



Asia Standard
Hotel Group Limited



Interim Report 2002

Corporate Information

DIRECTORS

Mr. Poon Jing (*Chairman*)
Mr. Lim Yin Cheng (*Deputy Chairman*)
Mr. Fung Siu To, Clement
Mr. Leung King Yin, Kevin
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
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PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
HSBC
DBS Kwong On Bank Limited
Wing Hang Bank Limited
Liu Chong Hing Bank Limited
HSBC Bank Canada
Royal Bank of 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 Fund Services (Bermuda) Limited
(Formerly known as Butterfield Corporate Services Limited)
Rosebank Centre,
11 Bermudiana Road,
Pembroke,
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17th Floor,
Hopewell Centre,
183 Queen's Road East,
Hong Kong

Chairman Statement

Interim Results

The Group's turnover was HK\$246.1 million for the six months ended 30th September 2002, a 12.5% or HK\$27.4 million increase over the same period last year, due primarily to the additional revenue generated from the newly opened Empire Hotel Kowloon. As a result the profit attributable to shareholders increased sharply by HK\$8.9 million to HK\$12.7 million for the six months ended 30th September 2002 as compared with the same period in 2001.

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

Operational Review

Locally, visitors arrival statistics remain strong with total visitors arrivals for the first nine months of 2002 recorded at 11.7 million, a 16% increase over last year. Visitors from the Mainland China was particularly strong, with a 47% increase to 4.7 million arrivals for the first nine months of 2002.

In Hong Kong hotel industry, average hotel room occupancy across all categories was 82% in September, a significant increase on the 74% achieved in September 2001, a month marked by the 911 incident in the United States. For the first nine months of the year to date, average occupancy stands at 82%, compared with 78% in the same period in 2001. While average hotel room rates fell by 10% from HK\$756 to HK\$680 for the period January to September 2001 and 2002 respectively.

The Empire Hotel, Hong Kong

Empire Hotel Hong Kong increased its occupancy marginally from 85% in 2001 to 86% in the six months to September 2002. Despite the downward pressure exerted by the overall hotel market as mentioned above, Empire Hotel Hong Kong managed to contain the decrease in average rate by 6% for the six months ended September 2002 as compared with the same period last year.

Apart from continual efforts to sustain hotel business growth, on-going efforts have been made to control cost and improve efficiency. To this end vigorous costs control measures have been taken which have resulted a 18% or HK\$3.8 million saving in total hotel operational costs for the six months from April to September 2002 as compared with the same period last year. This has contributed favourably to the profitability of the hotel.

In October 2002, fifteen luxurious guests rooms were added to the existing 345 room inventory bringing the total number of guest room to 360, thereby further enhancing the revenue generating potentials of this hotel.

The Empire Hotel, Kowloon

This newly built 315 room hotel launched its soft-opening in September 2001. Strategically located in the center of Tsim Sha Tsui tourist area and equipped with the latest broadband technology, interactive paid TV entertainment/internet systems and other modernized guest facilities, this hotel has been favourably received by tourists and corporate customers from different market segments versus other competitors hotels within the vicinity.

In its first six months of this reporting period, Empire Hotel Kowloon achieved a satisfactory average occupancy of 83%.

The Empire Landmark Hotel, Vancouver

The weakening of the U.S. and Canadian economies adversely affect tourism industry generally. As a result occupancy of Landmark Hotel fell from 80% in 2001 to 71% for the six months ended 30th September 2002 with average rates decreased by 8.5% to C\$118 for six months ended September 2002 as compared with C\$129 for the same period last year.

Hotel management has reacted proactively towards the adverse market changes by making extensive effort to control hotel expenditure. These stringent cost control measures have led to substantial savings in hotel operational cost and preserved profitability.

Travel Agency

Our travel agency business recorded a total revenue of HK\$128.1 million for the six months ended 30th September 2002 which is at the same level as last year's HK\$129.7 million.

During the period, the Group acquired an associated company in a travel agency targeted at tourists from the Mainland China. This division would surely realize business potentials in China brought about by its entry into the WTO and increasing number of foreign companies being established in the PRC.

Other businesses

The Group's franchised TGI Fridays restaurants in Hong Kong and Shanghai, recorded revenue of HK\$10.7 million for the first six months ended 30th September 2002. The Tsim Sha Tsui restaurants business has been adversely affected by East Rail construction program along Nathan Road, but a compensation claim has been lodged against East Rail for loss of business. However, the Shanghai restaurant's business outlook remain optimistic as local consumers spending continue to be high as supported by PRC's strong economic growth and increased presence of foreign companies following China's entry into the WTO.

The Group's management services companies were disposed of during August of this year due to a strategic restructuring of the Group's business activities.

Human Resources

Following the recent disposal of the management services companies, as at 30th September 2002 the number of full time employees of the Group was reduced to 410 (2001: 642). In addition to salary payment, other benefits include insurance, medical scheme and retirement and other benefits. During the period, no share options were granted.

Financial Review

Shareholders' funds as at 30th September 2002 were HK\$2,121.1 million, an increase of HK\$13.3 million as compared with 31st March 2002 of HK\$2,107.8 million. Net borrowings amounted to HK\$1,245.7 million as at 30th September 2002 (March 2002: HK\$1,214.6 million), thus giving a gearing ratio (net debt to equity) of 58.7%, (March 2002: 57.6%). During the period, the Group has applied funding of HK\$13.0 million in the acquisition of an associated company related in travel business.

As at 30th September 2002, HK\$1,269.7 million which represents 96% total borrowings were repayable after one year. Total borrowings are mainly denominated in Hong Kong dollar except for the Vancouver hotel's mortgage loan amounted to HK\$138.9 million which was borrowed in Canadian dollar to avoid exchange rate exposure risks.

Kowloon Empire Hotel's 315 guests rooms inventory were fully opened at the beginning of 2002. Accordingly borrowing costs are no longer capitalized as the development cost of this hotel and had to be fully expensed during the period. Total finance costs for the six months ended 30th September 2002 was HK\$23.3 million which was HK\$14.8 million less than the finance costs of HK\$38.1 million (before capitalization of HK\$30.4 million) for the same period last year due to interest rate cuts both in the U.S. and in Hong Kong.

The aggregate net book value of fixed assets pledged as securities for loans of the Group amounts to HK\$3.2 billion (2001: HK\$3.2 billion).

Future Prospects

With the significant increase of visitors arrivals in Hong Kong, together with a further fifteen luxurious guest rooms added in October 2002 in Empire Hotel Hong Kong, the outlook for the latter half of the year should be comparatively better than the first half of this year.

Operating with a strong appeal to regional travelers of both business and leisure seeking comfortable value but affordable prices, Empire Hotel Kowloon has managed to establish a firm position in Kowloon district amongst its competitors and expect to sustain its business growth achieved thus far since its opening in September 2001.

While in Canada, Empire Landmark Hotel still operates under adverse market conditions in view of the downturn in the U.S and Canadian economies. However, a number of major local developments such as expansion of the Vancouver International Airport, proposed expansion of Vancouver Trade & Exhibition Centre and the continued expansion of Robson Street corridor where our hotel is situated should help to boost tourism in Vancouver.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002 – UNAUDITED

	Note	Six months ended 30th September	
		2002 HK\$'000	2001 HK\$'000
TURNOVER	3	246,082	218,675
COST OF SALES		(164,545)	(157,296)
GROSS PROFIT		81,537	61,379
ADMINISTRATIVE EXPENSES		(39,528)	(32,457)
OTHER CHARGES	4	(2,272)	(5,716)
OPERATING PROFIT	5	39,737	23,206
INTEREST INCOME	6	1,161	224
NET INVESTMENT LOSS	7	(4,462)	(11,722)
FINANCE COSTS	8	(23,324)	(7,704)
SHARE OF LOSS OF AN ASSOCIATED COMPANY		(384)	–
PROFIT BEFORE TAXATION		12,728	4,004
TAXATION	9	(66)	(185)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		12,662	3,819
EARNINGS PER SHARE	10	0.251 cent	0.076 cent

Consolidated Balance Sheet

AS AT 30TH SEPTEMBER 2002 – UNAUDITED

	Note	30th September 2002 HK\$'000	31st March 2002 HK\$'000
FIXED ASSETS		3,233,277	3,231,881
GOODWILL	11	37,964	40,236
ASSOCIATED COMPANY	12	12,616	–
LONG TERM INVESTMENT		1,501	1,001
CURRENT ASSETS			
Inventories		3,246	3,701
Other investments		80,078	87,227
Debtors and prepayments	13	50,508	48,833
Tax recoverable		324	587
Bank balances and cash		72,849	121,560
		207,005	261,908
CURRENT LIABILITIES			
Creditors and accruals	14	52,176	90,760
Bank overdrafts – secured		2,176	–
Current portion of long term liabilities	17	46,697	40,405
Tax payable		522	370
		101,571	131,535
NET CURRENT ASSETS		105,434	130,373
		3,390,792	3,403,491
Financed by :			
SHARE CAPITAL	15	101,044	101,044
RESERVES	16	2,020,034	2,006,730
SHAREHOLDERS' FUNDS		2,121,078	2,107,774
LONG TERM LIABILITIES	17	1,269,714	1,295,717
		3,390,792	3,403,491

Condensed Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002 – UNAUDITED

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	9,258	(13,965)
NET CASH USED IN INVESTING ACTIVITIES	(8,011)	(74,765)
NET CASH (USED IN) / FROM NET FINANCING ACTIVITIES	(21,200)	16,409
NET DECREASE IN CASH AND CASH EQUIVALENTS	(19,953)	(72,321)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	91,856	101,828
CHANGES IN EXCHANGE RATES	(1,230)	(1,363)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	70,673	28,144
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
BANK BALANCE (EXCLUDING BALANCES HELD IN TRUST)	72,849	28,144
BANK OVERDRAFTS	(2,176)	–
	70,673	28,144

Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002 – UNAUDITED

	Note	Six months ended 30th September	
		2002 HK\$'000	2001 HK\$'000
Balance at beginning of the period		2,107,774	1,991,374
Exchange difference arising on translation of overseas subsidiaries	16	642	(2,089)
Net gains / (losses) not recognised in the profit and loss account		642	(2,089)
Profit for the period attributable to shareholders	16	12,662	3,819
Balance at end of the period		2,121,078	1,993,104

Notes to the Interim Consolidated Accounts

1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the requirements of the Statement of Standard Accounting Practice No.25 "Interim Financial Reporting" as issued by the Hong Kong Society of Accountants.

2. ACCOUNTING POLICIES

In 2002, the Group adopted and implemented the new Statement of Standard Accounting Practice No. 34 "Employee benefits" issued by the Hong Kong Society of Accountants. The adoption of this new standard has no material effect on the Group's results or net asset value.

Apart from the foregoing, the principal accounting policies adopted in preparing the unaudited interim financial report are consistent with those described in the 2002 Annual Report and Accounts.

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in hotel, catering services, travel agency operations and management services. Turnover represents gross revenue from hotel, catering services, travel agency operations and management services income.

Primary reporting format – business segments

The Group is organised into four main business segments:

Hotel	–	hotel operation in Hong Kong and Canada
Catering services	–	restaurant operation in Hong Kong and Mainland China
Travel agency	–	sale of air tickets and hotel reservation service
Management services	–	property management

There is no other significant identifiable separate business segment. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments.

Notes to the Interim Consolidated Accounts

3. TURNOVER AND SEGMENT INFORMATION (continued)

Business segments

	Hotel operation HK\$'000	Catering services HK\$'000	Travel agency HK\$'000	* Management services HK\$'000	Total HK\$'000
Six months ended 30th September 2002					
Segment revenue	102,676	10,729	128,082	4,595	246,082
Segment results	46,383	(1,867)	(1,158)	1,464	44,822
Unallocated corporate expenses					(5,085)
Operating profit					39,737
Interest income					1,161
Net investment loss					(4,462)
Finance costs					(23,324)
Share of loss of an associated company	–	–	(384)	–	(384)
Profit before taxation					12,728
Taxation					(66)
Profit attributable to shareholders					12,662

	Hotel operation HK\$'000	Catering services HK\$'000	Travel agency HK\$'000	Management services HK\$'000	Total HK\$'000
Six months ended 30th September 2001					
Segment revenue	83,176	–	129,690	5,809	218,675
Segment results	32,775	–	(1,617)	(2,499)	28,659
Unallocated corporate expenses					(5,453)
Operating profit					23,206
Interest income					224
Net investment loss					(11,722)
Finance costs					(7,704)
Profit before taxation					4,004
Taxation					(185)
Profit attributable to shareholders					3,819

* Operation has been discontinued subsequent to the disposal of subsidiaries to a fellow subsidiary (note 18 (v))

3. TURNOVER AND SEGMENT INFORMATION (continued)

Secondary reporting format – geographical segments

The Group's business segments operating in Hong Kong, Mainland China and Canada are as follows:

	Turnover Six months ended 30th September		Operating profit / (loss) Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	201,860	169,266	22,100	1,271
Mainland China	3,421	–	(177)	–
Canada	40,801	49,409	17,814	21,935
	246,082	218,675	39,737	23,206

4. OTHER CHARGES

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Pre-opening expenses of Empire Kowloon Hotel	–	4,041
Amortisation of goodwill	2,272	1,675
	2,272	5,716

5. OPERATING PROFIT

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Operating profit is stated after charging the following :		
Staff costs	34,940	32,189
Depreciation	2,581	407
Operating lease rental for land and buildings	3,345	1,459

6. INTEREST INCOME

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Interest income		
Bank deposits	161	224
Loans to third parties	1,000	–
	1,161	224

Notes to the Interim Consolidated Accounts

7. NET INVESTMENT LOSS

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Profit on realisation of other investments	500	22,405
Unrealised loss on other investments	(7,650)	(35,955)
Dividend income from listed equity securities	1,530	670
Interest income from unlisted debt securities	1,158	1,158
	(4,462)	(11,722)

8. FINANCE COSTS

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Interest expense		
Bank loans and overdrafts	23,281	38,081
Finance lease obligations not wholly payable within five years	19	17
Other incidental borrowing costs	24	24
	23,324	38,122
Amount capitalised in cost of hotel property under development	–	(30,418)
	23,324	7,704

9. TAXATION

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Current year provision	66	185

Hong Kong profits tax is calculated at 16% (30th September 2001 : 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\$12,662,000 (30th September 2001: HK\$3,819,000) and on the 5,052,218,681 (30th September 2001: weighted average of 5,052,212,539) shares in issue during the period.

11. GOODWILL

	HK\$'000
Cost	
At 1st April and 30th September 2002	43,287
Accumulated amortisation	
At 1st April 2002	3,051
Charge for the period	2,272
At 30th September 2002	5,323
Net book value	
At 30th September 2002	37,964
At 31st March 2002	40,236

12. ASSOCIATED COMPANY

In June 2002, the Group acquired 50% of the share capital of a company which is engaged in travel agency services for a consideration of HK\$13 million. The resulting goodwill of HK\$13 million is amortised on a straight-line basis over 10 years.

Notes to the Interim Consolidated Accounts

13. DEBTORS AND PREPAYMENTS

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

	30th September 2002 HK\$'000	31st March 2002 HK\$'000
0 day to 60 days	25,209	20,626
61 days to 120 days	1,695	1,347
More than 120 days	2,023	2,940
	28,927	24,913

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 2002 HK\$'000	31st March 2002 HK\$'000
0 day to 60 days	15,756	26,431
61 days to 120 days	2,910	3,745
More than 120 days	3,363	2,664
	22,029	32,840

15. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised (Ordinary shares of HK\$0.02 each):		
At 30th September and 31st March 2002	25,000,000,000	500,000
Issued and fully paid (Ordinary shares of HK\$0.02 each):		
At 30th September and 31st March 2002	5,052,218,681	101,044

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 2002	299,784	899,333	568,875	(13,517)	252,255	2,006,730
Translation difference	–	–	(45)	687	–	642
Profit for the period retained	–	–	–	–	12,662	12,662
At 30th September 2002	299,784	899,333	568,830	(12,830)	264,917	2,020,034

17. LONG TERM LIABILITIES

	30th September 2002 HK\$'000	31st March 2002 HK\$'000
Bank loans, secured		
Repayable within one year	46,623	40,333
Repayable within one to two years	77,622	64,495
Repayable within two to five years	498,868	479,485
Repayable after five years	692,858	751,340
	1,315,971	1,335,653
Obligations under finance leases not wholly payable within five years	440	469
	1,316,411	1,336,122
Current portion included in current liabilities	(46,697)	(40,405)
	1,269,714	1,295,717

The aggregate net book value of fixed assets pledged as securities for loans of the Group amounts to HK\$3,224,520,000 (31st March 2002 : HK\$3,221,040,000).

Notes to the Interim Consolidated Accounts

18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
(i) Rental expense for land and buildings to fellow subsidiaries	(382)	(1,304)
(ii) Management services income from fellow subsidiaries	1,601	1,979
(iii) Property development cost to a fellow subsidiary	–	(4,333)
(iv) Hotel renovation cost to a fellow subsidiary	(414)	–
(v) Disposal of subsidiaries to a fellow subsidiary	4,129	–

Notes :

- (i) *Rental expense is subject to terms agreed by the parties involved, which is at a monthly fixed fee.*
- (ii) *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.*
- (iii) *Property development cost was payable in accordance with the terms of the construction contract and by reference to the stage of completion of the construction work.*
- (iv) *Hotel renovation cost is payable in accordance with the terms of the contract.*
- (v) *In August 2002, the Group disposed of 100% of the entire issued share capital of three subsidiaries which are engaged in property management, cleaning services and providing mechanical and electrical services, to Asia Orient Holdings (BVI) Limited, a subsidiary of Asia Orient Holdings Limited, the ultimate holding company, at a total consideration based on the aggregate net asset value of these subsidiaries.*

DIRECTORS' INTERESTS IN SECURITIES

As at 30th September 2002 the interests of the Directors and Chief Executives in the equity securities of the Company and its associated corporations (as defined under the Securities (Disclosure of 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 :

Interests in shares

a) The Company

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

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.

b) Associated Corporations

	Nature of interest	Number of shares
Asia Orient		
Poon Jing (note 1)	Personal	1,529,849,800
	Family	69,826,000
	Corporate	1,900,584,936
Fung Siu To, Clement (note 1)	Personal	26,174,000
Asia Standard International Group Limited ("ASI")		
Poon Jing (note 2)	Personal	4,445,650
	Corporate	2,196,391,030
Centop Investment Limited (note 3)		
Poon Jing and Fung Siu To, Clement	Corporate	20
Mark Honour Limited (note 3)		
Fung Siu To, Clement	Personal	1

Notes :

1. Shares consolidated on basis of 50 shares into 1 share effective from 12th November 2002.
2. 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.
3. Subsidiaries of ASI.

DIRECTORS' INTERESTS IN SECURITIES (continued)

Interest in share options

a) The Company

No option has been granted under the share option scheme of the Company.

b) Associated Corporations

Asia Orient

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

Grantee	Date of grant	Exercise period	Exercise price per share (Note 1)	No. of share options held as at 1st April 2002	No. of share options held as at 30th September 2002 (Note 2)	
					Before share consolidation	After share consolidation
Directors of the Company						
Fung Siu To, Clement	14th February 2000	14th March 2000 to 13th February 2010	HK\$0.3466	15,000,000	15,000,000	300,000
Lim Yin Cheng	14th February 2000	14th March 2000 to 13th February 2010	HK\$0.3466	15,000,000	15,000,000	300,000
Leung King Yin, Kevin	14th February 2000	14th March 2000 to 13th February 2010	HK\$0.3466	15,000,000	15,000,000	300,000
Directors of ASI						
Lun Pui Kan	14th February 2000	14th March 2000 to 13th February 2010	HK\$0.3466	15,000,000	15,000,000	300,000
Kwan Po Lam, Phileas	14th February 2000	14th March 2000 to 13th February 2010	HK\$0.3466	15,000,000	15,000,000	300,000
Employees of Asia Orient group	14th February 2000	14th March 2000 to 13th February 2010	HK\$0.3466	187,500,000	187,500,000	3,750,000

DIRECTORS' INTERESTS IN SECURITIES (continued)

Interest in share options (continued)

b) Associated Corporations (continued)

Notes:

1. The exercise price has been adjusted from HK\$0.3466 to HK\$17.33 due to consolidation of 50 shares into 1 share with effect from 12th November 2002.
2. The numbers of share options has been adjusted by consolidation of 50 into 1 due to consolidation of 50 shares into 1 share with effect from 12th November 2002.

During the six months ended 30th September 2002, no options to subscribe for ordinary shares in Asia Orient were granted under the share option scheme.

No share option was exercised, cancelled or lapsed during the six months ended 30th September 2002.

On 11th November 2002, the share option scheme adopted on 28th August 1996 was terminated and a new share option scheme ("New Share Option Scheme") was adopted, whereby the board of directors may at its discretion grant options to (1) any director, employee, consultant, customer, supplier, agent, partner or advisers of or contractors to Asia Orient group or any entity in which any member of Asia Orient group holds any interest ("eligible participants"); (2) any discretionary trust whose discretionary objects include the eligible participants; and (3) a company beneficially owned by the eligible participants. The exercise price shall be at least the higher of (a) the closing price of Asia Orient's shares on the Stock Exchange on the date of grant; and (b) the average of the closing prices of the shares on the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the share. The option may be exercisable at any time during such period to be notified by the board of Asia Orient to each grantee, provided that no option shall be exercisable later than ten years after its date of grant.

ASI

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

Grantee	Date of grant	Exercise period	Exercise price per share	No. of share options	
				As at 1st April 2002	As at 30th September 2002
Director of ASI					
Lun Pui Kan	27th February 1995	27th March 1995 to 27th March 2005	HK\$0.384	1,750,000	1,750,000

DIRECTORS' INTERESTS IN SECURITIES (continued)

Interest in share options (continued)

b) Associated Corporations (continued)

ASI (continued)

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

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 2002 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 or any of its associated corporation during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2002, 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 2002.

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 control.

By Order of the Board

POON JING

Chairman

Hong Kong 18th December 2002