

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 its principal subsidiaries are set out in note 31 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 activities and by principal markets 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 20.

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 59.

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 are set out in note 20 to the accounts.

USE OF PROCEEDS

As disclosed in last year's annual report, the Group had total unutilised proceeds from capital raising exercises of approximately HK\$430 million carried forward from the 2000 financial year end in the form of bank deposits. These proceeds were intended to be applied as to approximately HK\$200 million for investment in technology related business and HK\$230 million for general working capital.

During the year, approximately HK\$100 million was invested in technology related business, HK\$100 million was invested in debt securities generating interest income for the Group, HK\$70 million was used to redeem the then outstanding exchangeable bond, HK\$39 million was applied to take up preferential allotment of shares from the spin-off of the hotel group, and HK\$21 million was utilised for working capital. The Directors considered that the change in application of proceeds was in the best interest of the Company in light of the downturn of the technology sector and the low interest environment.

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 63 to 65.

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. Chan Sze Hung
Mr. Cheung Kwok Wah, Ken

In accordance with Bye-law 99 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 or its subsidiaries 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 its subsidiary, Asia Standard International Group Limited ("Asia Standard"), at no time during the year was the Company or its subsidiaries 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 (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

(i) Interests in shares

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

(ii) Interests in share options

Name of director	Nature of interests	Exercised during the year	Exercise price	Number of options held as at 31st March 2001
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

The options were granted under the share option scheme approved by the shareholders of the Company 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 the Company's bonus issue in September 2000.

b) Subsidiaries

(i) Interests in shares

Name of director	Name of subsidiary	Number of shares held		
		Personal interests	Corporate interests	Total as at 31st March 2001
Mr. Poon Jing	Asia Standard International Group Limited ("Asia Standard")	4,445,650	2,196,391,030*	2,200,836,680
Mr. Poon Jing	Asia Standard Hotel Group Limited ("Asia Standard Hotel")	248,937	3,699,148,774*	3,699,397,711
Mr. Poon Jing and Mr. Fung Siu To, Clement	Centop Investment Limited	–	20	20
Mr. Fung Siu To, Clement	Mark Honour Limited	1	–	1

* *By virtue of his controlling interest in the Company, Mr. Poon Jing is deemed to be interested in the shares of Asia Standard and Asia Standard Hotel held by the Company's subsidiaries.*

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

(ii) Interests in share options

Name of director	Name of subsidiary	Nature of interests	Exercised during the year	Exercise price	Number of options held as at 31st March 2001
Mr. Lun Pui Kan	Asia Standard	Personal	Nil	HK\$0.384	1,750,000

The options were granted under an Executive Share Option Scheme approved by the shareholders of Asia Standard at a Special General Meeting on 23rd December 1991. The options are exercisable 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 bonus issue and bonus warrants issue of Asia Standard approved at a Special General Meeting on 26th September 2000.

(iii) Interests in warrants

Name of director	Name of subsidiary	Number of warrants held		
		Personal interests	Corporate interests	Total
Mr. Poon Jing	Asia Standard Hotel	49,248	731,814,267	731,863,515
Mr. Poon Jing	Asia Standard	683,999	439,650,816	440,334,815

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

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 such equity securities 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.

**Number of shares as at
31st March 2001**

Mr. Poon Jing	1,481,233,800
Teddington Holdings Limited (“Teddington”)	792,829,080

Teddington is controlled by Mr. Poon Jing and the interests held by it are included in Mr. Poon Jing’s corporate interests disclosed under the heading “Directors’ and Chief Executives’ Interests in Equity Securities” above.

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	3.3%
Percentage of sales attributable to the Group’s five largest customers	9.7%

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

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. Chan Sze Hung and Mr. Cheung Kwok Wah, Ken. 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 60 pursuant to Practice Note 19 of the Listing Rules.

SUBSEQUENT EVENT

Details of a significant subsequent event are set out in note 29 to the accounts.

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