

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 its 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 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 23.

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 69.

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.

RESERVES

Movements 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 73 to 76.

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, one third of the Directors retire by rotation 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 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 on page 17, and that of its subsidiaries, Asia Standard International Group Limited ("Asia Standard") and Asia Standard Hotel Group Limited ("Asia Standard Hotel"), 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' 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	Personal interests	Number of shares held		Total as at 31st 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

b) Subsidiaries

Name of Director	Name of subsidiary	Number of shares held		Total as at 31st March 2003
		Personal Interests	Corporate interests	
Mr. Poon Jing	Asia Standard	4,445,650	2,196,391,030*	2,200,836,680
Mr. Poon Jing	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.

Interests in share options

a) The Company

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 the Company.

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.

b) Subsidiary - 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 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 Asia Standard.

c) Associated company - Q9 Technology Holdings Limited

As at 31st March 2003, 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 2002 and 31st March 2003	
		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

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 options may be exercised at any time within the option period provided that the options have been vested.

Commencement date when the options shall vest and be exercisable	% of options exercisable by each grantee (Note 1)	in respect of options granted (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 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 held as at 31st March 2003
Mr. Poon Jing	31,714,396
Teddington Holdings Limited ("Teddington")	15,856,581

Mr. Poon Jing, the companies controlled by him and his family together hold 71,122,611 shares.

Teddington is controlled by Mr. Poon Jing and the interest held by it are included in Mr. Poon Jing's corporate interests disclosed under the heading "Directors' interests in Equity Securities" above.

SHARE OPTION SCHEMES

Company

1. Share Option Scheme adopted on 28th August 1996 (“Old Option Scheme”)

For incentive purpose, the Old Option Scheme was adopted on 28th August 1996 whereby options may be granted to employees of the Company and its subsidiaries including the executive Directors, to subscribe for shares of the Company, and will expire on 17th September 2006. The maximum number of shares in respect of options which may be granted under the Old Option Scheme may not exceed 10% of the issued share capital of the Company in issue from time to time. The maximum entitlement of each participant is 25% of the aggregate number of shares issued or issuable under the Old Option Scheme. The cash consideration to be paid for acceptance of each option is HK\$10. Options granted had to be accepted within 28 days from the date of the letter by which the option is granted. No option shall be exercised later than 10 years after 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 arithmetical 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.

On 11th November 2002, the Old Option Scheme was resolved by the shareholders of the Company to be cancelled. However, the options granted under the Old Option Scheme are still exercisable in accordance with the terms of the Old Option Scheme.

2. Share Option Scheme adopted on 11th November 2002 (“New Option Scheme”)

Pursuant to an ordinary resolution passed at the Special General Meeting of the Company held on 11th November 2002, the Company adopted the New Option Scheme to replace the 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 10% 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.

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.

No option has been granted under the New Option Scheme since its adoption.

The following table discloses details of the Company's options granted under the Old Option Scheme held by employees (including Directors) and movement in such holdings during the year:

Grantee	Outstanding as at 1st April 2002	Outstanding as at 31st March 2003
Directors	1,200,000	1,200,000
Former Director of subsidiary	300,000	300,000
Employees	3,750,000	3,750,000

Notes:

- (1) No option was granted, cancelled, lapsed or exercised during the year.
- (2) All options are exercisable at an exercise price of HK\$17.33 per share (adjusted from HK\$0.3466 per share due to consolidation of 50 shares of HK\$0.005 each into 1 share of HK\$0.1 each).
- (3) All options were granted on 14th February 2000 and exercisable from 14th March 2000 to 13th February 2010.
- (4) The option granted to the former Director of subsidiary will be lapsed if not exercise on or before 21st January 2004.

Subsidiaries

1. Asia Standard

The share option scheme of Asia Standard 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.

2. 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 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, 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	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	2.2%
Percentage of sales attributable to the Group's five largest customers	6.3%

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.

CONNECTED TRANSACTIONS

The following were connected transactions under 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 the Group. Asia Standard 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 the Group, at a total consideration of HK\$4,129,000 based on the aggregate net asset value of these subsidiaries. Asia Standard Hotel is a connected person of the Company by virtue of it being a non-wholly owned subsidiary of the Company.

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. 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.

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 70 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