

Report of the Directors

The Directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March 2003.

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 35 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 22.

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 65.

DONATIONS

No charitable and other donations were made during the year (2002: 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 24 to the accounts.

RESERVES

Movement in the reserves of the Group and the Company during the year are set out in note 25 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties of the Group are set out on pages 69 to 72.

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. Loup, Nicholas James
Mr. Koon Bok Ming, Alan
Mr. Au Yat Chuen, Raymond
Mr. Lau Kwok Hing
Mr. Leung King Yin, Kevin (resigned on 22nd January 2003)

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 to 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 17, and that of the ultimate holding company, Asia Orient Holdings Limited ("Asia Orient") and of a subsidiary, Asia Standard Hotel Group Limited ("Asia Standard Hotel"), 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 2003, 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:

Interests in shares

a) The Company

Name of Director	Nature of interests	Number of shares held as at 31st March 2003
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.

b) Subsidiaries

Name of Director	Name of subsidiary	Nature of interests	Number of shares held as at 31st March 2003
Mr. Poon Jing	Asia Standard Hotel	Corporate	3,699,148,774
		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

Name of Director	Personal interests	Number of shares held		Total as at 31 March 2003
		Family interests	Corporate interests	
Mr. Poon Jing	31,714,396	1,396,520	38,011,695	71,122,611
Mr. Fung Siu To, Clement	969,400	-	-	969,400

Interests in share options**a) The Company**

Options to subscribe for 1,750,000 shares of the Company were granted to Mr. Lun Pui Kan on 27th February 1995. The options are exercisable from 27th March 1995 to 27th March 2005 at an exercise price of HK\$0.384 per share. No option was exercised, cancelled or lapsed during the year. As at 1st April 2002 and 31st March 2003, Mr. Lun Pui Kan held options to subscribe for 1,750,000 shares of the Company.

b) Asia Orient

Options to subscribe for 300,000 shares (note) were granted to each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Kwan Po Lam, Phileas and Lun Pui Kan, all being the Directors of the Company, on 14th February 2000. These options are exercisable from 14th March 2000 to 13th February 2010 at an exercise price of HK\$17.33 per share (note). During the year, no option was granted, exercised, cancelled or lapsed. As at 1st April 2002 and 31st March 2003, each of these Directors held options to subscribe for 300,000 shares of Asia Orient.

Note:

The exercise price was adjusted from HK\$0.3466 per share to HK\$17.33 per share and the number of share option was adjusted from 15,000,000 to 300,000 due to consolidation of 50 shares into 1 share with effect from 12th November 2002.

Save as disclosed above, as at 31st March 2003, none of the Directors or Chief Executives or their spouse or children under 18 years of age were granted or exercised any right to subscribe for any equity or debt securities of the Company or any its associated corporation.

SUBSTANTIAL SHAREHOLDERS

At 31st March 2003, 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 (Note 1)	2,196,391,030
Asia Orient Holdings (BVI) Limited ("Asia Orient BVI") (Note 1)	2,196,391,030
Asia Orient Company Limited ("AOCL") (Note 1 and 3)	2,196,391,030
Impetus Holdings Limited ("Impetus") (Note 2)	1,092,862,918
Kingfisher Inc. and Lipton Investment Limited ("Kingfisher and Lipton") (Note 4)	975,708,512
Westrata Investment Limited (Note 5)	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. The share ownership of Westrata Investment Limited is indirectly held through Westrata Holdings Limited, Grosvenor Asia Holdings Limited, Grosvenor Overseas Holdings Limited and Grosvenor Estate Holdings.

Grosvenor Group Holdings Limited, a company registered in England and Wales, is wholly owned by trusts and members of the Grosvenor Family, headed by the Sixth Duke of Westminster.

SHARE OPTION SCHEMES

Company

The share option scheme of the Company expired on 22nd January 2002. As at 31st March 2003, there were 1,750,000 options granted to a Director outstanding. The options are exercisable in accordance with the terms of the expired share option scheme.

Subsidiary

Asia Standard Hotel

The share option scheme was adopted on 24th May 2000 whereby options may be granted to the employees, including executive Directors of Asia Standard Hotel and its subsidiaries, to subscribe for shares of Asia Standard Hotel. The share option scheme was designed to provide incentive to employees of Asia Standard Hotel and its subsidiaries and will remain in force for a period of ten years commencing on 24th May 2000. The maximum number of shares in respect of options may be granted under the share option scheme may not exceed 10% (505,210,868 shares at the date of this report) of the issued share capital of Asia Standard Hotel in issue from time to time. The maximum entitlement of each participant is 25% of the aggregated number of shares issued or issuable under the share option scheme. The grantee has to pay HK\$1 to Asia Standard Hotel for acceptance of each option within 28 days from the date of letter by which the option is granted. No option shall be exercised later than 10 years from the date of grant. The exercise price was the higher of (a) the nominal amount of a share; and (b) not less than 80% of the average of the closing price of a share on the Stock Exchange of each of the five trading days immediately preceding the date of the offer of any option.

In accordance with Chapter 17 (Share Scheme) 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.

No option has been granted under the share option scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased 42,000 of its own shares on the Stock Exchange at an aggregate consideration of HK\$10,394. All the shares repurchased were subsequently cancelled. An amount equal to the nominal value of the shares cancelled of HK\$420 was transferred from the revenue reserve to capital redemption reserve.

Trading month	Number of shares purchased	Lowest price paid	Highest price paid	Total cash paid
		HK\$	HK\$	HK\$
August 2002	42,000	0.243	0.249	10,394

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

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	21.1%
Percentage of purchases attributable to the Group's five largest suppliers	54.9%
Percentage of sales attributable to the Group's largest customer	2.4%
Percentage of sales attributable to the Group's five largest customers	6.9%

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. In April 2001, a subsidiary of Asia Standard Hotel acquired the entire issued share capital of JBC Travel Company Limited ("JBC") at a consideration of HK\$36,000,000, from Hong Kong Enterprise International Limited, a company owned by Mr. Poon Jing. Mr. Poon Jing 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 2003 is HK\$294,000 (2002:HK\$856,000). Accordingly, Mr. Poon Jing is required to pay an amount equal to the shortfall of HK\$4,706,000 (2002:HK\$4,144,000) to the Group. Mr. Poon Jing is a connected person by virtue of he being a controlling shareholder of Asia Orient, the ultimate holding company. The Company has a 70% interest in Asia Standard Hotel, a separately listed subsidiary.

2. In August 2002, a subsidiary of Asia Standard Hotel 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 a wholly-owned subsidiary of Asia Orient, the ultimate holding company, at a total consideration of HK\$4,129,000 based on the aggregate net asset value of these subsidiaries.

Asia Orient is a connected person to the Group by virtue of it being the controlling shareholder of the Group which in turn is the controlling shareholder of Asia Standard Hotel.

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 66 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, 22nd July 2003