

## **REPORT OF THE DIRECTORS**

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

## **PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS**

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 28 to the accounts.

The activities of the Group are mainly based in Hong Kong. Analyses of the Group's turnover and contribution to operating loss by principal activity and by principal market are set out in note 2 to the accounts.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year are set out in the consolidated profit and loss account on page 22.

The Directors do not recommend the payment of a dividend.

## **FINANCIAL SUMMARY**

A five year financial summary of the results and of the assets and liabilities of the Group is set out on page 58.

## **DONATIONS**

During the year, the Group made charitable and other donations of HK\$59,000.

## **FIXED ASSETS**

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

## **SHARE CAPITAL**

Details of the movements in share capital of the Company during the year are set out in note 20 to the accounts.

## **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the accounts.

## **PRINCIPAL PROPERTIES**

Details of the principal properties of the Group are set out on pages 62 to 64.

## **DIRECTORS**

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

Mr. Fung Siu To, Clement  
Mr. Lim Yin Cheng  
Mr. Poon Jing  
Mr. Lun Pui Kan  
Mr. Kwan Po Lam, Phileas  
Mr. Leung King Yin, Kevin  
Mr. Loup, Nicholas James  
Mr. Koon Bok Ming, Alan  
Mr. Au Yat Chuen, Raymond  
Mr. Lau Kwok Hing

In accordance with Bye-laws 104 and 105 of the Company's Bye-Laws, all 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 and 7.

#### **DIRECTORS' INTERESTS IN CONTRACTS**

No 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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

#### **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

Apart from the share option scheme of the Company as disclosed in note 20 to the accounts, and that of the ultimate holding company, Asia Orient Holdings Limited ("Asia Orient"), 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 of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or as otherwise known to the Directors, were as follows:

**(a) The Company**

**Interests in shares**

<b>Name of director</b>	<b>Nature of interests</b>	<b>Number of shares held as at 31st March 2001</b>
Mr. Poon Jing	Corporate	2,196,391,030
	Personal	4,445,650

**Interests in warrants**

<b>Name of director</b>	<b>Nature of interests</b>	<b>Number of warrants held as at 31st March 2001</b>
Mr. Poon Jing	Corporate	439,650,816
	Personal	683,999

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

**Interests in share options**

<b>Name of director</b>	<b>Nature of interests</b>	<b>Exercised during the year</b>	<b>Exercise price per share</b>	<b>Number of options held as at 31st March 2001</b>
Mr. Lun Pui Kan	Personal	Nil	HK\$0.384	1,750,000

The options were granted under an Executive Share Option Scheme approved by the shareholders of the Company at a Special General Meeting on 23rd December 1991. The options are exercisable at any time on or before 27th March 2005. Adjustments to the number of share options and the exercise price have been made as a result of the Company's bonus issue and bonus warrants issue in September 2000.

(b) **Subsidiaries**

**Interests in shares**

<b>Name of director</b>	<b>Name of subsidiary</b>	<b>Nature of interests</b>	<b>Number of shares held as at 31st March 2001</b>
Mr. Poon Jing	Asia Standard Hotel Group Limited	Corporate	3,699,148,774
		Personal	248,937
Mr. Poon Jing and Mr. Fung Siu To, Clement	Centop Investment Limited	Corporate	20
Mr. Fung Siu To, Clement	Mark Honour Limited	Personal	1

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

**Interests in warrants**

<b>Name of director</b>	<b>Name of subsidiary</b>	<b>Nature of interests</b>	<b>Number of warrants held as at 31st March 2001</b>
Mr. Poon Jing	Asia Standard Hotel Group Limited	Corporate	731,814,267
		Personal	49,248

(c) **Associated company - Asia Orient**

(i) **Interests in shares**

<b>Name of director</b>	<b>Number of shares held</b>			<b>Total as at 31st March 2001</b>
	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b>	
Mr. Poon Jing	1,481,233,800	69,826,000	1,900,584,936	3,451,644,736

**(ii) Interests in share options**

<b>Name of director</b>	<b>Nature of interests</b>	<b>Exercised during the year</b>	<b>Exercise price per share</b>	<b>Number of options held as at 31st March 2001</b>
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. Lun Pui Kan	Personal	Nil	HK\$0.3466	15,000,000
Mr. Kwan Po Lam, Phileas	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.

Save as disclosed above, none of the Directors or Chief Executives was interested in the equity securities of the Company or any of its associated corporations as at 31st March 2001 and none of the Directors or Chief Executives 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**

At 31st March 2001, 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.

	<b>Number of shares</b>
Asia Orient ( <i>Note 1</i> )	2,196,391,030
Asia Orient Holdings (BVI) Limited ("Asia Orient BVI") ( <i>Note 1</i> )	2,196,391,030
Asia Orient Company Limited ("AOCL") ( <i>Notes 1 and 3</i> )	2,196,391,030
Impetus Holdings Limited ("Impetus") ( <i>Note 2</i> )	1,092,862,918
Kingfisher Inc. and Lipton Investment Limited ("Kingfisher and Lipton") ( <i>Note 4</i> )	975,708,512
Westrata Investment Limited ( <i>Note 5</i> )	613,530,000

*Notes:*

- (1) AOCL is a wholly-owned subsidiary of Asia Orient BVI which in turn is a wholly-owned subsidiary of Asia Orient. Accordingly, Asia Orient BVI and Asia Orient are deemed to have interests and duplicate the interests in 2,196,391,030 shares of the Company.*
- (2) Impetus is a wholly-owned subsidiary of AOCL. In accordance with the SDI Ordinance, the interests of Impetus are deemed to be, and have therefore been included in, the interests of AOCL.*
- (3) The interests of AOCL and its subsidiaries duplicate the interests of Mr. Poon Jing disclosed under the heading “Directors’ interests in equity securities” above which he is deemed to have interests by virtue of his controlling interests in Asia Orient.*
- (4) Both Kingfisher and Lipton are wholly-owned subsidiaries of Impetus and jointly hold 975,708,512 shares. In accordance with the SDI Ordinance, the joint interests of Kingfisher and Lipton are deemed to be, and have therefore been included in, the interests of Impetus.*
- (5) Westrata Investment Limited is an indirect wholly owned subsidiary of Grosvenor Limited. The share ownership of Westrata Investment Limited is indirectly held through Westrata Holdings Limited, Grosvenor Overseas Holdings Limited and Grosvenor Estate Holdings.*

*Grosvenor Limited, a company registered in England and Wales, is wholly owned by trusts and members of the Grosvenor family which is headed by the Duke of Westminster.*

## **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.

## **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

The percentages of the Group's purchases and sales for the year attributable to major suppliers and customers were as follows:

Percentage of purchases attributable to the Group's largest supplier	50.0%
Percentage of purchases attributable to the Group's five largest suppliers	80.9%
Percentage of sales attributable to the Group's largest customer	3.7%
Percentage of sales attributable to the Group's five largest customers	9.8%

None of the Directors, their associated companies, or shareholders, which to the knowledge of the Directors, held any interests in the share capital of the suppliers or customers noted above.

## CONNECTED TRANSACTIONS

1. Pursuant to two tenancy agreements made in March and June 2000, the 22nd and 23rd floor of Asia Orient Tower, Lockhart Road, were leased to Qcode Information Technology Limited ("Qcode") at a monthly rental of HK\$94,000 (excluding management charges) for each floor. The tenancies will expire on 31st December 2001 and 14th April 2002 respectively. Qcode is a connected party by virtue of it being an associate of Asia Orient, which owns 40% indirect interest in Qcode during the year.
2. On 15th May 2000, the equity interest of 29.9% and 20% of a wholly owned subsidiary, Goldmax International Limited ("Goldmax"), was sold to Westrata Property Development Limited ("Westrata") and a company owned by the Ayala Group, respectively. Westrata is a connected party by virtue of it being a wholly owned subsidiary of a substantial shareholder of the Group, Grosvenor Limited. Total consideration paid by Westrata for the shares and loan assignment was US\$299 (HK\$2,332) and HK\$19,174,000 respectively. The sole business of Goldmax is to hold an indirect investment in a property development project in Repulse Bay.

## CORPORATE GOVERNANCE

During the year, 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 ("Listing Rules").

## AUDIT COMMITTEE

The Audit Committee members are Mr. Lau Kwok Hing and Mr. Koon Bok Ming, Alan. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

## **PROFORMA COMBINED BALANCE SHEET OF AFFILIATED COMPANIES**

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 shown on page 59 pursuant to Practice Note 19 of the Listing Rules.

### **AUDITORS**

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. PricewaterhouseCoopers replaced Price Waterhouse in 1999 following their merger with Coopers & Lybrand.

On behalf of the Board

**Fung Siu To, Clement**

*Chairman*

HONG KONG, 13th July 2001