

Report of the Directors

The Directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March 2004.

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 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 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 26.

The directors do not recommend the payment of a dividend.

Financial summary

A ten-year financial summary of the results and of the assets and liabilities of the Group is set out on page 10.

Donations

During the year, the Group made charitable and other donations of HK\$20,000 (2003: nil).

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 11 to 14.

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. Liang Shangli (appointed on 11th December 2003)
Mr. Koon Bok Ming, Alan
Mr. Au Yat Chuen, Raymond
Mr. Lau Kwok Hing (resigned on 11th November 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 15 and 16.

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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 23, 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' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 31st March 2004, the interests and short positions of the Directors and Chief Executives 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	Total	
Poon Jing	4,445,650	2,170,469,712	2,174,915,362*	52.93

* By virtue of his controlling interest (40.99%) in Asia Orient Holdings Limited ("Asia Orient"), Mr. Poon Jing is deemed to be interested in the shares of the Company held by the subsidiaries of Asia Orient as disclosed under the heading "Substantial Shareholders" below.

(b) Subsidiaries

Director	Subsidiary	Number of shares held			Percentage of shares in issue (%)
		Personal interest	Corporate interest	Total	
Poon Jing	Asia Standard Hotel Group Limited ("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	1	–	1	10

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 the Company's subsidiaries.

(c) Asia Orient

Director	Number of shares held			Percentage of shares in issue (%)	
	Personal interest	Corporate interest	Family interest		
Poon Jing	31,714,396	38,011,695	1,396,520	71,122,611	40.99
Fung Siu To, Clement	3,949,400	–	–	3,949,400	2.28

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(II) Long positions in underlying shares

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 exercise price of HK\$0.384 per share. No option was exercised, cancelled or lapsed during the year. As at 1st April 2003 and 31st March 2004, Mr. Lun Pui Kan held options to subscribe for 1,750,000 shares of the Company.

(b) Asia Orient

On 26th March 2004, options to subscribe for 300,000 shares of Asia Orient at exercise price of HK\$17.33 per share granted to each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Lun Pui Kan and Kwan Po Lam, Phileas, all being Directors of the Company, were cancelled. On 12th February 2004, options to subscribe for 1,718,000 shares of Asia Orient were granted to each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Lun Pui Kan and Kwan Po Lam, Phileas 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 granted to the Directors of the Company was exercised 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 300,000 and 1,718,000 shares of Asia Orient at 1st April 2003 and 31st March 2004 respectively.

Save as disclosed above, as at 31st March 2004, none of the Directors or Chief Executives (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 2004, 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 Executives.

(a) Long positions in shares of the Company

Name	Number of shares	Percentage
Asia Orient (Note 1)	2,170,469,712	52.82
Asia Orient Holdings (BVI) Limited ("Asia Orient BVI") (Note 1)	2,170,469,712	52.82
Asia Orient Company Limited ("AOCL") (Note 1 and 3)	2,170,469,712	52.82
Impetus Holdings Limited ("Impetus") (Note 2)	1,092,862,918	26.60
Kingfisher Inc. and Lipton Investment Limited ("Kingfisher and Lipton") (Note 4)	975,708,512	23.74
Grosvenor Asset Management Limited (Note 5)	613,530,000	14.93
Grosvenor International S.A. (Note 5)	613,530,000	14.93
Grosvenor Group Limited (formerly known as Grosvenor Group Holdings Limited) (Note 5)	613,530,000	14.93
Jeremy Henry Moore Newsum (Note 5)	613,530,000	14.93
Robin Shedden Broadhurst (Note 5)	613,530,000	14.93
Mark Antony Loveday (Note 5)	613,530,000	14.93
Gillian Lucy Newsum (Note 5)	613,530,000	14.93
Penelope Alison Broadhurst (Note 5)	613,530,000	14.93
Mary Elizabeth Loveday (Note 5)	613,530,000	14.93

(b) Long positions in underlying shares of the Company

Convertible bonds

Substantial shareholder	Underlying shares interest of HK\$290,000,000 convertible bond
Grosvenor Limited (Note 5)	644,444,444
Grosvenor Asset Management Limited (Note 5)	644,444,444
Grosvenor International S.A. (Note 5)	644,444,444
Grosvenor Group Limited (formerly known as Grosvenor Group Holdings Limited) (Note 5)	644,444,444
Jeremy Henry Moore Newsum (Note 5)	644,444,444
Robin Shedden Broadhurst (Note 5)	644,444,444
Mark Antony Loveday (Note 5)	644,444,444
Gillian Lucy Newsum (Note 5)	644,444,444
Penelope Alison Broadhurst (Note 5)	644,444,444
Mary Elizabeth Loveday (Note 5)	644,444,444

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The Convertible Bonds can be converted into shares of the Company at conversion price of HK\$0.45 per share at any time between 7th January 2002 to 7th January 2007. During the year, no convertible bonds was converted.

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 2,170,469,712 shares of the Company.
2. Impetus is a wholly-owned subsidiary of AOCL, the interests of Impetus are deemed to be, and have therefore been included in, the interest of AOCL.
3. The interest of AOCL and its subsidiaries duplicate the interests of Mr. Poon Jing disclosed under the heading "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above which he is deemed to have by virtue of his controlling interest (40.99%) in Asia Orient.
4. Both Kingfisher and Lipton are wholly-owned subsidiaries of Impetus and jointly hold 975,708,512 shares. The joint interests of Kingfisher and Lipton are deemed to be, and have therefore been included in, the interests of Impetus.
5. Grosvenor Limited is a wholly owned subsidiary of Grosvenor Asset Management Limited which is a wholly owned subsidiary of Grosvenor International S.A. Grosvenor International S.A. is a company listed in Luxemburg and is majority owned (64.04%) by Grosvenor Continental Europe Holdings Limited. Grosvenor Continental Europe Holdings Limited is an indirect wholly owned subsidiary of Grosvenor Group Limited (formerly known as Grosvenor Group Holdings Limited) which is controlled (43.56%) by The Fourth Duke of Westminster 1964 Settlement.

Grosvenor Asset Management Limited owned 613,530,000 shares of the Company. Each of Grosvenor International S.A., Grosvenor Continental Europe Holdings Limited and Grosvenor Group Limited (formerly known as Grosvenor Group Holdings Limited) is deemed to be interested in and duplicate the interest in the 613,530,000 shares held by Grosvenor Asset Management Limited. Grosvenor Limited owned HK\$290,000,000 Convertible Bonds convertible into 644,444,444 shares of the Company. Each of Grosvenor Asset Management Limited, Grosvenor International S.A., Grosvenor Continental Europe Holdings Limited and Grosvenor Group Limited (formerly known as Grosvenor Group Holdings Limited) is deemed to be interested in and duplicate the interest in the underlying 644,444,444 shares of the Company under the Convertible Bonds.

Jeremy Henry Moore Newsum, Robin Shedden Broadhurst and Mark Antony Loveday are the trustees of The Fourth Duke of Westminster 1964 Settlement. Each of Jeremy Henry Moore Newsum, Robin Shedden Broadhurst, Mark Antony Loveday are deemed to be interested and duplicate the interest in 613,530,000 shares and the underlying 644,444,444 shares of the Company under the Convertible Bonds. Gillian Lucy Newsum, Penelope Alison Broadhurst and Mary Elizabeth Loveday are spouse of Jeremy Henry Moore Newsum, Robin Shedden Broadhurst and Mark Antony Loveday respectively. Each of Gillian Lucy Newsum, Penelope Alison Broadhurst and Mary Elizabeth Loveday is deemed to have family interest and duplicate the interest in 613,530,000 shares and the underlying 644,444,444 shares of the Company under the Convertible Bonds.

Save as disclosed above, as at 31st March 2004, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of the SFO.

Share option schemes

Company

The share option scheme of the Company expired on 22nd January 2002. As at 31st March 2004, there were 1,750,000 options granted to a Director under the expired share option scheme 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 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 3,356,000 of its own shares on the Stock Exchange at an aggregate consideration of HK\$866,780. All the shares repurchased were subsequently cancelled. An amount equal to the nominal value of those shares cancelled of HK\$33,560 was transferred from the revenue reserve to capital redemption reserve.

Trading month	April 2003
Number of shares purchased	3,356,000
Lowest price paid (HK\$)	0.25
Highest price paid (HK\$)	0.27
Total cash paid (HK\$)	866,780

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.

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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	22.5%
Percentage of purchases attributable to the Group's five largest suppliers	50.8%
Percentage of sales attributable to the Group's largest customer	2.3%
Percentage of sales attributable to the Group's five largest customers	10.5%

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.

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. 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.

Remuneration committee

A remuneration committee comprising Mr. Fung Siu To, Clement, Mr. Nicholas James Loup, Mr. Liang Shangli and Mr. Koon Bok Ming, Alan has been set up. The duties of the committee includes making recommendations to the Board on the remuneration policy and structure of the directors and senior management, approving the performance-based remuneration, determining the remuneration packages of all executive directors and senior management and approving the compensation to directors and senior management on termination or dismissal.

Pro forma combined balance sheet of affiliated companies

A pro forma 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 65 pursuant to Chapter 13 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, 19th July 2004