
Report of the Directors

The Directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March 2005.

Principal activities and geographical analyses of operations

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries, jointly controlled entities and associated companies are set out in note 36 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 activities and by principal markets are set out in note 3 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 29.

An interim dividend of HK2.0 cents per share was paid to shareholder on 1st March 2005. The Board recommends the payment of a distribution of HK4.3 cents (2004: nil) per share in scrip for the year ended 31st March 2005.

Financial summary

A ten-year financial summary of the results and of the assets and liabilities of the Group is set out on page 9.

Fixed assets

Details of the movements in fixed assets of the Group are set out in note 13 to the accounts.

Share capital

Details of the movements in share capital of the Company during the year are set out in note 25 to the accounts.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the accounts.

Principal properties

Details of the principal properties of an associated company are set out on pages 10 to 13.

Donations

During the year, the Group made charitable and other donations of HK\$900,000 (2004: HK\$20,000).

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
Mr. Wong Chi Keung (appointed on 23rd September 2004)
Mr. Hung Yat Ming (appointed on 23rd September 2004)

In accordance with Bye-Law 99 and 102(B) of the Company's Bye-Laws, one third of the Directors and the Directors appointed by the Board during the year retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The Managing Director and the Chairman shall not be subject to retirement by rotation.

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

Biographical details of Directors are set out on pages 17.

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.

Connected transaction

On 8th December 2004, Asia Standard International Group Limited ("Asia Standard"), a then listed subsidiary of the Company, sold the equity interest of its wholly owned subsidiary, Viewell Investments Limited ("Viewell"), to Grosvenor Asset Management Limited ("GAML"). GAML is a connected party by virtue of it being a substantial shareholder of Asia Standard. Total consideration paid by GAML for the shares and loan assignment was HK\$71,514,000. The sole business of Viewell is holding an indirect interest in a property development in Yau Kam Tau.

Asia Standard subsequently entered into a shareholder's agreement with GAML to jointly redevelop Yau Kam Tau project. Both parties will make proportionate shareholder's loan and will act as guarantors to banking facilities in proportion to their shareholding interests for the redevelopment of the site.

Arrangements to purchase shares or debentures

Apart from the share option scheme of the Company as disclosed on page 23, 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.

Report of the Directors

Directors and chief executive's interests and short positions in shares, underlying shares and debentures

As at 31st March 2005, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Hong Kong Securities and Futures Ordinance (the "SFO") which (a) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(I) Long positions in shares

(a) The Company

Director	Number of shares held				Percentage of shares in issue (%)
	Personal interest	Corporate interest	Family Interest	Total	
Poon Jing	34,352,396	38,011,695	1,396,520	73,760,611	31.45
Fung Siu To, Clement	3,949,400	–	–	3,949,400	1.68

(b) Associated companies

Director	Associated Company	Number of shares held			Percentage of shares in issue (%)
		Personal interest	Corporate interest	Total	
Poon Jing	Asia Standard	4,445,650	2,055,469,712*	2,059,915,362*	40.58
Poon Jing	Asia Standard Hotel	248,937	3,699,148,774*	3,699,397,711*	73.22
Poon Jing and Fung Siu To, Clement	Centop Investment Limited	–	20	20	20
Fung Siu To, Clement	Mark Honour Limited	9	–	9	9

* 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 interest in the Company, Mr. Poon Jing is deemed to be interested in the shares of all the Company's subsidiaries.

(II) Long positions in underlying shares*Interest in share options**a) The Company*

On 12th February 2004, options to subscribe for 1,718,000 shares of the Company were granted to each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Lun Pui Kan and Kwan Po Lam, Phileas, all being the Directors of the Company, at exercise price of HK\$3.3 per share. These options are exercisable from 12th February 2004 to 11th February 2014. During the year, no option was granted to the Directors and the options granted to the Directors has not been exercised, cancelled or lapsed. Each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Lun Pui Kan and Kwan Po Lam, Phileas had option to subscribe for 1,718,000 shares of the Company at 1st April 2004 and 31st March 2005 respectively.

The options granted are not recognised in the financial statements until they are exercised. Valuation of share options would require the application of different option pricing models. These models have various limitations and involve the use of different assumptions. As a result, such valuation contains a lot of uncertainty and subjectivity. Therefore, the Directors considered that the value so calculated would not be meaningful and may be misleading to the shareholders. Consequently, the value of options granted are not disclosed.

b) Associated company – Asia Standard

Options to subscribe for 1,750,000 shares of Asia Standard were granted to Mr. Lun Pui Kan on 27th February 1995. The options are exercisable from 27th March 1995 to 27th March 2005 at exercise price of HK\$0.384 per share. These options were fully exercised during the year. The closing price of the shares immediately before the date on which the options were exercised was HK\$0.42 per share. Apart from the forementioned, no option to subscribe for shares of Asia Standard was held by any Director of the Company at 1st April 2004.

On 30th March 2005, options to subscribe for 20 million shares of Asia Standard were granted to each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Lun Pui Kan and Kwan Po Lam, Phileas and options to subscribe for 5 million shares of Asia Standard were granted to Mr. Poon Jing, at exercise price of HK\$0.325 per shares. These options were exercisable from 30th March 2005 to 29th March 2015. During the year, no option was cancelled or lapsed. Each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Lun Pui Kan and Kwan Po Lam, Phileas had options to subscribe for 20 million shares of Asia Standard and Mr. Poon Jing had option to subscribe for 5 million shares of Asia Standard at 31st March 2005. The closing price of the shares of Asia Standard immediately before the date of grant of the options was HK\$0.32.

c) Associated company – Q9 Technology Holdings Limited

As at 31st March 2005, details of the share options granted to Directors under the share option schemes are as follows:

Name of Director	Exercise Period*	Outstanding as at 1st April 2004 and 31st March 2005	
		Pre-IPO Share Option Scheme	Share Option Scheme adopted on 7th May 2001
Lim Yin Cheng	See note 1	84,480,000	
Fung Siu To, Clement	See note 2	2,560,000	
Lun Pui Kan	See note 2	1,920,000	
	18th May 2001 to 17th May 2011		3,000,000
Kwan Po Lam, Phileas	18th May 2001 to 17th May 2011		1,000,000

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Note:

Options under the Pre-IPO Share Option Scheme were granted on 5th May 2001 at exercise price of HK\$0.36 per share and options under the Share Option Scheme adopted on 7th May 2001 were granted on 18th May 2001 at exercise price of HK\$0.45 per share.

No option pursuant to the Pre-IPO Share Option Scheme and Share Option Scheme adopted on 7th May 2001 had been granted to the Directors and no option granted to Directors had been exercised, cancelled or lapsed during the year. The option may be exercised at any time within the option period provided that the options have been vested.

The exercise period is, unless otherwise stated in that column, from 5th May 2001, the date of grant of the options (subject to such options having vested, details of which are set out below), to 4th May 2011, ten years from the date of grant. The vesting dates of the options and the percentage of options vested or vesting on such dates are set out below.

Date of vesting of the options (that is, the date when the options became exercisable)	Percentage of options vested/vesting on such dates	
	(Note 1)	(Note 2)
a. 18th November 2001	10%	10%
b. 18th May 2002	10%	20%
c. 18th November 2002	10%	20%
d. 18th May 2003	20%	20%
e. 18th November 2003	20%	20%
f. 18th May 2004	20%	10%
g. 18th November 2004	10%	—

Save as disclosed above, as at 31st March 2005, none of the Directors or Chief Executive (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Substantial shareholders and other persons' interests and short positions in shares and underlying shares

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31st March 2005, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

Long positions in shares of the company

Name	Number of shares held	Percentage (%)
Teddington Holdings Limited ("Teddington")	15,856,581	6.76
Heston Holdings Limited ("Heston")	13,209,717	5.63

Notes

Mr. Poon Jing, his family interest and the companies wholly owned by him namely Teddington, Heston and Full Speed Investment Ltd. together hold 73,760,611 shares. The interest of Teddington and Heston duplicate the interest of Mr. Poon Jing disclosed under the heading "Directors and Chief Executive's interests and short positions in shares, underlying shares and debentures" above.

Share option schemes

Company

Pursuant to an ordinary resolution passed at the Special General Meeting of the Company held on 11th November 2002, the Company adopted a new option scheme to replace an old option scheme. According to the new option scheme, the board of Directors of the Company may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiary or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, acknowledge the contributions of, motivate and maintain relationship with the eligible participants.

The total number of shares which may be issued upon exercise of all options to be granted under the new option scheme must not exceed 14,982,643 shares, representing 6.39% of the shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the new option scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under the new option scheme or any other share option scheme within any 12 months period, must not exceed 1% of the shares in issue from time to time.

There was no requirement for a grantee to hold the option for a certain period before exercising the option unless otherwise determined by the Directors. The exercise period should be any period determined by the board of Directors but in any event the exercise period should not later than 10 years from the date of grant. The grantee must accept an option within 21 days from the date of offer by making a non-refundable payment of HK\$1 to the Company.

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The subscription price shall be at the discretion of the board of Directors provided that it shall be not less than the highest of (i) the closing price of a share on the relevant date of grant; (ii) the average of the closing prices of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The new option scheme is effective for 10 years from 11th November 2002.

The following table discloses details of the Company's options granted under the new option scheme held by employees (including Directors):

Grantee	Outstanding as at 1st April 2004	Outstanding as at 31st March 2005
Directors	6,872,000	6,872,000 (note 1)
Employees of Invested Entity	–	5,400,000 (note 2)

Notes:

1. The options were granted on 12th February 2004 and exercisable from 12th February 2004 to 11th February 2014 at an exercise price of HK\$3.3 per share
2. These options were granted on 25th February 2005 and exercisable from 25th February 2005 to 24th February 2015 at an exercise price of HK\$2.895 per share. The closing price of the shares immediately before the date of grant of such options was HK\$2.9 per share.
3. No option was cancelled, lapsed nor exercised during the year.

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	22.3%
Percentage of purchases attributable to the Group's five largest suppliers	44.7%
Percentage of sales attributable to the Group's largest customer	2.5%
Percentage of sales attributable to the Group's five largest customers	9.6%

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.

Non-executive directors

Confirmation of independence has been received from each of the Independent Non-executive Directors of the Company and the Company considers all existing Independent Non-executive Directors are independent.

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, 19th July 2005