

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 analysis of operations

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 32 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 2004 are set out in the consolidated profit and loss account on page 16.

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 45.

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 14 to the accounts.

Hotel properties

Details of the hotel properties of the Group are set out on page 46.

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

Movements in the reserves of the Group and the Company during the year are set out in note 25 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. Poon Tin Sau, Robert
Mr. Wong Shu Pui
Mr. Ip Chi Wai (*appointed on 11th December 2003*)
Mr. Liang Shangli
Mr. Lee Man Kwong (*resigned on 11th November 2003*)

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 4 and 5.

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.

Arrangements to purchase shares or debentures

Apart from the share option scheme of the Company as disclosed on page 14, and that of its holding companies, 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 And Short Positions In Shares, Underlying Shares And Debentures

As at 31st March 2004, the interests and short position of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (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	
Mr. Poon Jing	248,937	3,699,148,774	3,699,397,711	73.22

By virtue of his interest in the Company through Asia Orient Holdings Limited ("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

Associated Corporation	Director	Number of shares held			Total	Percentage of shares in issue (%)
		Personal interest	Corporate interest	Family interest		
Asia Orient	Mr. Poon Jing	31,714,396	38,011,695	1,396,520	71,122,611	40.99
	Mr. Fung Siu To, Clement	3,949,400	Nil	Nil	3,949,400	2.28
Asia Standard International Group Limited ("ASI")	Mr. Poon Jing (note 1)	4,445,650	2,170,469,712	Nil	2,174,915,362	52.93
Centop Investment Limited (note 2)	Mr. Poon Jing and Mr. Fung Siu To, Clement	Nil	20	Nil	20	20
Mark Honour Limited (note 2)	Mr. Fung Siu To, Clement	1	Nil	Nil	1	10

Notes :

- 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.
- Subsidiaries of ASI.

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(II) Long positions in underlying shares

Interests in share options

(a) The Company

No option has been granted under the share option scheme of the Company.

(b) Associated Corporation – Asia Orient

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, and Lim Yin Cheng, Directors of the Company were cancelled on 26th March 2004. 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 and Lim Yin Cheng 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 was exercised or lapsed. Each of Messrs. Fung Siu To, Clement and Lim Yin Cheng had options to subscribe for 300,000 shares of Asia Orient at 1st April 2003 and options to subscribe for 1,718,000 shares of Asia Orient at 31st March 2004.

Save as disclosed above, as at 31st March 2004, none of the Directors or the 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 & 8 of Part XV of the SFO (including interests and short positions which they 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

As at 31st March 2004, according to the register of substantial shareholders kept by the Company under Section 336 of the SFO, the following parties (other than the Directors and Chief Executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

(a) Long position in shares of the Company

	Number of shares	Percentage
Asia Standard International Limited	3,533,280,394	69.94
ASI (<i>note 1</i>)	3,538,335,158	70.04
Asia Orient Company Limited (<i>note 2</i>)	3,699,148,774	73.22
Asia Orient Holdings (BVI) Limited (<i>note 3</i>)	3,699,148,774	73.22
Asia Orient (<i>note 3</i>)	3,699,148,774	73.22
Mr. Poon Jing (<i>note 4</i>)	3,699,397,711	73.22

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.

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.

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Share option scheme

The share option scheme 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 24 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 53% and 23.9% respectively.

None of the Directors, their associated corporations, 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. Ip Chi Wai. 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, 19th July 2004