

## Report of the Directors

The Directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March 2002.

### 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 30 to the accounts.

The activities of the Group are mainly based in Hong Kong. Analyses of the Group's turnover and contribution to operating result 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 21.

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 61.

### DONATIONS

During the year, the Group made charitable and other donations of HK\$9,000.

### FIXED ASSETS

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

### SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 21 to the accounts.

### RESERVES

Movement in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

### PRINCIPAL PROPERTIES

Details of the principal properties of the Group are set out on pages 65 and 66.

### 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 on page 14, 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' INTERESTS IN SECURITIES

As at 31st March 2002, the interests of the Directors and Chief Executives in the equity securities of the Company and its associated corporations (as defined under the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or as otherwise known to the Directors, were as follows:

### a) The Company

#### Interests in shares

Name of director	Nature of interests	Number of shares held as at 31st March 2002
Mr. Poon Jing	Corporate	2,196,391,030
	Personal	4,445,650

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**

Name of director	Nature of interests	Exercised during the year	Exercise price per share	Number of options held as at 31st March 2002
------------------	---------------------	---------------------------	--------------------------	--

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.

**b) Subsidiaries**

**Interests in shares**

Name of director	Name of subsidiary	Nature of interests	Number of shares held as at 31st March 2002
------------------	--------------------	---------------------	---

Mr. Poon Jing	Asia Standard Hotel Group Limited	Corporate	3,699,148,774
	("Asia Standard Hotel")	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.

**c) Asia Orient**

**(i) Interests in shares**

Name of director	Personal interests	Number of shares held		Total
		Family interests	Corporate interests	

Mr. Poon Jing	1,499,007,800	69,826,000	1,900,584,936	3,469,418,736
---------------	---------------	------------	---------------	---------------

**(ii) Interests in share options**

Name of director	Nature of interests	Exercised during the year	Exercise price per share	Number of options held as at 31st March 2002
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.

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

	Number of shares
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 interest and duplicate the interest 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 by virtue of his controlling interest 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 Group Holdings Limited.

## SHARE OPTION SCHEMES

### Company

The Company adopted a Share Option Scheme on 23rd December 1991 whereby options may be granted to employees of the Group including the executive directors, to subscribe for shares of the Company. The Share Option Scheme is designed to act as an incentive to employees of the Group. It has expired on 22nd January 2002. The maximum number of shares in respect of options may be granted under the Share Option Scheme may not exceed 10% of the issued share capital of the Company in issue from time to time (but excluding the shares issued under the Share Option Scheme). The maximum entitlement of each participant is 25% of the aggregate number of shares issued or issuable under the Share Option Scheme. The exercise price was the higher of (a) the nominal amount of a share and (b) 80% of the arithmetical average of the closing price of a share on the Stock Exchange on each of the five trading days immediately preceding the date of the offer of an option. The cash consideration to be paid for each grant of option is HK\$10.

In accordance with Chapter 17 (Share Schemes) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with effect from 1st September 2001, the listed issuers could grant further share options under their existing schemes at exercise prices of at least the higher of the closing price of the shares on the date of grant and the average closing price of the shares for the five business days immediately preceding the date of grant.

At 31st March 2002, there were 1,750,000 outstanding options granted to a director at the exercise price of HK\$0.384. The options are exercisable at any time on or before 27th March 2005.

No options have been granted, cancelled, lapsed or exercised during the year.

### Subsidiary

Asia Standard Hotel has a share option scheme which was adopted on 24th May 2000 whereby options may be granted to its employees including the executive directors, to subscribe for shares of Asia Standard Hotel. The Share Option Scheme is designed to act as an incentive to its employees. It will expire on 24th May 2010. The maximum number of shares in respect of options may be granted under the Share Option Scheme may not exceed 10% of the issued share capital of Asia Standard Hotel in issue from time to time (but excluding the shares issued under the Share Option Scheme and shares which would have been issued under the options but cancelled). The maximum entitlement of each participant is 25% of the aggregate number of shares issued or issuable under the Share Option Scheme. The exercise price was the higher of (a) the nominal amount of a share and (b) to the extent as may be permitted under the Listing Rules, not less than 80% of the arithmetical average of the closing price of a share on the Stock Exchange on each of the five trading days immediately preceding the date of the offer of an option. The cash consideration to be paid for each grant of option is HK\$1.

In accordance with Chapter 17 (Share Schemes) of the Listing Rules, with effect from 1st September 2001, the listed issuers could grant further share options under their existing schemes at exercise prices of at least the higher of the closing price of the shares on the date of grant and the average closing price of the shares for the five business days immediately preceding the date of grant.

No option has been granted under the Share Option Scheme.

## 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	26.6%
Percentage of purchases attributable to the Group's five largest suppliers	48.7%
Percentage of sales attributable to the Group's largest customer	2.7%
Percentage of sales attributable to the Group's five largest customers	9.0%

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

The following were connected transactions under the Listing Rules:

1. Pursuant to a tenancy agreement made in June 2000, a premise was leased to Qcode Information Technology Limited ("Qcode") at a monthly rental of HK\$94,000 (excluding management charges). The tenancy expired on 14th April 2002. Qcode is a connected party by virtue of it being an associate of Asia Orient.
2. On 6th April 2001, a subsidiary of Asia Standard Hotel acquired the entire issued share capital of JBC Travel Company Limited ("JBC"), a travel agency, at a consideration of HK\$36,000,000, from a company wholly-owned by Mr. Poon Jing. Mr. Poon has provided a guarantee to the Group that the net profit before interest and taxation of JBC as stated in the audited accounts of JBC for the year ended 31st March 2002 and 2003 shall not be less than HK\$ 5,000,000 for each of such respective years.

The net profit before interest and taxation of JBC for the year ended 31st March 2002 was HK\$856,000. Accordingly, Mr. Poon is required to pay an amount equal to the shortfall of HK\$4,144,000 to the Group. Mr. Poon is a connected person by virtue of being a controlling shareholder of Asia Orient. The Company has a 70% interest in Asia Standard Hotel, a separately listed subsidiary.

3. On 7th January 2002, Asia Standard International Capital Limited (“ASICL”), a wholly owned subsidiary of the Group, issued HK\$290 million of five years 7% convertible guaranteed bonds to Westrata Investment Limited (“WIL”). WIL is a connected party by virtue of it being a substantial shareholder of the Group.
4. On 6th March 2002, a wholly owned subsidiary of Asia Standard Hotel acquired from a wholly-owned subsidiary of the Company the entire issued share capital of and all shareholder’s loans to Perfect Wave Limited and Grace Profit Enterprises Limited, which own and operate two franchised restaurants in Hong Kong and Shanghai respectively, at a total consideration of HK\$23,975,000.

## **CORPORATE GOVERNANCE**

During the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the 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.

The Audit Committee meets at least twice a year for review of the audited annual accounts and the unaudited interim accounts.

## **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 62 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.

On behalf of the Board

**Fung Siu To, Clement**

*Chairman*

HONG KONG, 18th July 2002