

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 ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 30 to the accounts.

The activities of the Group are mainly based in Hong Kong, Canada and Mainland China. Analyses of the Group's turnover and contribution to operating profit 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 ended 31st March 2003 are set out in the consolidated profit and loss account on page 23.

The Directors do not propose the payment of a dividend.

FINANCIAL SUMMARY

A financial summary of the results and of the assets and liabilities of the Group is set out on page 59.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased 110,000 of its own shares on the Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$16,082. All the shares repurchased were subsequently cancelled.

Trading month	Number of shares purchased	Lowest price paid	Highest price paid	Total cash paid
		HK\$	HK\$	HK\$
October 2002	110,000	0.140	0.145	16,082

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

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 14 to the accounts.

HOTEL PROPERTIES

Details of the hotel properties of the Group are set out on page 60.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23 to the accounts.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 24 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 (resigned on 22nd January 2003)
Mr. Poon Tin Sau, Robert
Mr. Wong Shu Pui
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 7 and 8.

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 companies 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 following were connected transactions under 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 flats as staff quarters from subsidiaries of Asia Standard International Group Limited ("ASI") at a total rental of HK\$684,000 for the year ended 31st March 2003 (2002:HK\$1,972,000). ASI, being a substantial shareholder, and its subsidiaries other than the Group, are connected persons within the meaning of Chapter 14 of the Listing Rules.
2. The Group has received remuneration and fees totalling HK\$1,601,000 (2002:HK\$2,742,000) from various subsidiaries of ASI relating to the provision of estate management services, cleaning and security services, and mechanical and electrical services.
3. Being the owners of the Empire Hotel Hong Kong and Empire Hotel Kowloon, subsidiaries of the Company have made arrangements with ASI whereby credits and discounts are offered to the Directors and staff members of, inter alia, ASI and its subsidiaries in respect of rooms occupied and food and beverages consumed at the two hotels. The aggregate of such charges received for the year ended 31st March 2003 was HK\$44,000 (2002:HK\$203,000).
4. In April 2001, the Group 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 being a substantial shareholder of Asia Orient Holdings Limited ("Asia Orient"), the ultimate holding company of the Group.

5. In August 2002, the Group 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, 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 Company by virtue of it being the controlling shareholder of ASI which in turn is the controlling shareholder of the Company.

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 in sections (1) to (3). 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 28 to the accounts.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the share option scheme of the Company as disclosed on page 20, and that of its holding companies, Asia Orient and ASI, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies 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 in the equity securities of the Company and its associated corporations (as defined under the Securities (Disclosure of Interest) 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:

Interests in shares**a) The Company**

Name of Director	Number of shares held		Total as at 31st March 2003
	Personal interests	Corporate interests	
Mr. Poon Jing	248,937	3,699,148,774	3,699,397,711

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

	Nature of interest	Number of shares
Asia Orient		
Mr. Poon Jing (<i>note 1</i>)	Personal	31,714,396
	Family	1,396,520
	Corporate	38,011,695
Mr. Fung Siu To, Clement (<i>note 1</i>)	Personal	969,400
ASI		
Mr. Poon Jing (<i>note 2</i>)	Personal	4,445,650
	Corporate	2,196,391,030
Centop Investment Limited (<i>note 3</i>)		
Mr. Poon Jing and Mr. Fung Siu To, Clement	Corporate	20
Mark Honour Limited (<i>note 3</i>)		
Mr. Fung Siu To, Clement	Personal	1

Notes :

(1) Shares consolidated on basis of 50 shares into 1 share effective from 12th November 2002.

(2) 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.

(3) Subsidiaries of ASI.

Interests in share options

Associated Corporations – Asia Orient

Options to subscribe for 300,000 shares (see note below) were granted to each of Mr. Fung Siu To, Clement and Mr. Lim Yin Cheng, Directors of the Company, on 14th February 2000. These options are exercisable from 14th March 2000 to 13th February 2010 at exercise price of HK\$17.33 per share (see note below). During the year ended 31st March 2003, no option was granted, exercised or lapsed. As at 1st April 2002 and 31st March 2003, each of Mr. Fung Siu To Clement, and Mr. Lim Yin Cheng, had option to subscribe for 300,000 shares of Asia Orient.

Note: The exercise price was adjusted from HK\$0.3466 to HK\$17.33 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, none of the Directors was interested in the equity securities of the Company or any of its subsidiaries or associated corporations as at 31st March 2003 and none of the Directors 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 or any of its associated corporations during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2003, 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 one-third 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.*

SHARE OPTION SCHEME

The share option scheme of the Company was adopted on 24th May 2000 whereby options may be granted to employees, including the executive Directors of the Company and the subsidiaries, to subscribe for shares of the Company. The share option scheme was designed to provide incentive to employees of the Company and its subsidiaries and will remain in force for a period of ten years commencing 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 the Company 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\$1.00 to the Company 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 Schemes) of 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.

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, turnover attributable to the Group's five largest customers was less than 30% of the total turnover of the Group. The percentage of purchases attributable to the Group's five largest suppliers and the Group's largest supplier were 50.9% and 16.0% respectively.

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 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 Listing Rules.

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.

The Audit Committee meets at least twice a year for review of the audited annual accounts and the unaudited interim 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, 22nd July 2003