



Asia Standard
Hotel Group Limited



Interim Report 2001

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

28th 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
Bank of China (Hong Kong) Limited
Royal Bank of Canada
HSBC Bank Canada
DBS Kwong On Bank Limited
Wing Hang Bank Limited

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

Chairman Statement

Interim Results

Turnover amounted to HK\$218.7 million for the six months to September 2001, which has increased by HK\$124.8 million as compared with the same period last year. The surge is primarily due to the air-ticket revenue of HK\$129.7 million attributable to a travel agency and tour business acquired by the Group in April 2001. The Group recorded profit attributable to shareholders of HK\$3.8 million (2000: HK\$23.7 million).

The Directors do not recommend the payment of an interim dividend (2000: HK\$0.2 cent per share).

Operational Review

The Empire Hotel, Hong Kong

During the period, Empire Hotel in Hong Kong managed to increase its average room rates marginally while occupancy levels fell slightly from 88% in 2000 to 85% in 2001. Overall, the contribution from this hotel was fairly stable.

The Empire Landmark Hotel, Vancouver

The Empire Landmark Hotel in Vancouver saw a 5% decrease in average rate but was able to increase its occupancy level slightly from 78% to 80%. However, tourism industry and hotel business worldwide were dramatically and adversely affected by the incident on 11th September 2001 in New York. In response to this abrupt situation, management has quickly reacted to tighten cost control in order to preserve profitability. Recently, the 21,500 sq.ft. conference centre has been completely let out on a long term basis to bring in stable rental income to the hotel.

The Empire Hotel, Kowloon

We are pleased to report that development of this hotel has been completed, with the occupation permit obtained in April 2001. Management has launched a soft opening in mid September 2001. With its trendy design, this new hotel has been well received by corporate clients and leisure visitors. We expect a strong contribution from this hotel in years to come.

JBC Travel

This long established travel agency was acquired by the Group in April 2001. It is a comprehensive travel solutions provider offering air ticketing (wholesale and retail), business travel, hotel reservation, incentive tour and other customized travel products. The majority of the Company's revenue come from sales of airline tickets. Its addition to the Group will greatly complement our hotel business.

Human Resources

As a result of the opening of the Empire Kowloon Hotel and the addition of the travel agency, as at 30th September 2001 the Group employed a total of 642 full time employees. Their remuneration package, which commensurate with their job nature and experience level, include basic salary, annual bonus, share option, retirement and other benefits. During the period, no share options were granted.

Financial Review

Shareholders' funds at 30th September 2001 stood at HK\$1,993 million (March 2001: HK\$1,991 million) or HK\$0.395 (March 2001: HK\$0.394) per share. Total assets amounted to HK\$3.32 billion (March 2001: HK\$3.23 billion). Total borrowings amounted to HK\$1,184 million (March 2001: HK\$1,168 million), giving a gearing ratio (total debt to equity) of 59.4% (March 2001: 58.7%).

As at the end of September 2001, 71% or HK\$840 million (March 2001: HK\$835 million) of the borrowings was repayable over five years. About 16% or HK\$191 million of the borrowings is related to the Empire Landmark Hotel in Canada and is denominated in Canadian Dollar. The rest are all in Hong Kong dollar.

The Group has applied part of the surplus funds to invest in listed securities and corporate bonds. Due to declined market price towards the period end, a net loss of HK\$12 million was recorded in this period.

Future Prospects

Despite the temporary adverse effect on tourism industry worldwide caused by the 911 event in the USA, the outlook for tourism and hotel business in Hong Kong is still optimistic. The Hong Kong Government has been very supportive to the local tourism industry. The relax of quota for visitors from mainland China, the entry of China into the W.T.O., Macau's liberation of gambling license and the construction of Walt Disney's Theme Park in Hong Kong would all lead to a significant surge of business and leisure travellers coming to Hong Kong and making longer stay. The opening of the new Kowloon Empire Hotel would certainly enable the Group to capture the increase in business volume brought about by all these factors in the years ahead.

Consolidated Profit and Loss Account

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FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2001 - UNAUDITED

| | Note | Six months ended 30th September | |
|-------------------------------------|------|------------------------------------|------------------|
| | | 2001 HK\$'000 | 2000 HK\$'000 |
| TURNOVER | 3 | 218,675 | 93,859 |
| COST OF SALES | | (157,296) | (34,964) |
| GROSS PROFIT | | 61,379 | 58,895 |
| ADMINISTRATIVE EXPENSES | | (32,457) | (29,376) |
| OTHER CHARGES | 4 | (5,716) | – |
| OPERATING PROFIT | 5 | 23,206 | 29,519 |
| INTEREST INCOME | 6 | 224 | 2,971 |
| NET INVESTMENT LOSS | 7 | (11,722) | – |
| FINANCE COSTS | 8 | (7,704) | (8,893) |
| PROFIT BEFORE TAXATION | | 4,004 | 23,597 |
| TAXATION (CHARGE) / CREDIT | 9 | (185) | 122 |
| PROFIT ATTRIBUTABLE TO SHAREHOLDERS | | 3,819 | 23,719 |
| EARNINGS PER SHARE | 10 | 0.076 cent | 0.580 cent |

Consolidated Balance Sheet

AS AT 30TH SEPTEMBER 2001 - UNAUDITED

| | Note | 30th September 2001 HK\$'000 | 31st March 2001 HK\$'000 |
|--|------|---------------------------------------|-----------------------------------|
| FIXED ASSETS | 11 | 3,116,741 | 3,026,974 |
| GOODWILL | 12 | 31,819 | – |
| CURRENT ASSETS | | | |
| Inventories | | 2,257 | 1,992 |
| Other investments | | 72,450 | 49,500 |
| Debtors and prepayments | 13 | 39,270 | 28,540 |
| Tax recoverable | | 178 | 178 |
| Bank balances and cash | | 54,721 | 125,813 |
| | | 168,876 | 206,023 |
| CURRENT LIABILITIES | | | |
| Creditors and accruals | 14 | 132,037 | 60,938 |
| Amounts due to fellow subsidiaries | | 8,447 | 12,633 |
| Current portion of long term liabilities | 17 | 30,664 | 27,976 |
| Tax payable | | 285 | – |
| | | 171,433 | 101,547 |
| NET CURRENT (LIABILITIES)/ASSETS | | (2,557) | 104,476 |
| | | 3,146,003 | 3,131,450 |
| Financed by : | | | |
| SHARE CAPITAL | 15 | 101,044 | 101,044 |
| RESERVES | 16 | 1,892,060 | 1,890,330 |
| SHAREHOLDERS' FUNDS | | 1,993,104 | 1,991,374 |
| LONG TERM LIABILITIES | 17 | 1,152,899 | 1,140,076 |
| | | 3,146,003 | 3,131,450 |

Condensed Consolidated Cash Flow Statement

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FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2001 - UNAUDITED

| | Six months ended 30th September | |
|--|------------------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 26,829 | 28,906 |
| NET CASH OUTFLOW FROM RETURNS ON | | |
| INVESTMENTS AND SERVICING OF FINANCE | (35,471) | (33,548) |
| HONG KONG PROFITS TAX PAID | – | (77) |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | (77,496) | (131,287) |
| NET CASH OUTFLOW BEFORE FINANCING | (86,138) | (136,006) |
| NET CASH INFLOW FROM FINANCING | 16,409 | 356,447 |
| (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS | (69,729) | 220,441 |
| BANK BALANCES AND CASH AT BEGINNING OF PERIOD | 125,813 | 15,452 |
| CHANGES IN EXCHANGE RATES | (1,363) | 623 |
| BANK BALANCES AND CASH AT END OF PERIOD | 54,721 | 236,516 |

Consolidated Statement of Recognised Gains and Losses

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2001 - UNAUDITED

| | Six months ended 30th September | |
|---|------------------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| EXCHANGE DIFFERENCES ARISING ON TRANSLATION OF ACCOUNTS OF OVERSEAS SUBSIDIARIES | (2,089) | (4,326) |
| LOSSES NOT RECOGNISED IN THE PROFIT AND LOSS ACCOUNT | (2,089) | (4,326) |
| PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS | 3,819 | 23,719 |
| TOTAL RECOGNISED GAINS | 1,730 | 19,393 |

Notes to the Interim Consolidated Accounts

1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the requirements of Statement of Standard Accounting Practice 25 “Interim Financial Reporting” as issued by the Hong Kong Society of Accountants (“HKSA”).

2. ACCOUNTING POLICIES

In 2001, the Group adopted the following revised or new Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA.

| | |
|--------------------|--|
| SSAP 9 (revised): | Events after the balance sheet date |
| SSAP 14 (revised): | Leases |
| SSAP 26: | Segment reporting |
| SSAP 28: | Provisions, contingent liabilities and contingent assets |
| SSAP 29: | Intangible assets |
| SSAP 30: | Business combinations |
| SSAP 31: | Impairment of assets |
| SSAP 32: | Consolidated financial statements and accounting for investments in subsidiaries |

The effect of adopting these SSAPs is set out below:

- (a) In accordance with the revised SSAP 9, dividends proposed after the balance sheet date are no longer recognised as liability at the balance sheet date. This change in accounting policy has no effect to the interim accounts for the corresponding previous period.
- (b) Goodwill arising on acquisition of subsidiaries occurring on or after 1st April 2001 is included in the balance sheet as a separate asset and amortised using the straight line method over its estimated useful life of ten years. Goodwill on acquisitions, which occurred prior to 1st April 2001 was taken directly to reserves. This change in accounting policy has no effect to the interim accounts for the corresponding previous period.

Apart from the foregoing, the principal accounting policies adopted in preparing the unaudited interim financial report are consistent with those described in the 2001 Annual Report and Accounts.

3. TURNOVER AND CONTRIBUTION TO OPERATING PROFIT

Turnover represents gross revenue from hotel, travel agency operations 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 | |
|--------------------------------|---------------------------------|------------------|----------------------------------|------------------|
| | Six months ended 30th September | | Six months ended 30th September | |
| | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 |
| By principal activity | | | | |
| Hotel | | | | |
| Room rentals | 56,168 | 59,824 | | |
| Food and beverages | 20,916 | 22,525 | | |
| Ancillary services | 4,195 | 4,097 | | |
| Rental income | 1,897 | 1,783 | | |
| | 83,176 | 88,229 | 32,775 | 35,291 |
| Sale of air tickets | 129,690 | – | (1,617) | – |
| Management services | 5,809 | 5,630 | (2,499) | (197) |
| | 218,675 | 93,859 | 28,659 | 35,094 |
| Unallocated corporate expenses | | | (5,453) | (5,575) |
| Operating profit | | | 23,206 | 29,519 |

Notes to the Interim Consolidated Accounts

3. TURNOVER AND CONTRIBUTION TO OPERATING PROFIT (Continued)

| | Turnover | | Contribution to operating profit | |
|--------------------------------|------------------------------------|------------------|------------------------------------|------------------|
| | Six months ended 30th September | | Six months ended 30th September | |
| | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 |
| By principal market | | | | |
| Hong Kong | 169,266 | 41,177 | 6,724 | 12,333 |
| Canada | 49,409 | 52,682 | 21,935 | 22,761 |
| | 218,675 | 93,859 | 28,659 | 35,094 |
| Unallocated corporate expenses | | | (5,453) | (5,575) |
| Operating profit | | | 23,206 | 29,519 |

4. OTHER CHARGES

| | Six months ended 30th September | |
|--|------------------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Pre-opening expenses of Empire Kowloon Hotel | 4,041 | – |
| Amortisation of goodwill | 1,675 | – |
| | 5,716 | – |

5. OPERATING PROFIT

| | Six months ended 30th September | |
|---|------------------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Operating profit is stated after charging the following : | | |
| Staff costs | 32,189 | 26,398 |
| Depreciation | 407 | 290 |
| Amortisation of goodwill | 1,675 | – |
| Operating lease rental for land and buildings | 1,459 | 1,113 |

6. INTEREST INCOME

| | Six months ended 30th September | |
|------------------------------------|------------------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Interest income from bank deposits | 224 | 2,971 |

7. NET INVESTMENT LOSS

| | Six months ended 30th September | |
|--|------------------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Profit on sale of other investment | 22,405 | - |
| Unrealised loss on other investment | (35,955) | - |
| Dividend income from listed investment | 670 | - |
| Interest income from unlisted investment | 1,158 | - |
| | (11,722) | - |

8. FINANCE COSTS

| | Six months ended 30th September | |
|--|------------------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Interest expense | | |
| Bank loans and overdrafts | 38,081 | 36,427 |
| Amount due to a fellow subsidiary | - | 17,912 |
| Finance lease obligations not wholly payable within five years | 17 | 18 |
| Other incidental borrowing costs | 24 | 74 |
| | 38,122 | 54,431 |
| Amount capitalised in cost of hotel property under development | (30,418) | (45,538) |
| | 7,704 | 8,893 |

Notes to the Interim Consolidated Accounts

9. TAXATION (CHARGE) / CREDIT

| | Six months ended 30th September | |
|-----------------------------|------------------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Hong Kong profits tax | | |
| Current year provision | (185) | (148) |
| Overprovision in prior year | – | 270 |
| | <u>(185)</u> | <u>122</u> |

Hong Kong profits tax is calculated at 16% (30th September 2000 : 16%) on the estimated assessable profit for the period. No provision for overseas taxation has been made as there are sufficient tax losses brought forward to offset the overseas assessable profits for the period.

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$3,819,000 (30th September 2000: HK\$23,719,000) and on the weighted average 5,052,212,539 (30th September 2000: 4,106,557,377) shares in issue during the period.

Of the 1,000,000,000 warrants issued in September 2000, a total of 999,988,104 warrants were cancelled upon expiry on 8th October 2001. Accordingly, diluted earnings per share is not presented as its inclusion would not be meaningful.

11. FIXED ASSETS

For the six months ended 30th September 2001, the Group incurred HK\$38 million on hotel property under development which included HK\$30.4 million finance cost capitalised.

12. GOODWILL

| | HK\$'000 |
|---|---------------|
| Acquisition of a subsidiary | 33,494 |
| Amortisation charge | (1,675) |
| Net book amount as at 30th September 2001 | <u>31,819</u> |

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 which was settled in cash, 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.

13. DEBTORS AND PREPAYMENTS

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

| | 30th September 2001 HK\$'000 | 31st March 2001 HK\$'000 |
|---------------------|---------------------------------------|-----------------------------------|
| 0 day to 60 days | 19,450 | 5,704 |
| 61 days to 120 days | 1,224 | 507 |
| More than 120 days | 1,779 | 2,277 |
| | 22,453 | 8,488 |

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

14. CREDITORS AND ACCRUALS

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

| | 30th September 2001 HK\$'000 | 31st March 2001 HK\$'000 |
|---------------------|---------------------------------------|-----------------------------------|
| 0 day to 60 days | 22,690 | 6,513 |
| 61 days to 120 days | 1,649 | 3,364 |
| More than 120 days | 6,217 | 127 |
| | 30,556 | 10,004 |

Notes to the Interim Consolidated Accounts

15. SHARE CAPITAL

| | Number of shares | HK\$'000 |
|---|-----------------------|----------------|
| Authorised (Ordinary shares of HK\$0.02 each): | | |
| At 30th September 2001 and 31st March 2001 | 25,000,000,000 | 500,000 |

| | Number of shares | HK\$'000 |
|--|----------------------|----------------|
| Issued and fully paid (Ordinary shares of HK\$0.02 each): | | |
| At 31st March 2001 | 5,052,212,433 | 101,044 |
| Exercise of warrants | 2,148 | – |
| At 30th September 2001 | 5,052,214,581 | 101,044 |

At 30th September 2001, there were 999,992,204 warrants outstanding. Each warrant entitles its holder to subscribe for fully paid shares of the Company at an initial subscription price of HK\$0.24 per share, subject to adjustment, up to 8th October 2001. During the period and after the period end, a total of 2,148 and 4,100 shares, respectively, were issued upon the exercise of warrants. The remaining 999,988,104 unexercised warrants lapsed upon expiry on 8th October 2001.

16. RESERVES

| | Share premium HK\$'000 | Contributed surplus HK\$'000 | Revaluation reserve HK\$'000 | Exchange reserve HK\$'000 | Revenue reserve HK\$'000 | Total HK\$'000 |
|--------------------------------|------------------------------|------------------------------------|------------------------------------|---------------------------------|--------------------------------|-------------------|
| At 31st March 2001 | 299,783 | 899,333 | 469,018 | (12,073) | 234,269 | 1,890,330 |
| Translation difference | – | – | (1,597) | (492) | – | (2,089) |
| Profit for the period retained | – | – | – | – | 3,819 | 3,819 |
| At 30th September 2001 | 299,783 | 899,333 | 467,421 | (12,565) | 238,088 | 1,892,060 |

17. LONG TERM LIABILITIES

| | 30th September 2001 HK\$'000 | 31st March 2001 HK\$'000 |
|---|---------------------------------------|-----------------------------------|
| Bank loans, secured | | |
| Repayable within one year | 30,623 | 27,934 |
| Repayable within one to two years | 46,622 | 44,680 |
| Repayable within two to five years | 265,868 | 260,040 |
| Repayable after five years | 840,080 | 835,006 |
| | 1,183,193 | 1,167,660 |
| Obligations under a finance lease not wholly repayable within five years | 370 | 392 |
| | 1,183,563 | 1,168,052 |
| Current portion included in current liabilities | (30,664) | (27,976) |
| | 1,152,899 | 1,140,076 |

The aggregate net book value of fixed assets pledged as securities for loans of the Group amounts to HK\$3,115,399,998 (31st March 2001 : HK\$3,025,877,000).

18. COMMITMENTS

(a) Capital commitment

| | 30th September 2001 HK\$'000 | 31st March 2001 HK\$'000 |
|---------------------------------|---------------------------------------|-----------------------------------|
| Contracted but not provided for | – | 8,979 |

(b) Operating leases

Future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

| | 30th September 2001 HK\$'000 | 31st March 2001 HK\$'000 |
|--|---------------------------------------|-----------------------------------|
| Within one year | 1,360 | 2,218 |
| In the second to fifth years inclusive | 633 | 438 |
| | 1,993 | 2,656 |

Notes to the Interim Consolidated Accounts

19. RELATED PARTY TRANSACTIONS

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

| | Six months ended 30th September | |
|---|------------------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| (i) Rental expense for land and buildings to fellow subsidiaries | (1,304) | (1,050) |
| (ii) Interest expense to a fellow subsidiary | – | (17,912) |
| (iii) Hotel revenue from intermediate holding company and a fellow subsidiary | 55 | 142 |
| (iv) Management services income from fellow subsidiaries | 1,979 | 1,818 |
| (v) Property development cost to a fellow subsidiary | 4,333 | 36,000 |

Notes :

- (i) Rental expense is subject to terms agreed by the parties involved, which is at a monthly fixed fee.
- (ii) Interest expense was calculated at a fixed rate of 9.15% per annum and changed to 1.5% above prime rate with effect from 25th July 2000.
- (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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY SECURITIES

As at 30th September 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 Interest) 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

| Name of director | Number of shares held | | Total |
|------------------|-----------------------|---------------------|---------------|
| | Personal interests | Corporate interests | |
| Mr. Poon Jing | 248,937 | 3,699,148,774 | 3,699,397,711 |

Interests in warrants

| Name of director | Number of warrants held | | Total |
|------------------|-------------------------|---------------------|-------------|
| | Personal interests | Corporate interests | |
| Mr. Poon Jing | 49,248 | 731,814,267 | 731,863,515 |

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY SECURITIES (Continued)**b) Associated Corporations****Interests in shares**

| | Nature of interest | Number of shares |
|--|-----------------------|---------------------|
| Asia Orient | | |
| Mr. Poon Jing | Personal | 1,490,721,800 |
| | Family | 69,826,000 |
| | Corporate | 1,900,584,936 |
| Asia Standard International Group Limited | | |
| 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 Asia Standard International Group Limited ("ASI") held by subsidiaries of Asia Orient.*
2. *Subsidiaries of ASI other than the Group.*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY SECURITIES (Continued)**b) Associated Corporations (Continued)****Interests in share options**

| | Nature of interest | Number of options exercised during the period | Exercise price per share | No. of options held as at 30th September 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 |
|------------------|--------------------------------|-------------------------|---------------------|-------------|
| | | Personal interests | Corporate interests | |
| Mr. Poon Jing | ASI | 683,999 | 439,650,816 | 440,334,815 |

The warrants were approved by the respective shareholders at Special General Meetings on 26th September 2000. The warrants were granted on 27th September 2000. In addition, by virtue of his interests in the 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 30th September 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 period.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 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 one-third of the issued shares of ASI and is deemed to be interested in and duplicates the shares held by ASI.*
- (3) *Asia Orient Company Limited is a wholly-owned subsidiary of Asia Orient Holdings (BVI) Limited which in turn is a wholly-owned subsidiary of Asia Orient. Asia Orient Holdings (BVI) Limited and Asia Orient are deemed to be interested in and duplicate the shares held by of Asia Orient Company Limited and its subsidiaries.*
- (4) *Mr. Poon Jing has personal interest in 248,937 shares and by virtue of his interest in Asia Orient, he is deemed to be interested in and duplicates the shares held by Asia Orient.*

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 30th September 2001.

AUDIT COMMITTEE

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

By Order of the Board

Poon Jing

Chairman

Hong Kong, 20th December 2001