
Report of the Directors

The Directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March 2005.

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 30.

An interim dividend of HK0.2 cent per share was paid to shareholders on 4th February 2005. The Board recommends the payment of a final dividend of HK0.4 cent per share (2004: nil) to shareholder for the year ended 31st March 2005.

Financial summary

A ten-year financial summary of the results and of the assets and liabilities of the Group is set out on page 9.

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 10 to 13.

Charitable activities

For many years, the Group has participated various events in helping the needed. Following turnaround of the Group's profitability, our Group has raised the level of charitable donations from last year's HK\$20,000 to HK\$960,000. These include The Community Chest of Hong Kong, HKU Spinal Cord Injury Fund and HK Cancer Fund. The Group received an Award of Merit from the Community Chest. We also encourage our staff to join charity events such as Dress Casual Day and fund raising campaign for the South Asia Tsunami.

Environment protection

The Group has been paying considerable attention to the area of environmental protection. Efforts are made at different stages during the development process to enhance our properties' environmental friendliness. For example, design features such as sun shading devise and tinted glass are incorporated to preserve energy. Building materials are carefully selected to avoid negative environmental impact. Greenery effect is maximised by using natural plantation as architectural features.

Our hotels have also taken various measures in respect of environmental protection in its operation such as reducing the provision of non-reusable guest amenities and adjusting the lighting and air-conditioning levels according to hotel guest consumption pattern.

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
Mr. Au Yat Chuen, Raymond
Mr. Koon Bok Ming, Alan
Mr. Leung Wai Keung, Richard (appointed on 24th September 2004)
Mr. Wong Chi Keung (appointed on 24th September 2004)

In accordance with Bye-Laws 104, 105 and 110 of the Company's Bye-Laws, one-third of the Directors and the Directors appointed by the Board during the year retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The Managing Director and the Chairman shall not be subject to retirement by rotation.

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 17 to 19.

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 25 to 26, and that of a subsidiary, Asia Standard Hotel Group Limited ("Asia Standard Hotel"), at no time during the year was the Company, its subsidiaries or its fellow 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.

Report of the Directors

Directors and chief executive's interests and short positions in shares, underlying shares and debentures

As at 31st March 2005, the interests and short positions of the Directors and Chief Executive 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	2,055,469,712	2,059,915,362	40.58

* By virtue of his controlling interest (31.45%) in 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	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	9	–	9	9

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			Total	Percentage of shares in issue (%)
	Personal interest	Corporate interest	Family interest		
Poon Jing	34,352,396	38,011,695	1,396,520	73,760,611	31.45
Fung Siu To, Clement	3,949,400	–	–	3,949,400	1.68

(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. These options were fully exercised during the year. The closing price of the shares immediately before the date on which the options were exercised was HK\$0.42 per share. Apart from the forementioned, no option to subscribe for shares of the Company was held by any Directors of the Company at 1st April 2004.

On 30th March 2005, options to subscribe for 20 million shares of the Company were granted to each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Lun Pui Kan, Kwan Po Lam, Phileas, Nicholas James Loup and options to subscribe for 5 million shares of the Company were granted to Mr. Poon Jing, all being Directors of the Company, at exercise price HK\$0.325 per share. These options are exercisable from 30th March 2005 to 29th March 2015. The closing price of the shares immediately before the date on which the options were granted was HK\$0.32 per share. During the year, no option granted to the Directors was exercised, cancelled or lapsed. Each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Lun Pui Kan, Kwan Po Lam, Phileas and Nicholas James Loup has options to subscribe for 20 million shares and Mr. Poon Jing has options to subscribe for 5 million shares of the Company at 31st March 2005.

(b) Asia Orient

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, all being the Directors of the Company, 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 granted to the Directors and no options granted to the Directors was exercised, cancelled or lapsed. Each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Lun Pui Kan and Kwan Po Lam, Phileas has options to subscribe for 1,718,000 shares of Asia Orient at 1st April 2004 and 31st March 2005 respectively.

Save as disclosed above, as at 31st March 2005, none of the Directors or Chief Executive (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.

Report of the Directors

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 2005, 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 Executive.

(a) Long positions in shares of the Company

Name	Number of shares	Percentage
Asia Orient (Note 1)	2,055,469,712	40.49
Asia Orient Holdings (BVI) Limited ("Asia Orient BVI") (Note 1)	2,055,469,712	40.49
Asia Orient Company Limited ("AOCL") (Notes 1 and 3)	2,055,469,712	40.49
Impetus Holdings Limited ("Impetus") (Note 2)	1,092,862,918	21.53
Kingfisher Inc. and Lipton Investment Limited ("Kingfisher and Lipton") (Note 4)	975,708,512	19.22
Grosvenor Asset Management Limited (Note 5)	758,530,000	14.94
Grosvenor International S.A. (Note 5)	758,530,000	14.94
Grosvenor Group Limited (Note 5)	758,530,000	14.94
Jeremy Henry Moore Newsum (Note 5)	758,530,000	14.94
Robin Shedden Broadhurst (Note 5)	758,530,000	14.94
Mark Antony Loveday (Note 5)	758,530,000	14.94
Gillian Lucy Newsum (Note 5)	758,530,000	14.94
Penelope Alison Broadhurst (Note 5)	758,530,000	14.94
Mary Elizabeth Loveday (Note 5)	758,530,000	14.94

(b) Long positions in underlying shares of the Company

Convertible bonds

Name	Underlying shares interest of HK\$290,000,000 convertible bonds
Grosvenor Limited (Note 5)	659,090,909
Grosvenor Asset Management Limited (Note 5)	659,090,909
Grosvenor International S.A. (Note 5)	659,090,909
Grosvenor Group Limited (Note 5)	659,090,909
Jeremy Henry Moore Newsum (Note 5)	659,090,909
Robin Shedden Broadhurst (Note 5)	659,090,909
Mark Antony Loveday (Note 5)	659,090,909
Gillian Lucy Newsum (Note 5)	659,090,909
Penelope Alison Broadhurst (Note 5)	659,090,909
Mary Elizabeth Loveday (Note 5)	659,090,909

The convertible bonds can be converted into shares of the Company at conversion price of HK\$0.44 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 2,055,469,712 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 executive's interests and short positions in shares, underlying shares and debentures" above which he is deemed to have by virtue of his controlling interest (31.45%) 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 which is controlled (43.56%) by The Fourth Duke of Westminster 1964 Settlement.

Grosvenor Asset Management Limited owned 758,530,000 shares of the Company. Each of Grosvenor International S.A., Grosvenor Continental Europe Holdings Limited and Grosvenor Group Limited is deemed to be interested in and duplicate the interest in the 758,530,000 shares held by Grosvenor Asset Management Limited. Grosvenor Limited owned HK\$290,000,000 convertible bonds convertible into 659,090,909 shares of the Company. Each of Grosvenor Asset Management Limited, Grosvenor International S.A., Grosvenor Continental Europe Holdings Limited and Grosvenor Group Limited is deemed to be interested in and duplicate the interest in the underlying 659,090,909 shares of the Company under the convertible bonds.

Jeremy Henry Moore Newsum, Robin Shedden Broadhurst and Mark Antony Loveday are the trustees of the 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 758,530,000 shares and the underlying 659,090,909 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 758,530,000 shares and the underlying 659,090,909 shares of the Company under the convertible bonds.

Save as disclosed above, as at 31st March 2005, 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

1. *Share option scheme adopted on 23rd December 1991 ("Old Option Scheme")*

The Old Option Scheme of the Company expired on 22nd January 2002. All outstanding options to subscribe for 1,750,000 shares of the Company were exercised during the year. The options were exercised in accordance with the terms of the Old Option Scheme.

Report of the Directors

2. *Share option scheme adopted on 27th August 2004 ("New Option Scheme")*

Pursuant to an ordinary resolution passed at the Annual General Meeting of the Company held on 27th August 2004, the Company adopted the New 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 410,924,999 shares, representing about 8.1% 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 27th August 2004.

The options granted are not recognised in the financial statements until they are exercised. Valuation of share options would require the application of different option pricing models. These models have various limitations and involve the use of different assumptions. As a result, such valuation contains a lot of uncertainty and subjectivity. Therefore, the Directors considered that the value so calculated would not be meaningful and may be misleading to the shareholders. Consequently, the value of options granted are not disclosed.

The following table discloses details of the Company's options granted under the New Option Scheme held by employees (including Directors):

Grantee	Outstanding as at 1st April 2004	Outstanding as at 31st March 2005
Directors	–	105,000,000
Other employees	–	60,000,000

Notes:

- The options were granted on 30th March 2005 and exercisable from 30th March 2005 to 29th March 2015 at an exercise price of HK\$0.325 per share.
- The closing price of the shares immediately before the date of grant of such options was HK\$0.32 per share.
- No option was cancelled, lapsed nor exercised during the year.

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% 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 Listing Rules (the “Chapter”), with effect from 1st September 2001, the listed issuers could grant further share options under their existing schemes subject to compliance with the requirements of the Chapter. According to the Chapter, Asia Standard Hotel may grant options to subscribe a maximum of 500,000,000 shares (representing about 9.9% of the shares in issue at the date of this report) at exercise prices of at least the higher of the closing price of the shares on the date of grant; the average closing price of the shares for the 5 business days immediately preceding the date of grant; and the nominal value of a share. 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 or any other share option scheme within any 12 months period, must not exceed 1% of the shares in issue from time to time.

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	22.9%
Percentage of purchases attributable to the Group's five largest suppliers	45.7%
Percentage of sales attributable to the Group's largest customer	2.3%
Percentage of sales attributable to the Group's five largest customers	8.9%

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.

Report of the Directors

Connected transaction

1. On 8th December 2004, the Group's equity interest of a wholly owned subsidiary, Viewell Investments Limited ("Viewell"), was sold to Grosvenor Asset Management Limited ("GAML"). GAML is a connected party by virtue of it being a substantial shareholder of the Group. Total consideration paid by GAML for the shares and loan assignment was HK\$71,514,000. The sole business of Viewell is to hold an indirect interest in a property development in Yau Kam Tau.

The Group subsequently entered into a shareholder's agreement with GAML to jointly redevelop Yau Kam Tau project. Both parties will make proportionate shareholder's loan and will act as guarantors to banking facilities in proportion to their shareholding interests for the redevelopment of the site.

2. On 15th March 2005, the Group issued 145,000,000 shares at HK\$0.38 per share for subscription by GAML. GAML is a connected party by virtue of it being a substantial shareholder of the Group. Total consideration received in this transaction was HK\$55,100,000. The consideration received will be used to repay bank borrowing and pay land premium for the Group's existing residential property projects in Hong Kong.

Independent Non-executive Directors

Confirmation of independence has been received from each of the Independent Non-executive Directors of the Company and the Company considers all existing Independent Non-executive Directors are independent.

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 72 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 2005