

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st March 2006.

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 42 to the financial statements.

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 6 to the financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 31.

The Directors recommend a final dividend for the year ended 31st March 2006 of HK0.6 cent (2005: HK0.4 cent) per share to shareholders whose names appear on the Company's Register of Members on 28th August 2006 ("Record Date"), amounting to HK\$30,462,000. The shareholders will be given an option to elect to receive shares of the Company credited as fully paid in lieu of cash in respect of part or all of the proposed dividend ("Scrip Dividend Scheme").

The Scrip Dividend Scheme will be subject to (i) the approval of the proposed final dividend at the annual general meeting to be held on 28th August 2006; and (ii) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the three trading days prior to and including the Record Date. Full details of the Scrip Dividend Scheme will be set out in a circular to shareholders. New shares certificates will be posted on or about 3rd October 2006.

Financial summary

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

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the financial statements.

Share capital

Details of the movements in share capital of the Company during the year are set out in note 30 to the financial statements.

Reserves

Movement in the reserves of the Group and the Company during the year are set out in note 31 to the financial statements.

Principal properties

Details of the principal properties of the Group are set out on pages 10 to 13.

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Donation

During the year, the Group made charitable and other donations of HK\$780,000 (2005: HK\$960,000).

Directors

The Directors of the Company during the year and at the date of this report were:

Mr. Fung Siu To, Clement
Dr. 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
Mr. Wong Chi Keung

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 18 to 20.

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 27 to 28, 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.

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Directors and chief executive's interests in shares and underlying shares

As at 31st March 2006, 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 Issuers 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	4,492,200	2,080,679,712	2,085,171,912 (Note)	41.07

Note: By virtue of his controlling interest (35.82%) 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	3,749,148,774	3,749,397,711	59.44
Poon Jing and Fung Siu To, Clement (Note 1)	Centop Investment Limited ("Centop")	–	20	20	20
Poon Jing (Note 2)	Centop	–	80	80	80
Fung Siu To, Clement	Mark Honour Limited	9	–	9	9

Notes:

- Centop is owned as to 80% by the Company and as to 20% by Kingscore Investment Limited ("Kingscore"). Each of Mr. Poon Jing and Mr. Fung Siu To, Clement holds 50% interest in Kingscore. By virtue of their interest in Kingscore, each of Mr. Poon and Mr. Fung is deemed to have interest in the 20 shares held by Kingscore and duplicate the interest of the other.
- 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 and associated corporations including Centop.

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(II) Long positions in underlying shares

Interests in share options

(a) *The Company*

Name of Director	Outstanding as at 1st April 2005 and 31st March 2006
Fung Siu To, Clement	20,000,000
Lim Yin Cheng	20,000,000
Poon Jing	5,000,000
Lun Pui Kan	20,000,000
Kwan Po Lam, Phileas	20,000,000
Nicholas James Loup	20,000,000

Options were granted on 30th March 2005 exercisable during the period from 30th March 2005 to 29th March 2015 at exercise price of HK\$0.325 per share. During the year, no option was granted, exercised, cancelled or lapsed.

Save as disclosed above, as at 31st March 2006, 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 Issuers in the Listing Rules.

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Substantial shareholders and other persons' interests in shares and underlying shares

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31st March 2006, 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)	2,080,679,712	40.98
Asia Orient Holdings (BVI) Limited ("Asia Orient BVI") (Note 1)	2,080,679,712	40.98
Asia Orient Company Limited ("AOCL") (Note 1 and 3)	2,080,679,712	40.98
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 Australia Asia Pacific General Partner Limited (formerly Stargreen 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\$190,000,000 convertible bonds
Grosvenor Limited (Note 5)	431,818,181
Grosvenor Asset Management Limited (Note 5)	431,818,181
Grosvenor Australia Asia Pacific General Partner Limited (Note 5)	431,818,181
Grosvenor International S.A. (Note 5)	431,818,181
Grosvenor Group Limited (Note 5)	431,818,181
Jeremy Henry Moore Newsum (Note 5)	431,818,181
Robin Shedden Broadhurst (Note 5)	431,818,181
Mark Antony Loveday (Note 5)	431,818,181
Gillian Lucy Newsum (Note 5)	431,818,181
Penelope Alison Broadhurst (Note 5)	431,818,181
Mary Elizabeth Loveday (Note 5)	431,818,181

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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, HK\$100,000,000 amount of the convertible bonds was purchased and no part of the 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 2,080,679,712 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 (35.82%) 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. The Company has been advised that on 17th November 2005, Grosvenor Australia Asia Pacific General Partner Limited (formerly Stargreen Limited) signed a conditional share purchase agreement with Grosvenor International S.A. to acquire the entire issued share capital of Grosvenor Asset Management Limited from Grosvenor International S.A. Grosvenor Australia Asia Pacific General Partner Limited is a wholly owned subsidiary of Grosvenor International S.A. As of 31st March 2006, the share purchase agreement has not been completed.

Grosvenor Asset Management Limited owned 758,530,000 shares of the Company. Each of Grosvenor Australia Asia Pacific General Partner 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 758,530,000 shares held by Grosvenor Asset Management Limited. Grosvenor Limited owned HK\$190,000,000 convertible bonds convertible into 431,818,181 shares of the Company. Each of Grosvenor Asset Management Limited, Grosvenor Australia Asia Pacific General Partner 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 431,818,181 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 758,530,000 shares and the underlying 431,818,181 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 431,818,181 shares of the Company under the convertible bonds.

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Save as disclosed above, as at 31st March 2006, 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 was adopted on 27th August 2004 with effect for 10 years from the date of adoption. 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 share option scheme must not exceed 245,924,999 shares, representing about 4.84% 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 share 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 share 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 has to 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 following table discloses details of the Company's options granted under the share option scheme held by employees (including Directors):

Grantee	Outstanding as at 1st April 2005 and 31st March 2006
Directors	105,000,000
Other employees	60,000,000

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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. No option was granted, 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 the 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 as at the date of this report, Asia Standard Hotel may grant options to subscribe a maximum of 473,108,151 shares (representing about 5% of the shares in issue) 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.

The following table discloses details of options granted by Asia Standard Hotel under its share option scheme held by employees (including directors):

Grantee	Outstanding as at 1st April 2005	Granted during the year	Exercised during the year	Outstanding as at 31st March 2006
Directors				
– Lim Yin Cheng	–	50,000,000	50,000,000	–
– Lun Pui Kan	–	50,000,000	50,000,000	–
– Kwan Po Lam, Phileas	–	50,000,000	50,000,000	–
Other employees	–	100,000,000	96,000,000	4,000,000

(a) The options were granted on 31st October 2005 and exercisable from 1st November 2005 to 31st October 2015 at an exercise price of HK\$0.217 per share.

(b) The closing price of the shares immediately before the date of grant of such options was HK\$0.215 per share.

(c) No option was cancelled nor lapsed during the year.

(d) The fair value of options granted is determined using the Binomial option pricing model. The model has various limitations and involve the use of different assumptions. As a result, such valuation contains a lot of uncertainty and subjectivity.

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(e) The weighted average closing price of the shares immediately before the dates on which the options were exercised and the fair values of the share options have disclosed in note 11(b) of the financial statements.

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	19.5%
Percentage of purchases attributable to the Group's five largest suppliers	48.7%
Percentage of sales attributable to the Group's largest customer	5.3%
Percentage of sales attributable to the Group's five largest customers	11.5%

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.

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.

Combined balance sheet of affiliated companies

A 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 96 pursuant to Chapter 13 of the Listing Rules.

Auditors

The financial statements 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, 13th July 2006