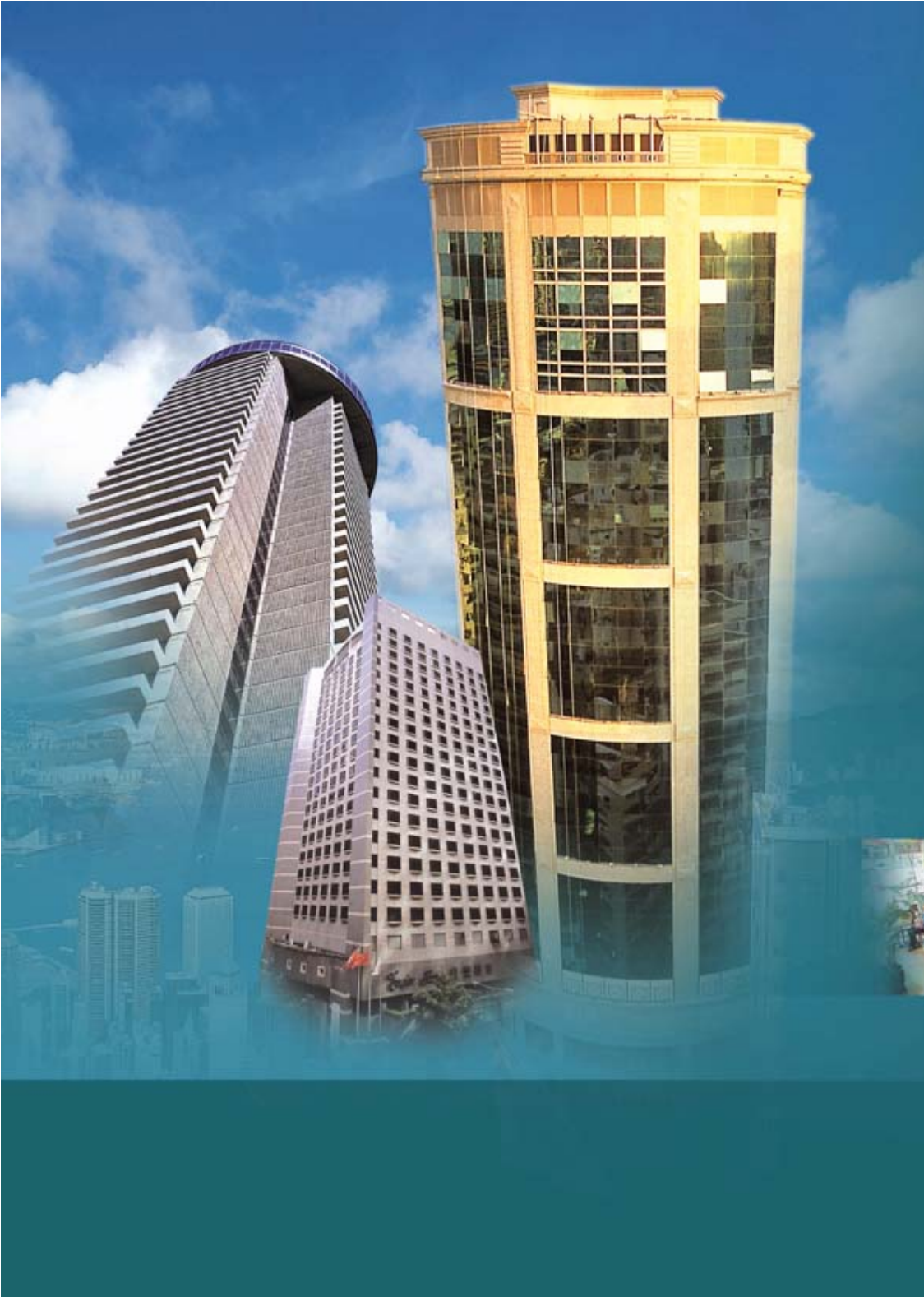


REPORT OF THE DIRECTORS



STYLISH
HOMELY AND TASTEFULLY
DECORATED ENVIRONMENT



The Directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March 2001.

Group Reorganisation

Pursuant to a group reorganisation (“Reorganisation”) completed in late July 2000, the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Reorganisation are disclosed in note 1 to the accounts.

Principal Activities And Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 24 to the accounts.

The activities of the Group are mainly based in Hong Kong and Canada. Analyses of the Group’s turnover and contribution to operating profit by principal activity and by principal market are set out in note 3 to the accounts.

Results and Appropriations

The results of the Group for the year ended 31st March 2001 are set out in the consolidated profit and loss account on page 23.

The Directors have declared an interim dividend of HK0.2 cent per share, totalling HK\$10,000,000, which was paid on 1st March 2001.

The Directors do not propose the payment of a final dividend.

Financial Summary

A financial summary of the results and of the assets and liabilities of the Group is set out on page 47.

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.

Fixed Assets

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

Hotel Properties

Details of the hotel properties of the Group are set out on page 48.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 17 to the accounts.

During the year, the net proceeds of HK\$321 million from the initial offer of the Company's shares in July 2000 have been utilised as follows:

- Approximately HK\$140.0 million was used for repayment of bank loan and interest expenses;
- Approximately HK\$2.7 million was spent on pre-opening expenses of the Empire Kowloon Hotel;
- HK\$3.6 million representing a 10% deposit of the purchase consideration was applied to a strategic investment at year end.
- HK\$52.3 million has been used for payment of group's normal operating expenses.
- From the remaining funds of HK\$122.4 million, HK\$50 million has been invested in short term investments and the balance was placed in bank deposits.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 18 to the accounts.

Directors

The Directors of the Company during the year and at the date of this report were:

Mr. Poon Jing

Mr. Lim Yin Cheng

Mr. Fung Siu To, Clement

Mr. Leung King Yin, Kevin

Mr. Kessler, Thomas Alwin

Mr. Poon Tin Sau, Robert

Ms. Hagen, Linda Susan (resigned on 18th April 2000)

Mr. Rodrigues, Bernard Francis (appointed on 18th April 2000 and resigned on 1st April 2001)

Ms. So Kit Sung (resigned on 3rd October 2000)

Mr. Wong Shu Pui (appointed on 3rd October 2000)

Mr. Lee Man Kwong

Mr. Liang Shangli

In accordance with Bye-law 99 of the Company's Bye-Laws, all present 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 to 7.

Directors' Interests in Contracts

Save for contracts amongst group companies, no other 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 has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected Transactions

The Group has the following transactions with Asia Standard International Group Limited ("ASI"), a substantial shareholder, and its subsidiaries other than the Group, which were connected transactions within the meaning of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

1. The Group has been leasing several office floors and a flat as staff quarter from subsidiaries of ASI at a total rental of HK\$2,052,000 for the year ended 31st March 2001 (2000:HK\$1,952,000).
2. The Group has received remuneration and fees totalling HK\$2,875,000 (2000:HK\$3,763,000) from various subsidiaries and associated companies of ASI relating to the provision of estate management services, cleaning and security services, and mechanical and electrical services.
3. A subsidiary of the Company has paid loan interest of HK\$22,287,000 (2000:HK\$24,152,000) to a wholly-owned subsidiary of ASI for a loan borrowed, on normal commercial terms, to finance part of the payment of land costs, interest, bank loan, administration and consultancy fees relating to the construction of Empire Hotel Kowloon. The loan was subject to an interest rate of 9.15% per annum and changed to 1.5% over prime rate after the listing of the Company. The loan was fully repaid during the year.
4. Being the owner of the Empire Hotel, a subsidiary of the Company has made arrangements with ASI whereby credits and discounts are offered to the directors and staff members of, inter alia, ASI and its subsidiaries and associated companies in respect of Empire Hotel rooms occupied and food and beverages consumed at the Empire Hotel. The aggregate of such charges received for the year ended 31st March 2001 was HK\$772,000 (2000:HK\$1,030,000).

5. A wholly-owned subsidiary of ASI, has been appointed by a wholly-owned subsidiary of the Company to construct the Empire Hotel Kowloon on an arm's length basis and at a rate which is based on the stage of completion of the construction work. The total contract sum is HK\$307,460,000 and the aggregate construction costs paid for the year ended 31st March 2001 was HK\$88,460,000 (2000:HK\$29,209,000).
6. On 6th April 2001, the Company through a wholly-owned subsidiary acquired the entire issued share capital of JBC Travel Company Limited at a consideration of HK\$36,000,000, from Hong Kong Enterprise International Limited, a company owned by Mr. Poon Jing.

This constitutes a connected transaction by virtue of Mr. Poon Jing being a Director and substantial shareholder of the Company. Details of the transaction were disclosed in an announcement dated 8th February 2001.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has granted, subject to certain conditions, waivers from strict compliance with the requirements stipulated in Chapter 14 of the Listing Rules in respect of the normal disclosure and / or shareholder's approvals of the transactions set out in sections (1) to (5). The independent non-executive directors have reviewed the above connected transactions and confirmed that the transactions were:

- (i) entered into in the ordinary and usual course of business of the Group;
- (ii) entered into on normal commercial terms and on an arm's length basis;
- (iii) fair and reasonable so far as the shareholders of the Company as a whole are concerned;
- (iv) carried out in accordance with the terms of the relevant agreements, documents or arrangements governing such transactions; and
- (v) approved by the Board.

All of the above connected transactions are also disclosed as related party transactions in note 22 and as subsequent event in note 25 to the accounts.

Arrangements to Purchase Shares or Debentures

Apart from the share option scheme of the ultimate holding company, Asia Orient and that of ASI, 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' 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 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		
	Personal interests	Corporate interests	Total as at 31st March 2001
Mr. Poon Jing	248,937	3,699,148,774	3,699,397,711

Interests in warrants

Name of Director	Number of warrants held		
	Personal interests	Corporate interests	Total as at 31st March 2001
Mr. Poon Jing	49,248	731,814,267	731,863,515

In addition, by virtue of his interest in the Company through 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

Interests in shares

	Nature of interest	Number of shares held as at 31st March 2001
Asia Orient		
Mr. Poon Jing	Personal	1,481,233,800
	Family	69,826,000
	Corporate	1,900,584,936
ASI		
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 ASI held by subsidiaries of Asia Orient.
2. Subsidiaries of ASI other than the Group.

Interests in share options

	Nature of interest	Number of options exercised during the period	Exercise price per share	Number of options held as at 31st March 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 as at 31st March 2001
		Personal interests	Corporate interests	
Mr. Poon Jing	ASI	683,999	439,650,816	440,334,815

The warrants were approved by the shareholders of ASI at Special General Meetings on 26th September 2000. The warrants were granted on 27th September 2000. In addition, by virtue of his interests in 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 31st March 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 year.

Substantial Shareholders

As at 31st March 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 35% 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.*

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

During the year, purchases attributable to the Group's five largest suppliers and turnover attributable to the Group's five largest customers were both less than 30% of the total purchases and turnover of the Group, respectively.

Corporate Governance

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules from 25th July 2000 (date of listing of the Company's shares) to the date of this report.

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 controls.

Subsequent Event

Details of significant subsequent event is set out in note 25 to the accounts.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

POON JING

Chairman

HONG KONG, 13th July 2001