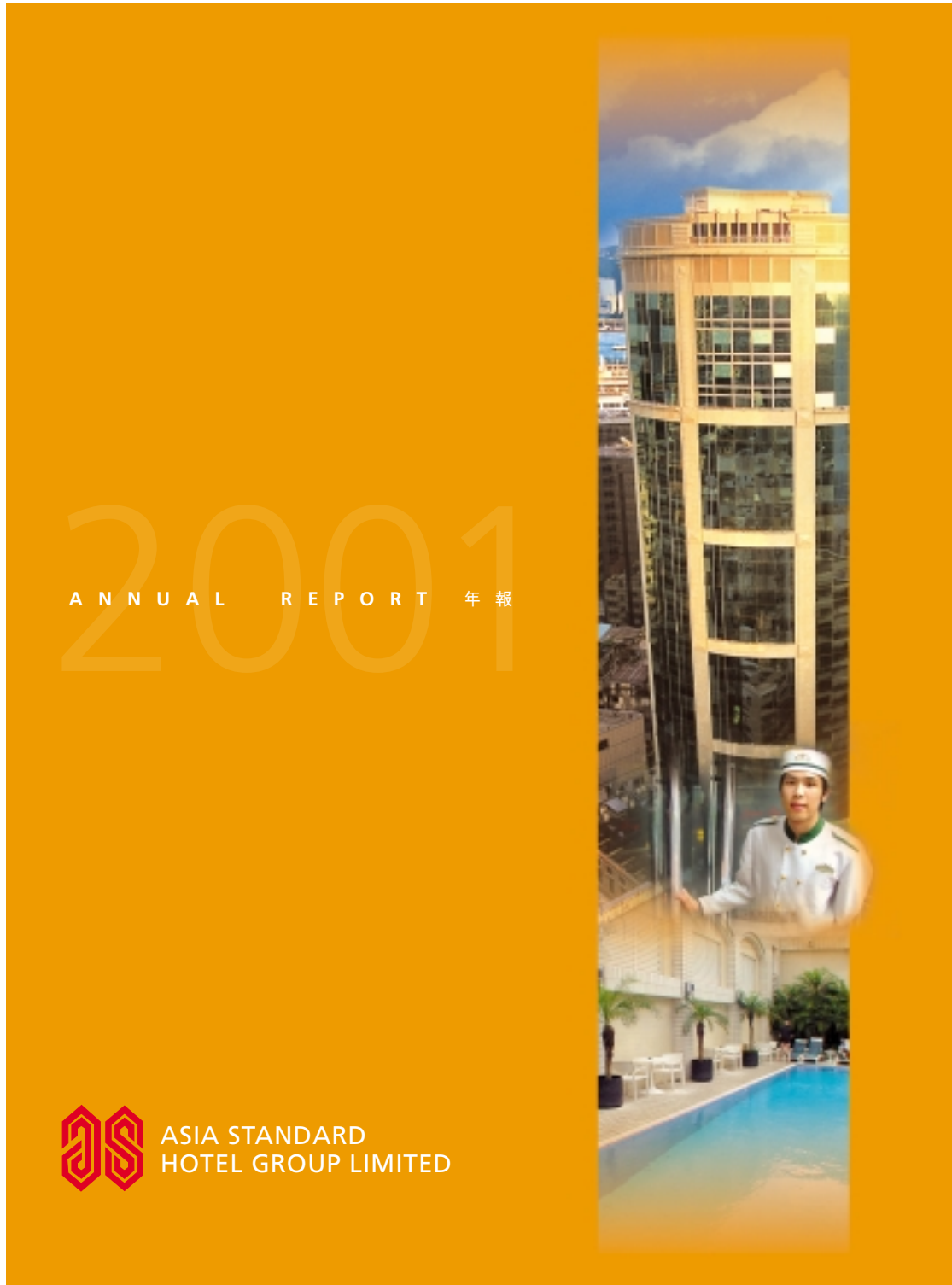


Asia Standard Hotel Group Limited Annual Report 2001



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders of the Company will be held at Empire Hotel, Basement 2, 33 Hennessy Road, Wanchai, Hong Kong on 27th August 2001 (Monday) at 10:00 a.m. for the following purposes:-

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March 2001;
2. To re-elect retiring Directors and approve their remuneration;
3. To appoint auditors and authorise the board of directors to fix their remuneration;
4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions: -

A. “THAT

- (a) subject to paragraph 4A(c) of this Resolution, the Directors be and they are generally and unconditionally authorised to exercise during the Relevant Period (as defined in paragraph 4A(d) of this Resolution) all the powers of the Company to allot, issue or otherwise deal with shares of HK\$0.02 each in the capital of the Company (“Shares”) and to make or grant offers, agreements and options which might require the exercise of such powers;
- (b) the approval in paragraph 4A(a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally, or unconditionally, to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph 4A(a) of this Resolution, otherwise than pursuant to: -
 - (i) a Rights Issue (as defined in paragraph 4A(d) of this Resolution);
 - (ii) the exercise of rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares;
 - (iii) the exercise of any option granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of options to subscribe for or rights to acquire Shares; and
 - (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-Laws of the Company;

shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly;

(d) for the purpose of this Resolution:-

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of: -

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable laws to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the board of directors of the Company made to holders of Shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the board of directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, or in any territory outside, Hong Kong).”

B. “THAT

- (a) subject to paragraph 4B(b) of this Resolution, the Directors be and they are generally and unconditionally authorised to exercise during the Relevant Period (as defined in paragraph 4B(c) of this Resolution) all powers of the Company to repurchase Shares and warrants of the Company listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or any other stock exchange on which the Shares and warrants of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or that of any other stock exchange as amended from time to time;
- (b) (i) the aggregate nominal amount of the Shares to be repurchased by the Company pursuant to paragraph 4B(a) of this Resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution; and

- (ii) the warrants to be repurchased by the Company pursuant to paragraph 4B (a) of this Resolution during the Relevant Period shall not exceed 10 per cent of the outstanding warrants in issue as at the date of passing this Resolution;

and approvals granted under paragraph 4B(a) of this Resolution shall be limited accordingly; and

- (c) for the purpose of this Resolution: -

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of: -

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable laws to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by way of ordinary resolution of the shareholders of the Company in general meeting.”

C. “**THAT** conditional upon Resolutions 4A and 4B in the notice convening this meeting of which this Resolution forms part being passed, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with Shares pursuant to Resolution 4A above be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution 4B above.”

By Order of the Board
Lee Tai Hay, Dominic
Secretary

Dated 13th July 2001

Principal Office in Hong Kong
27th Floor, Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Notes:

- (1) Every member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.*
- (2) A form of proxy for use at the above meeting is enclosed herewith.*
- (3) Where there are joint holders of any shares, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such shares as if they were solely entitled thereto provided that if more than one of such joint holders be present at the meeting personally or by proxy, the person whose name stands first on the register of members in respect of such shares shall alone be entitled to vote in respect thereof.*
- (4) To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy or office copy of such power or authority must be deposited at the Company's principal office in Hong Kong at 27th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting (or any adjournment thereof).*
- (5) An explanatory statement containing the information regarding the Ordinary Resolution No. 4 set out in the above notice will be sent to shareholders of the Company.*

CORPORATE INFORMATION

Directors

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

Audit Committee

Mr. Liang Shangli
Mr. Lee Man Kwong

Authorised Representatives

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

Company Secretary

Mr. Lee Tai Hay, Dominic

Registered Office

Cedar House,
41 Cedar Avenue,
Hamilton HM12,
Bermuda

Principal Office in Hong Kong

27th 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

Hang Seng Bank Limited
Sin Hua Bank Limited
The China State Bank Limited
Royal Bank of Canada
HSBC 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 Corporate Services Limited
Rosebank Centre,
11 Bermudiana Road,
Pembroke, Bermuda

Hong Kong Branch Share Registrar And Transfer Office

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

DIRECTORS AND SENIOR MANAGEMENT

Directors

POON Jing

Age 46. Chairman of the Company, Managing Director of Asia Standard International Group Limited (“ASI”) and Asia Orient Holdings Limited (“Asia Orient”). Mr. Poon is the founder of the Group and is an independent non-executive director of GZI Transport Limited. He is the brother-in-law of Mr. Fung Siu To, Clement and Mr. Lim Yin Cheng, a Director and Deputy Chairman of the Company respectively.

LIM Yin Cheng

Age 56. Deputy Chairman of the Company, ASI and Asia Orient. Mr. Lim is a holder a Bachelor of Science (Chemical Engineering) and Doctor of Philosophy degrees. He has over 25 years of experience in engineering, project management and administration of petrochemical and energy projects. He joined the Group in 1994. He is the brother-in-law of Mr. Poon Jing, the Chairman of the Company.

FUNG Siu To, Clement

Aged 53. Director of the Company and Chairman of ASI and Asia Orient. Mr. Fung is a holder of a Bachelor of Applied Science (Civil Engineering) degree. He joined the Group in 1994 and has over 20 years of experience in project management and construction. He is the brother-in-law of Mr. Poon Jing, the Chairman of the Company.

LEUNG King Yin, Kevin

Aged 39. Director of the Company and ASI. Mr. Leung is a holder of a Bachelor of Architecture degree. He is an Authorised Person under the Buildings Ordinance of Hong Kong, a registered architect in Australia and a member of both Royal Institute of British Architects and Royal Australian Institute of Architects. He joined the Company in 2000 and is responsible for property development.

KESSLER, Thomas Alwin

Aged 46. Director of Hotel Operations of the Company. Mr. Kessler joined the Group in 1997. He is responsible for the management of the Group’s hospitality operations and its corporate services. He has over 20 years of experience in the hotel business and has held senior positions in hotel business in Asia and Europe.

POON Tin Sau, Robert

Aged 55. Director of Food and Beverage of the Group. Mr. Poon ran a number of Chinese and Western restaurants in New York and New Jersey in the United States of America during the period from 1970 to 1996 and joined the Group in 1996.

WONG Shu Pui

Aged 46. General Manager of Empire Kowloon Hotel. Mr. Wong has over 25 years of experience in the hotel industry and has held senior positions in a number of international hotels in Hong Kong and joined the Group in July 2000.

Independent Non-executive Directors

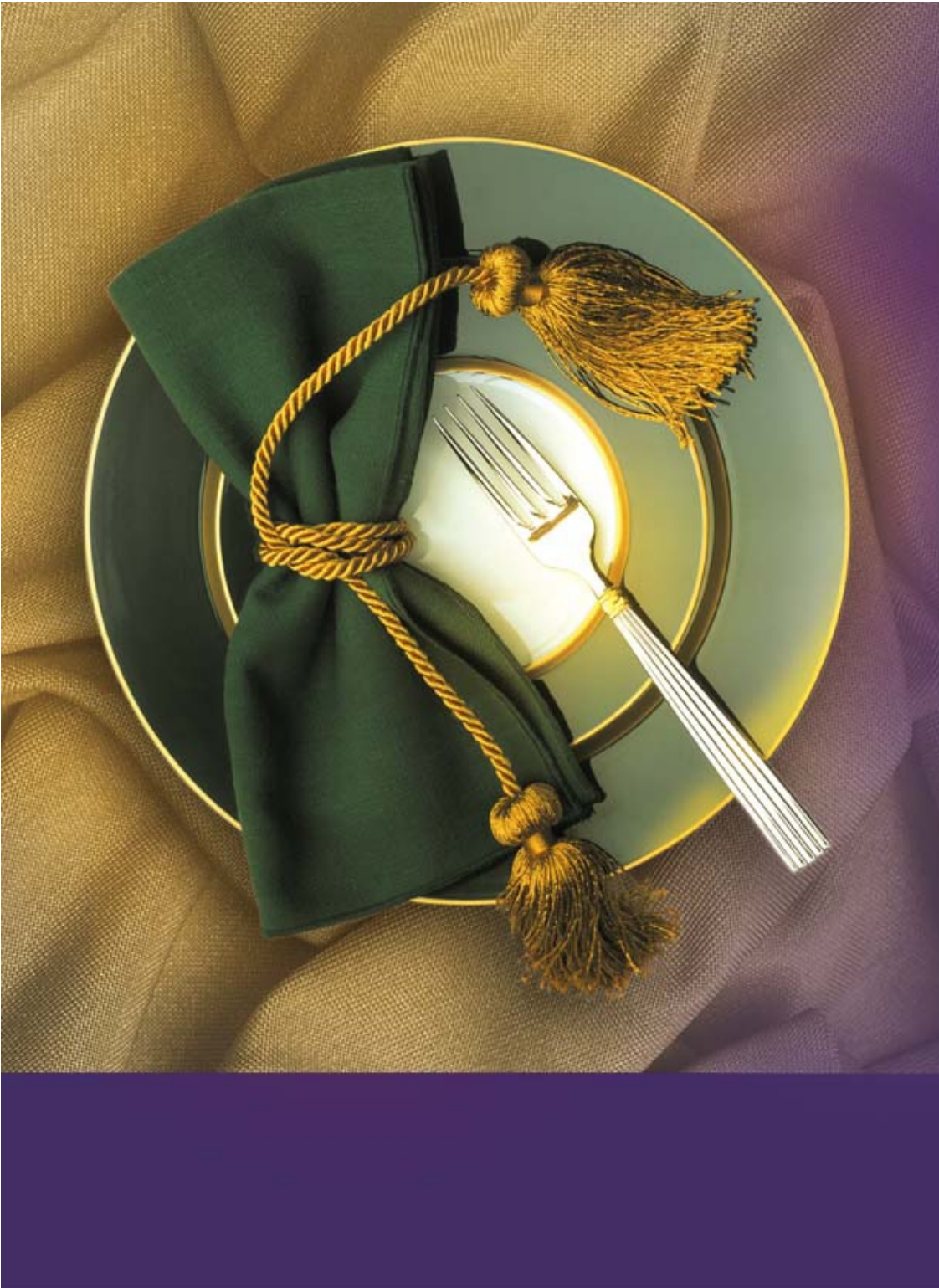
LIANG Shangli

Aged 80. Mr. Liang is the founder and Chairman of Bai Hui Group Company Limited, a property development company in the People's Republic of China ("PRC"). Prior to establishing Bai Hui Group Company Limited in 1992, Mr. Liang worked for the Guangzhou Investment Group, a property development company in the PRC, as a chairman for over 9 years. He is a Standing Committee Member of the Chinese People's Political Congress Committee, the PRC and the vice-chairman of the National Industrial and Commercial Association of the PRC. He joined the Group as an independent non-executive Director in January 2000.

LEE Man Kwong

Aged 46. Mr. Lee has been practising as a solicitor in Hong Kong for over 18 years and is a partner of Messrs. Chan, Lau & Wai. He is also a solicitor qualified in England and Wales and Singapore. He joined the Group as an independent non-executive Director in January 2000.

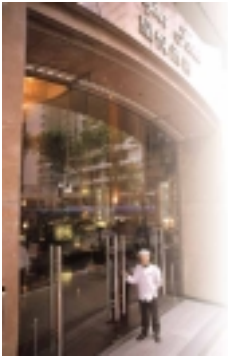
CHAIRMAN'S STATEMENT



CLASSY

MAKING YOU FEEL AT HOME





I am pleased to present the annual report of the Group for the year ended 31st March 2001 to the shareholders.

Results

Group turnover amounted to HK\$160 million for the year ended 31st March 2001 (2000: HK\$175 million), while profit attributable to shareholders increased by 8% to HK\$29 million (2000: HK\$27 million).



Business Review

The Empire Hotel, Hong Kong

Hong Kong tourism industry continues to improve with total visitors arrival for the year to December 2000 reaching a new record of just under 13 million high surpassing the record in the pre-Handover tourism peak of 1996.

Hotel occupancy in Hong Kong averaged 83% in 2000 which is the highest occupancy since the last record high occupancy of 88% in 1996 despite a 2.9% increase in the number of available room to just under 35,000.

Despite a slight decrease in Empire Hotel Hong Kong's occupancy from 88.3% in 2000 to 86.8% in 2001, rooms revenue increased by 14.9% boosted by a 18.5% increase in average rate from HK\$361 in 2000 to HK\$428 in 2001.

The decrease in food and beverage sales is due to the leasing out of space where the original Chinese restaurant was situated, which added rental income of HK\$4 million and reduced the operating cost and manpower.



The Empire Landmark Hotel, Vancouver

Vancouver saw a 10% increase of hotel room supply for the year to December 2000. The increase in room inventory coupled with the slow down in the US economy have adversely affected room rates and occupancy in the Canadian hotel markets.

Due to the weak hotel market conditions in Vancouver together with a major renovation program which was carried out in the hotel during December 1999 to July 2000, Landmark Hotel saw 6% decrease in its occupancy from 64.2% in 2000 to 60.3% in 2001. During the same period, Landmark Hotel's average rate fell by 2% from C\$123 in 2000 to C\$120 in 2001.



The Empire Hotel, Kowloon

The Empire Kowloon Hotel obtained its occupancy permit in April 2001. Interior fitting out is currently in progress with soft opening anticipated shortly. Located in the heart of the Tsimshatsui tourist area, with hi-tech and fully-equipped guests facilities, Empire Kowloon Hotel is expected to generate high occupancy and favourable room rates. The addition of the new hotel will further enhance the financial position of the Group.

Financial Review

Shareholders' funds at 31st March 2001 stood at HK\$2.0 billion (2000: HK\$1.5 billion). Total assets amounted to HK\$3.2 billion (2000: HK\$2.8 billion). Net debt (total borrowings less bank balances) was HK\$1.0 billion (2000: HK\$1.1 billion). The gearing ratio (net debt to net assets) has been reduced substantially from 75% in 2000 to 52% in 2001.

Employee and Remuneration Policies

The Company and its subsidiaries had a total of approximately 450 employees at the end of the year. Their remuneration package, which commensurate with their job nature and experience level, include basic salary, annual bonus, share option, retirement and other benefits.

Future Prospects

In Hong Kong the tourist industry is expected to benefit from the imminent entry of WTO by China and the recovery of East Asia economies from the 1997 economic turmoil helped by a series of interest rate cuts both in the United States and in Hong Kong. In Canada, the weakening of the Canadian dollar and recent interest cuts are also expected to have a favourable impact on tourist industry and hotel markets in particular.

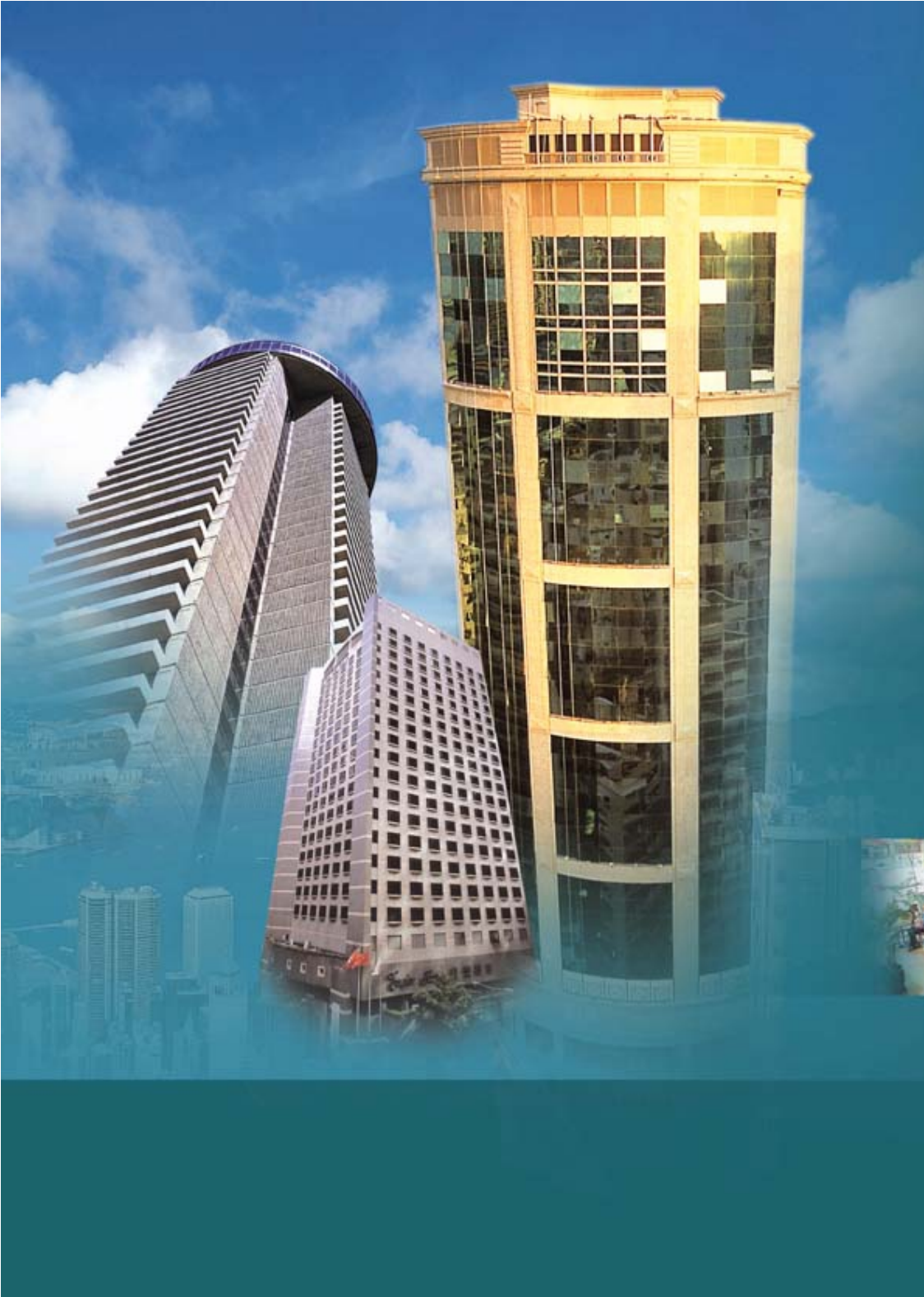
The Group looks forward to an exciting year with the addition of a new hotel in Kowloon and sustained growth both locally in Empire Hotel Hong Kong and Landmark Hotel Vancouver.

Poon Jing

Chairman

Hong Kong, 13th July 2001

REPORT OF THE DIRECTORS



STYLISH
HOMELY AND TASTEFULLY
DECORATED ENVIRONMENT



The Directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March 2001.

Group Reorganisation

Pursuant to a group reorganisation (“Reorganisation”) completed in late July 2000, the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Reorganisation are disclosed in note 1 to the accounts.

Principal Activities And Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 24 to the accounts.

The activities of the Group are mainly based in Hong Kong and Canada. Analyses of the Group’s turnover and contribution to operating profit by principal activity and by principal market are set out in note 3 to the accounts.

Results and Appropriations

The results of the Group for the year ended 31st March 2001 are set out in the consolidated profit and loss account on page 23.

The Directors have declared an interim dividend of HK0.2 cent per share, totalling HK\$10,000,000, which was paid on 1st March 2001.

The Directors do not propose the payment of a final dividend.

Financial Summary

A financial summary of the results and of the assets and liabilities of the Group is set out on page 47.

Purchase, Sale or Redemption of Listed Securities

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

Fixed Assets

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

Hotel Properties

Details of the hotel properties of the Group are set out on page 48.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 17 to the accounts.

During the year, the net proceeds of HK\$321 million from the initial offer of the Company's shares in July 2000 have been utilised as follows:

- Approximately HK\$140.0 million was used for repayment of bank loan and interest expenses;
- Approximately HK\$2.7 million was spent on pre-opening expenses of the Empire Kowloon Hotel;
- HK\$3.6 million representing a 10% deposit of the purchase consideration was applied to a strategic investment at year end.
- HK\$52.3 million has been used for payment of group's normal operating expenses.
- From the remaining funds of HK\$122.4 million, HK\$50 million has been invested in short term investments and the balance was placed in bank deposits.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 18 to the accounts.

Directors

The Directors of the Company during the year and at the date of this report were:

Mr. Poon Jing

Mr. Lim Yin Cheng

Mr. Fung Siu To, Clement

Mr. Leung King Yin, Kevin

Mr. Kessler, Thomas Alwin

Mr. Poon Tin Sau, Robert

Ms. Hagen, Linda Susan (resigned on 18th April 2000)

Mr. Rodrigues, Bernard Francis (appointed on 18th April 2000 and resigned on 1st April 2001)

Ms. So Kit Sung (resigned on 3rd October 2000)

Mr. Wong Shu Pui (appointed on 3rd October 2000)

Mr. Lee Man Kwong

Mr. Liang Shangli

In accordance with Bye-law 99 of the Company's Bye-Laws, all present Directors retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the Directors has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Biographical Details of Directors and Senior Management

Biographical details of Directors and senior management are set out on pages 6 to 7.

Directors' Interests in Contracts

Save for contracts amongst group companies, no other contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company was a party and in which a Director of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected Transactions

The Group has the following transactions with Asia Standard International Group Limited ("ASI"), a substantial shareholder, and its subsidiaries other than the Group, which were connected transactions within the meaning of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

1. The Group has been leasing several office floors and a flat as staff quarter from subsidiaries of ASI at a total rental of HK\$2,052,000 for the year ended 31st March 2001 (2000:HK\$1,952,000).
2. The Group has received remuneration and fees totalling HK\$2,875,000 (2000:HK\$3,763,000) from various subsidiaries and associated companies of ASI relating to the provision of estate management services, cleaning and security services, and mechanical and electrical services.
3. A subsidiary of the Company has paid loan interest of HK\$22,287,000 (2000:HK\$24,152,000) to a wholly-owned subsidiary of ASI for a loan borrowed, on normal commercial terms, to finance part of the payment of land costs, interest, bank loan, administration and consultancy fees relating to the construction of Empire Hotel Kowloon. The loan was subject to an interest rate of 9.15% per annum and changed to 1.5% over prime rate after the listing of the Company. The loan was fully repaid during the year.
4. Being the owner of the Empire Hotel, a subsidiary of the Company has made arrangements with ASI whereby credits and discounts are offered to the directors and staff members of, inter alia, ASI and its subsidiaries and associated companies in respect of Empire Hotel rooms occupied and food and beverages consumed at the Empire Hotel. The aggregate of such charges received for the year ended 31st March 2001 was HK\$772,000 (2000:HK\$1,030,000).

5. A wholly-owned subsidiary of ASI, has been appointed by a wholly-owned subsidiary of the Company to construct the Empire Hotel Kowloon on an arm's length basis and at a rate which is based on the stage of completion of the construction work. The total contract sum is HK\$307,460,000 and the aggregate construction costs paid for the year ended 31st March 2001 was HK\$88,460,000 (2000:HK\$29,209,000).
6. On 6th April 2001, the Company through a wholly-owned subsidiary acquired the entire issued share capital of JBC Travel Company Limited at a consideration of HK\$36,000,000, from Hong Kong Enterprise International Limited, a company owned by Mr. Poon Jing.

This constitutes a connected transaction by virtue of Mr. Poon Jing being a Director and substantial shareholder of the Company. Details of the transaction were disclosed in an announcement dated 8th February 2001.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has granted, subject to certain conditions, waivers from strict compliance with the requirements stipulated in Chapter 14 of the Listing Rules in respect of the normal disclosure and / or shareholder's approvals of the transactions set out in sections (1) to (5). The independent non-executive directors have reviewed the above connected transactions and confirmed that the transactions were:

- (i) entered into in the ordinary and usual course of business of the Group;
- (ii) entered into on normal commercial terms and on an arm's length basis;
- (iii) fair and reasonable so far as the shareholders of the Company as a whole are concerned;
- (iv) carried out in accordance with the terms of the relevant agreements, documents or arrangements governing such transactions; and
- (v) approved by the Board.

All of the above connected transactions are also disclosed as related party transactions in note 22 and as subsequent event in note 25 to the accounts.

Arrangements to Purchase Shares or Debentures

Apart from the share option scheme of the ultimate holding company, Asia Orient and that of ASI, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' and Chief Executives' Interests in Equity Securities

As at 31st March 2001, the interests of the Directors and Chief Executives in the equity securities of the Company and its associated corporations (as defined under the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)), as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or as otherwise known to the Directors, were as follows:

(a) The Company

Interests in shares

Name of Director	Number of shares held		
	Personal interests	Corporate interests	Total as at 31st March 2001
Mr. Poon Jing	248,937	3,699,148,774	3,699,397,711

Interests in warrants

Name of Director	Number of warrants held		
	Personal interests	Corporate interests	Total as at 31st March 2001
Mr. Poon Jing	49,248	731,814,267	731,863,515

In addition, by virtue of his interest in the Company through 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

Interests in shares

	Nature of interest	Number of shares held as at 31st March 2001
Asia Orient		
Mr. Poon Jing	Personal	1,481,233,800
	Family	69,826,000
	Corporate	1,900,584,936
ASI		
Mr. Poon Jing (note 1)	Personal	4,445,650
	Corporate	2,196,391,030
Centop Investment Limited (note 2)		
Mr. Poon Jing and Mr. Fung Siu To, Clement	Corporate	20
Mark Honour Limited (note 2)		
Mr. Fung Siu To, Clement	Personal	1

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 other than the Group.

Interests in share options

	Nature of interest	Number of options exercised during the period	Exercise price per share	Number of options held as at 31st March 2001
Asia Orient				
Mr. Fung Siu To, Clement	Personal	Nil	HK\$0.3466	15,000,000
Mr. Lim Yin Cheng	Personal	Nil	HK\$0.3466	15,000,000
Mr. Leung King Yin, Kevin	Personal	Nil	HK\$0.3466	15,000,000

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

Interests in warrants

Name of Director	Name of associated corporation	Number of warrants held		Total as at 31st March 2001
		Personal interests	Corporate interests	
Mr. Poon Jing	ASI	683,999	439,650,816	440,334,815

The warrants were approved by the shareholders of ASI at Special General Meetings on 26th September 2000. The warrants were granted on 27th September 2000. In addition, by virtue of his interests in Asia Orient, Mr. Poon Jing is deemed to be interested in the warrants held by Asia Orient and its subsidiaries.

Save as disclosed above, none of the Directors or Chief Executive was interested in the equity securities of the Company or any of its subsidiaries or associated corporations as at 31st March 2001 and none of the Directors or Chief Executive or his spouse or children under 18 years of age had been granted or exercised any right to subscribe for the equity securities of the Company during the year.

Substantial Shareholders

As at 31st March 2001, the register of substantial shareholders maintained pursuant to Section 16(1) of the SDI Ordinance showed that the following parties had interests of 10% or more of the issued share capital of the Company.

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

Notes:

- (1) *Asia Standard International Limited is a wholly-owned subsidiary of ASI and ASI is deemed to be interested in and duplicates all the shares held by Asia Standard International Limited.*
- (2) *Asia Orient Company Limited and its subsidiaries together hold more than 35% 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.*

Pre-emptive Rights

No pre-emptive rights exist in Bermuda in respect of the Company's share capital.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers and Suppliers

During the year, purchases attributable to the Group's five largest suppliers and turnover attributable to the Group's five largest customers were both less than 30% of the total purchases and turnover of the Group, respectively.

Corporate Governance

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules from 25th July 2000 (date of listing of the Company's shares) to the date of this report.

Audit Committee

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

Subsequent Event

Details of significant subsequent event is set out in note 25 to the accounts.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

POON JING

Chairman

HONG KONG, 13th July 2001

REPORT OF AUDITORS

TO THE SHAREHOLDERS OF
ASIA STANDARD HOTEL GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the accounts on pages 23 to 46 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Company's Directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st March 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PRICEWATERHOUSECOOPERS
Certified Public Accountants

HONG KONG, 13th July 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For The Year Ended 31st March 2001

	<i>Note</i>	2001	2000
		HK\$'000	HK\$'000
Turnover	3	160,457	174,902
Cost of sales		(62,385)	(77,405)
Gross profit		98,072	97,497
Other income	4	7,821	312
Administrative expenses		(60,184)	(55,037)
Operating profit	5	45,709	42,772
Finance costs	6	(16,811)	(15,452)
Profit before taxation		28,898	27,320
Taxation credit / (charge)	8	267	(364)
Profit attributable to shareholders	9	29,165	26,956
Dividend	10	10,000	–
Earnings per share	11	0.64 cent	0.77 cent

CONSOLIDATED BALANCE SHEET

As At 31st March 2001

	<i>Note</i>	2001 HK\$'000	2000 HK\$'000
Fixed assets	<i>12</i>	3,026,974	2,718,416
<hr/>			
Current assets			
Inventories		1,992	1,997
Other investment, unlisted		49,500	–
Debtors and prepayments	<i>14</i>	28,540	31,682
Amount due from a fellow subsidiary		–	3,845
Tax recoverable		178	–
Bank balances and cash		125,813	15,452
		206,023	52,976
<hr/>			
Current liabilities			
Creditors and accruals	<i>15</i>	60,938	49,710
Amounts due to fellow subsidiaries	<i>16</i>	12,633	40,487
Current portion of long term liabilities	<i>19</i>	27,976	75,802
Taxation		–	198
		101,547	166,197
<hr/>			
Net current assets / (liabilities)		104,476	(113,221)
<hr/>			
		3,131,450	2,605,195
<hr/>			
Financed by:			
Share capital	<i>17</i>	101,044	70,000
Reserves	<i>18</i>	1,890,330	1,453,901
Shareholders' funds		1,991,374	1,523,901
Long term liabilities	<i>19</i>	1,140,076	1,081,294
		3,131,450	2,605,195

Lim Yin Cheng

Director

Fung Siu To, Clement

Director

BALANCE SHEET*As At 31st March 2001*

	<i>Note</i>	2001	2000
		HK\$'000	HK\$'000
Subsidiaries	<i>13</i>	1,446,222	–
<hr/>			
Current assets			
Other receivables and prepayments		5	3,804
Bank balances and cash		44,076	–
		44,081	3,804
Current liabilities			
Accruals		356	–
Amounts due to fellow subsidiaries		–	3,704
Net current assets		43,725	100
		1,489,947	100
<hr/>			
Financed by:			
Share capital	<i>17</i>	101,044	100
Reserves	<i>18</i>	1,388,903	–
Shareholders' funds		1,489,947	100

Lim Yin Cheng
Director

Fung Siu To, Clement
Director

CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended 31st March 2001

	Note	2001 HK\$'000	2000 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	23(a)	63,528	64,579
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		6,778	354
Interest paid		(109,456)	(65,424)
Dividend paid		(467)	–
Interest element on finance lease		(34)	(39)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(103,179)	(65,109)
TAXATION			
Hong Kong profits tax paid		(109)	(475)
INVESTING ACTIVITIES			
Expenditure on hotel property under development		(137,641)	(40,482)
Additions to hotel properties and other fixed assets		(9,678)	(24,098)
Proceeds from disposal of other investments		36,650	–
Purchase of other investment		(86,136)	–
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(196,805)	(64,580)
NET CASH OUTFLOW BEFORE FINANCING		(236,565)	(65,585)
FINANCING			
Decrease in contribution from an intermediate holding company prior to the Reorganisation		(2,571)	(8,470)
Issue of shares		352,776	–
Exercise of warrants		1	–
Share issue expenses		(31,483)	–
Drawdown of long term bank loans		492,865	49,009
Repayment of long term bank loans		(123,688)	(52,071)
(Decrease)/increase in amount due to a fellow subsidiary		(342,451)	78,050
Repayment of finance lease		(73)	(38)
NET CASH INFLOW FROM FINANCING	23(b)	345,376	66,480
INCREASE IN CASH AND CASH EQUIVALENTS		108,811	895
BANK BALANCES AND CASH AT BEGINNING OF YEAR		15,452	14,437
Changes in exchange rates		1,550	120
BANK BALANCES AND CASH AT END OF YEAR		125,813	15,452

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For The Year Ended 31st March 2001

	<i>Note</i>	2001	2000
		HK\$'000	HK\$'000
Exchange difference arising on translation			
of accounts of overseas subsidiaries	<i>18</i>	(8,527)	4,994
Revaluation surplus / (deficit) on hotel properties	<i>18</i>	128,579	(113,259)
Gains / (losses) not recognised in the profit			
and loss account		120,052	(108,265)
Profit for the year attributable to shareholders		29,165	26,956
Total recognised gains / (losses)		149,217	(81,309)

NOTES TO THE ACCOUNTS

1 Group Reorganisation and Basis of Preparation

Pursuant to a corporate reorganisation (the “Reorganisation”), in preparation of the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the subsidiaries now comprising the Group. The Reorganisation of the Group was completed on 19th July 2000 and the shares of the Company were then listed on the Stock Exchange on 25th July 2000.

Although the reorganised group structure did not legally exist prior to the Reorganisation, the Group is considered to be a continuing entity. Accordingly the accounts for the two years ended 31st March 2001 have been prepared using the merger method of accounting.

2 Principal Accounting Policies

The accounts have been prepared under the historical cost convention as modified by the revaluation of hotel properties. The principal accounting policies adopted in the preparation of the accounts, which conform with accounting principles generally accepted in Hong Kong, are as follows:

(a) Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and all of its subsidiaries made up to 31st March. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated profit and loss account from the effective date of acquisition and up to the effective date of disposal respectively. All significant intra-group transactions and balances have been eliminated.

(b) Subsidiaries

A company is a subsidiary if more than 50% of the voting capital is held for the long term or if the composition of the board of directors is controlled by the Group. Investments in subsidiaries are carried at or below cost. Provision is made when, in the opinion of the Directors, there is a diminution in value other than temporary in nature.

(c) Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation.

(i) Hotel properties

Hotel properties are interests in land and buildings and their integral fixed plant, fixtures and fittings which are collectively used in the hotel operation. The initial cost of the hotel operating equipment (linen, silverware and chinaware) was included in the cost of hotel properties and subsequent additions or replacements are charged to the profit and loss account as incurred. Hotel properties are revalued annually based on independent professional valuations on an open market value basis. Changes in the values of hotel properties are dealt with as movements in the hotel properties revaluation reserve. If the reserve is insufficient to cover a revaluation deficit, the excess of the deficit is charged to the profit and loss account.

No depreciation is provided on hotel properties on leases of more than twenty years. It is the Group's practice to maintain hotel buildings in a continued state of sound repair and to make improvements thereto from time to time and accordingly the Directors consider that, given the estimated lives of the hotel properties, any depreciation charge would be insignificant due to their high residual value. Such expenditure on repairs and maintenance on hotel properties is charged to the profit and loss account as incurred.

(ii) Hotel properties under development

Hotel properties under development are stated at cost, which comprise land cost, developments costs, interest and other direct expenses capitalised. Provision is made when, in the opinion of the Directors, there is a diminution in value other than temporary in nature. No depreciation is provided on hotel properties under development.

(iii) Other fixed assets

Other fixed assets are depreciated using the straight-line method to write off their costs over their estimated useful lives of five years.

Profit or loss on disposal of fixed assets is determined as the difference between the net disposal proceeds and the carrying amounts of the assets and is dealt with in the profit and loss account.

(d) Inventories

Inventories comprise primarily food, beverages and operating supplies and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(e) Other investments

Other investments comprise debt securities and are stated in the balance sheet at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair values are recognised in the profit and loss account. Profits or losses on disposals of such investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(f) Borrowing costs

Borrowing costs incurred on hotel properties under development that necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of the properties.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(g) Deferred taxation

Deferred taxation is provided 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 is expected to be payable or recoverable in the foreseeable future.

(h) Finance leases

Leases that substantially transfer to the Group all the rewards and risks of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals. Assets held under finance leases are depreciated over their estimated useful lives or, if shorter, the relevant finance lease periods. Amounts payable in respect of finance leases are apportioned between interest charges and a reduction of the lease obligations based on the interest rates implicit in the relevant leases.

(i) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the terms of the leases.

(j) Revenue recognition

Revenue from hotel operations is recognised upon provision of services. Operating lease rental income is recognised on a straight-line basis over the term of the lease. Management fee income is recognised when services are rendered. Interest income is recognised on a time proportion basis that takes into account the principal amounts outstanding and the effective interest rate applicable.

(k) **Foreign currencies**

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates ruling at that date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising therefrom are dealt with as a movement in reserves.

3 Turnover and Contribution to Operating Profit

The Group is principally engaged in hotel operations and management services. Turnover represents gross revenue from hotel operations, operating lease rental income and management services income.

Analyses of the Group's turnover and contribution to operating profit by each principal activity and principal market are set out below:

	Turnover		Contribution to operating profit	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity				
Hotel				
Room rentals	98,422	99,217	76,361	74,093
Food and beverages	38,960	54,099	8,440	12,485
Ancillary services	8,019	9,540	5,172	6,160
Rental income	3,563	–	3,563	–
Management services	11,493	12,046	4,536	4,759
	160,457	174,902	98,072	97,497
Other income			7,821	312
Administrative expenses			(60,184)	(55,037)
Operating profit			45,709	42,772
By principal market				
Hong Kong	86,338	89,014	55,521	47,730
Canada	74,119	85,888	42,551	49,767
	160,457	174,902	98,072	97,497
Other income			7,821	312
Administrative expenses			(60,184)	(55,037)
Operating profit			45,709	42,772

4 Other Income

	2001 HK\$'000	2000 HK\$'000
Interest income		
Bank deposits	6,295	–
Unlisted investment	1,353	–
Miscellaneous	173	312
	7,821	312

5 Operating Profit

	2001 HK\$'000	2000 HK\$'000
Operating profit is stated after crediting and charging the following:		
Crediting		
Operating lease rental income for land and buildings	3,563	–
Charging		
Staff costs	55,380	62,825
Provision for doubtful debts	–	442
Operating lease rental expense for land and buildings payable to fellow subsidiaries	2,052	1,952
Exchange loss	1,538	66
Depreciation	606	685
Auditors' remuneration	852	751
Retirement benefit costs (note a)	183	199
(a) Retirement benefit costs		
Gross contributions	485	199
Forfeitures utilised	(302)	–
Net contributions	183	199

The Group participates in two types of defined contribution schemes, namely the Mandatory Provident Fund (“MPF”) Scheme and Occupational Retirement Scheme Ordinance (“ORSO”) Scheme for employees.

The Group participates in several defined contribution schemes under the ORSO which are available to employees joining before 1st December 2000. Under these schemes, contributions of 5% of the employee's monthly salaries are made by the employees and by the Group. The Group's contributions to these schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The Group also participates in the MPF Scheme which are available to all employees not joining the ORSO schemes. Monthly contributions to the MPF scheme are made equal to 5% of the employee's relevant income in accordance with the legislative requirements and are expensed as incurred. The assets of all retirement schemes are held separately from those of the Group in independently administered funds.

The Group's contribution to the ORSO Scheme has been suspended since 1st March 1999 but was re-instated during the current year.

As at 31st March 2000 and 2001, no forfeitures was available to reduce the Group's future contributions.

6 Finance Costs

	2001 HK\$'000	2000 HK\$'000
Interest expense		
Bank loans and overdrafts	82,328	65,802
Amount due to a fellow subsidiary	22,287	24,152
Finance lease obligations not wholly payable within five years	34	39
Other incidental borrowing costs	6,554	656
Interest income	–	(563)
	111,203	90,086
Amount capitalised in cost of hotel property under development	(94,392)	(74,634)
	16,811	15,452

7 Directors' and Senior Management's Emoluments

- (i) The aggregate amount of emoluments payable to Directors of the Company during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Fees	40	–
Salaries and other emoluments	11,182	3,027
	11,222	3,027

The emoluments of individual Directors fell within the following bands:

	2001 Number	2000 Number
Emolument bands		
HK\$Nil – HK\$1,000,000	8	9
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	2	–
HK\$2,500,001 – HK\$3,000,000	2	–
	12	10

- (ii) Emoluments paid to independent non-executive directors amounted to HK\$40,000 (2000: Nil) during the year. None of the directors has waived the right to receive their emoluments.
- (iii) The five highest paid individuals in the Group for the year include five (2000: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals in 2000, which individually fell below HK\$1,000,000, amounted to HK\$1,115,000 in aggregate.

8 Taxation Credit/(Charge)

	2001 HK\$'000	2000 HK\$'000
Current year provision	(5)	(391)
Overprovision in prior years	272	27
	267	(364)

Hong Kong profits tax has been provided at the rate of 16% (2000:16%) on the estimated assessable profits for the year. No provision for overseas taxation has been made as there are no assessable overseas profits for the year (2000: Nil).

Tax losses available at 31st March 2001 to reduce future taxable profits of subsidiaries to which they relate amounted to approximately HK\$281 million (2000:HK\$269 million). No deferred taxation has been provided as there are no material timing differences which would result in a liability payable or asset recoverable in the foreseeable future.

The surplus on revaluation of the Hong Kong hotel property does not constitute a timing difference for deferred tax purposes as realisation of the revaluation surplus would not result in a tax liability. Realisation of the surplus on revaluation of the Canadian hotel property would give rise to a taxation liability in Canada, which would amount to approximately HK\$4.8 million at 31st March 2001 (2000:HK\$8.4 million). No provision has been made in the accounts for this liability as the property is held for the long term and management has no intention to dispose of the property in the foreseeable future.

9 Profit Attributable to Shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of HK\$891,000 (2000: Nil).

10 Dividend

	2001 HK\$'000	2000 HK\$'000
Interim dividend with a scrip option, paid, of HK0.2 cent (2000:Nil) per share	10,000	—

11 Earnings Per Share

The calculation of earnings per share is based on the consolidated profit attributable to shareholders of HK\$29,165,000 and on the weighted average 4,556,491,572 shares in issue during the year ended 31st March 2001. The calculation of earnings per share for the year ended 31st March 2000 was based on the profit attributable to shareholders of HK\$26,956,000 and on the assumption that 3,500,000,000 shares (restated for the subdivision of 1 share to 5 shares in September 2000) issued pursuant to the Reorganisation mentioned in note 1 had been in issue throughout the 2000 financial period.

No diluted earnings per share is presented as the exercise of subscription rights attached to the bonus warrants would be anti-dilutive.

12 Fixed Assets

Group

	Hotel properties HK\$'000	Hotel property under development HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Cost or valuation				
At 31st March 2000	1,725,550	991,235	4,634	2,721,419
Exchange difference	(27,468)	–	–	(27,468)
Additions	9,606	196,615	72	206,293
Surplus on revaluation	130,339	–	–	130,339
At 31st March 2001	1,838,027	1,187,850	4,706	3,030,583
Accumulated depreciation				
At 31st March 2000	–	–	3,003	3,003
Charge for the year	–	–	606	606
At 31st March 2001	–	–	3,609	3,609
Net book value				
At 31st March 2001	1,838,027	1,187,850	1,097	3,026,974
At 31st March 2000	1,725,550	991,235	1,631	2,718,416

- (a) Hotel properties comprise a long term leasehold property in Hong Kong of HK\$1,480,000,000 (2000:HK\$1,350,000,000) and a freehold property in Canada of HK\$358,027,000 (2000:HK\$375,550,000). The properties were revalued by Knight Frank and Grant Thornton Management Consultants, independent professional valuers, on an open market value basis as at 31st March 2001, respectively.
- (b) Hotel property under development is held under a medium term lease in Hong Kong and is stated at cost as follows:

	2001 HK\$'000	2000 HK\$'000
Land	503,151	496,936
Incidental development expenditure	354,142	258,134
Borrowing costs capitalised	330,557	236,165
	1,187,850	991,235

- (c) All other fixed assets are stated at cost less accumulated depreciation. The net book value of the fixed assets held by the Group under a finance lease amounted to HK\$285,000 (2000:HK\$384,000).
- (d) The aggregate net book value of fixed assets pledged as securities for loans of the Group amounted to HK\$3,025,877,000 (2000:HK\$1,366,785,000).
- (e) At 31st March 2000, fixed assets pledged as securities for loans of a fellow subsidiary company amounted to HK\$1,350,000,000. Such pledge of fixed assets was released upon listing of the Company.

13 Subsidiaries

	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	1,446,549	–
Amounts due to subsidiaries	(327)	–
	1,446,222	–

Details of the principal subsidiaries are set out in note 24.

14 Debtors and Prepayments

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

	Group	
	2001 HK\$'000	2000 HK\$'000
0 day to 60 days	5,704	6,767
61 days to 120 days	507	1,031
More than 120 days	2,277	3,410
	8,488	11,208

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.

15 Creditors and Accruals

An ageing analysis of trade payables, which are included in creditors and accruals, is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
0 day to 60 days	6,513	7,958
61 days to 120 days	3,364	776
More than 120 days	127	498
	10,004	9,232

16 Amounts Due to Fellow Subsidiaries

Included in amounts due to fellow subsidiaries is construction cost of HK\$5,000,000 (2000:HK\$40,418,000) payable to a fellow subsidiary.

17 Share Capital

	Number of shares	HK\$'000
Authorised:		
Shares of HK\$0.1 each upon incorporation	1,000,000	100
Increase in shares of HK\$0.1 each during the year	4,999,000,000	499,900
Subdivision of 1 share to 5 shares at HK\$0.02 each	20,000,000,000	–
At 31st March 2001	25,000,000,000	500,000
	Number of shares	HK\$'000
Issued and fully paid:		
Issue of shares of HK\$0.1 each upon incorporation	1,000,000	100
Issue of shares of HK\$0.1 each pursuant to Reorganisation	699,000,000	69,900
	700,000,000	70,000
Issue of shares of HK\$0.1 each pursuant to share placement	300,000,000	30,000
Subdivision of 1 share to 5 shares at HK\$0.02 each	4,000,000,000	–
Exercise of warrants	5,648	–
Issued as scrip dividend	52,206,785	1,044
At 31st March 2001	5,052,212,433	101,044

The following changes in the share capital of the Company took place during the year:

- (a) On 19th July, 2000, the authorised share capital of the Company was increased by HK\$499,900,000 through the creation of 4,999,000,000 shares of HK\$0.1 each.

On the same date, 699,000,000 shares of HK\$0.1 each were issued and allotted to Asia Standard International Limited, a fellow subsidiary, by means of capitalisation of all amounts owing by the Group to fellow subsidiaries pursuant to the Reorganisation. In addition, 300,000,000 shares of HK\$0.1 each were issued and allotted to certain independent investors and Asia Orient Holdings Limited, the ultimate holding company, by way of a share placement at HK\$1.2 per share.

- (b) Pursuant to a resolution passed at a Special General Meeting held on 26th September 2000, the Company's issued and unissued shares of HK\$0.1 each were subdivided into five shares of HK\$0.02 each ("Subdivided Shares"). The Subdivided Shares rank pari passu in all respects with the shares in issue prior to the share subdivision.
- (c) Pursuant to a special resolution of the Company which was passed at the same Special General Meeting, a bonus issue of warrants was made on the basis of one warrant for every five Subdivided Shares of the Company held by shareholders (other than overseas shareholders) of the Company whose names appeared on the register of members on 26th September 2000. Each warrant entitles its holder to subscribe for fully paid Subdivided Shares of the Company at an initial subscription price of HK\$0.24 per Subdivided Share, subject to adjustment, from the date of issue of the warrants from 27th September 2000 to 8th October 2001 (both dates inclusive). During the year, a total of 5,648 shares were issued upon the exercise of warrants and at 31st March 2001, there were 999,994,352 warrants unexercised.
- (d) On 15th December 2000, the Directors declared an interim dividend with scrip dividend option. A total of 52,206,785 shares were issued as scrip dividend in lieu of cash on 1st March 2001.

18 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
Group						
At 31st March 1999	–	920,374	453,698	(8,540)	178,148	1,543,680
Translation difference	–	–	1,211	4,994	–	6,205
Reserve arising from the Reorganisation	–	(8,470)	–	–	–	(8,470)
Deficit on revaluation	–	–	(114,470)	–	–	(114,470)
Profit for the year retained	–	–	–	–	26,956	26,956
At 31st March 2000	–	911,904	340,439	(3,546)	205,104	1,453,901
Translation difference	–	–	(1,760)	(8,527)	–	(10,287)
Reserve arising from the Reorganisation	–	(2,571)	–	–	–	(2,571)
Premium on shares issued upon share placement	322,776	–	–	–	–	322,776
Premium on shares issued as scrip dividend	8,489	–	–	–	–	8,489
Exercise of warrants	1	–	–	–	–	1
Share issue expenses	(31,483)	–	–	–	–	(31,483)
Surplus on revaluation	–	–	130,339	–	–	130,339
Profit for the year attributable to shareholders	–	–	–	–	29,165	29,165
Dividend	–	(10,000)	–	–	–	(10,000)
At 31st March 2001	299,783	899,333	469,018	(12,073)	234,269	1,890,330
Company						
At 31st March 1999	–	–	–	–	–	–
Results for the year	–	–	–	–	–	–
At 31st March 2000	–	–	–	–	–	–
Premium on shares issued upon share placement	322,776	–	–	–	–	322,776
Premium on shares issued as scrip dividend	8,489	–	–	–	–	8,489
Exercise of warrants	1	–	–	–	–	1
Share issue expenses	(31,483)	–	–	–	–	(31,483)
Reserve arising from the Reorganisation	–	1,098,229	–	–	–	1,098,229
Profit for the year attributable to shareholders	–	–	–	–	891	891
Dividend	–	(10,000)	–	–	–	(10,000)
At 31st March 2001	299,783	1,088,229	–	–	891	1,388,903

The contributed surplus of the Company arose as a result of the Reorganisation and represents the excess of the consolidated net asset value of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange thereof.

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is also distributable. Accordingly, the total distributable reserves of the Company amount to HK\$1,089,120,000 (2000: Nil).

19 Long Term Liabilities

	Group	
	2001	2000
	HK\$'000	HK\$'000
Bank loans, secured (note a)		
Repayable within one year	27,934	75,760
Repayable within one to two years	44,680	115,770
Repayable within two to five years	260,040	474,777
Repayable after five years	835,006	147,873
	1,167,660	814,180
Amount due to a fellow subsidiary (note b)	–	342,451
Obligations under a finance lease not wholly repayable within five years	392	465
	1,168,052	1,157,096
Current portion included in current liabilities	(27,976)	(75,802)
	1,140,076	1,081,294

- (a) The bank loans are secured by mortgages of the Group's hotel properties (Note 12(d)), floating charges over all the assets and properties of certain subsidiaries and corporate guarantees given by the Company.
- (b) At 31st March 2000, an amount payable of HK\$298,017,000 bore interest at 9.15% per annum which was changed to 1.5% above prime rate upon listing of the Company. The whole balance was repaid during the year.
- (c) Subsequent to the year end, the Group refinanced a bank loan outstanding at 31st March 2001, amounting to HK\$4,972,000 (2000: Nil). The repayment terms at 31st March 2001 in respect of this bank loan have been reclassified according to the new bank loan agreement. As a result, the amount of liability which has been excluded from current liabilities amounts to HK\$4,227,000 (2000: Nil).

20 Commitments

(a) Capital commitment

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
In respect of fixed assets:				
Authorised but not contracted for	–	1,379	–	–
Contracted but not provided for	8,979	67,296	–	–
	8,979	68,675	–	–

(b) Operating leases

At 31st March 2001, the Group had commitments to make payments in the next twelve months in respect of land and buildings under operating leases which expire as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	904	–	–	–
In the second to fifth years inclusive	1,314	2,698	–	–
	2,218	2,698	–	–

21 Contingent Liabilities

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees for the loans and banking facilities of subsidiaries	–	–	1,134,096	–

22 Related Party Transactions

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

	2001 HK\$'000	2000 HK\$'000
(i) Operating lease rental expense for land and buildings to fellow subsidiaries	(2,052)	(1,952)
(ii) Interest expense to a fellow subsidiary	(22,287)	(24,152)
(iii) Hotel revenue from intermediate holding company and a fellow subsidiary	772	1,030
(iv) Management services income from fellow subsidiaries	2,875	3,763
(v) Property development cost to a fellow subsidiary	(88,460)	(29,209)

Notes:

- (i) *Rental expense is subject to terms agreed by the parties involved, which is at a monthly fixed fee.*
- (ii) *Interest expense is calculated at a fixed rate of 9.15% per annum and changed to 1.5% above prime rate with effect from 25th July 2000, the date of listing of the Company.*
- (iii) *Hotel revenue is charged at prices and terms no less than those charged to other third party customers.*
- (iv) *Management services income, including repair and maintenance, cleaning, property management and administration, are subject to terms agreed by the parties involved, which are at fixed fees.*
- (v) *Property development cost is payable in accordance with the terms of the construction contract and by reference to the stage of completion of the construction work.*

23 Notes To Consolidated Cash Flow Statement

(a) Reconciliation of profit before taxation to net cash inflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	28,898	27,320
Depreciation	606	685
Interest income	(7,648)	(349)
Finance cost	16,811	15,749
Profit on disposal of other investments	(14)	–
Decrease/(increase) in amount due from a fellow subsidiary	3,845	(2,279)
Decrease in inventories	5	453
Decrease in debtors and prepayments	4,390	12,898
Increase in creditors and accruals	9,071	10,102
Increase in amounts due to fellow subsidiaries	7,564	–
Net cash inflow from operating activities	63,528	64,579

(b) Analysis of changes in financing during the year

	Share capital, share premium and contributed surplus HK\$ 000	Amount due from an intermediate holding company HK\$ 000	Amount due to a fellow subsidiary HK\$ 000	Finance lease payable HK\$ 000	Long term bank loans HK\$ 000	Total HK\$ 000
At 31st March 1999	990,374	—	240,458	480	807,136	2,038,448
Net cash inflow / (outflow) from financing	—	(8,470)	78,050	(38)	(3,062)	66,480
Capitalisation of amount due from an intermediate holding company	(8,470)	8,470	—	—	—	—
Accrual of interest payable	—	—	23,943	—	—	23,943
Changes in exchange rates	—	—	—	23	10,106	10,129
At 31st March 2000	981,904	—	342,451	465	814,180	2,139,000
Net cash inflow / (outflow) from financing	321,294	(2,571)	(342,451)	(73)	369,177	345,376
Capitalisation of amount due from an intermediate holding company	(2,571)	2,571	—	—	—	—
Shares issued as scrip dividend	9,533	—	—	—	—	9,533
Dividend	(10,000)	—	—	—	—	(10,000)
Changes in exchange rates	—	—	—	—	(15,697)	(15,697)
At 31st March 2001	1,300,160	—	—	392	1,167,660	2,468,212

24 Principal Subsidiaries

Listed below are the Group's principal subsidiaries, which are all wholly owned and in the opinion of the Directors, principally affect the results and / or net assets of the Group:

Name	Principal activity	Issued and fully paid ordinary share capital (except otherwise stated)
<i>Incorporated in Hong Kong</i>		
Asia Standard Hotel (Holdings) Limited	Investment holding	HK\$2
Asia Standard Hotel International Limited	Investment holding	HK\$2
Empire Hotel International Company Limited	Hotel management	HK\$2
Good Year Engineering Service Limited	Engineering and maintenance services	HK\$2
Liford Limited	Nominee services	HK\$2
Pofair Limited	Club services	HK\$2
Prosperity Land Cleaning Service Limited	Property cleaning services	HK\$200 100 ordinary shares of HK\$1 each 100 non-voting deferred shares of HK\$1 each
Prosperity Land Estate Management Limited	Property management services	HK\$1,500,150 150 ordinary shares of HK\$1 each 1,500,000 non-voting deferred shares of HK\$1 each
Stone Pole Limited	Hotel investment and operation	HK\$10
Vinstar Development Limited	Hotel investment	HK\$2

Name	Principal activity	Issued and fully paid ordinary share capital (except otherwise stated)
<i>Incorporated in the British Virgin Islands</i>		
Asia Standard Hotel (BVI) Limited #	Investment holding	US\$1
Enrich Enterprises Ltd. **	Hotel investment	US\$1
Global Gateway Corp. **	Hotel operation	US\$1
Glory Ventures Enterprises Inc. **	Hotel investment	US\$1
Greatime Limited	Securities investment	US\$1
Join Luck Holdings Limited **	Trustee services	US\$1
Kingsmax Limited	Investment holding	US\$1
Hoover Services Inc.	Trade-marks holding	US\$1

Direct subsidiary of the company

** *Operates in Canada*

25 Subsequent Event

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

26 Ultimate Holding Company

The Directors regard Asia Orient Holdings Limited, incorporated in Bermuda and listed in Hong Kong, as being the ultimate holding company.

27 Approval of Accounts

The accounts were approved by the Board of Directors on 13th July 2001.

FINANCIAL SUMMARY

	2001	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	160,457	174,902	197,384	225,761	168,704
Profit before taxation	28,898	27,320	34,711	62,682	82,659
Taxation	267	(364)	(495)	(125)	(64)
Profit attributable to shareholders	29,165	26,956	34,216	62,557	82,595

	2001	2000
	HK\$'000	HK\$'000
Total assets	3,232,997	2,771,392
Total liabilities	(1,241,623)	(1,247,491)
Shareholders' funds	1,991,374	1,523,901

Notes:

The financial summary of the Group for 1997 to 2000 has been prepared on the basis that the structure and business activities of the Group immediately after the completion of the Reorganisation had been in existence throughout the relevant years.

HOTEL PROPERTIES

		Group's interest	Approx. Site area (sq.ft.)	Gross floor area (sq.ft.)
I	Hotel Properties			
1	Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong.	100%	11,000	184,000 (345 rooms)
2	Empire Landmark Hotel, 1400 Robson Street, Vancouver B. C., Canada.	100%	41,000	420,000 (358 rooms)
II	Hotel properties under development			
3	Empire Hotel Kowloon, 62-62A Kimberley Road, 9-11 Observatory Road and 2-8 Kimberley Street, Tsimshatsui, Kowloon.	100%	11,400	220,000 (315 rooms)

Occupation permit obtained in April 2001.