

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 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 financial statements.

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 activities and by principal markets are set out in note 5 to the financial statements.

Results and appropriations

The results of the Group for the year ended 31st March 2006 are set out in the consolidated profit and loss account on page 28.

The Board recommends the payment of a final dividend of HK0.32 cent per share (2005: Nil) to shareholders for the year ended 31st March 2006. A total amount of approximately HK\$30.3 million (2005: Nil), will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 28th August 2006.

The details of dividends proposed during the year are set out in note 15 to the financial statements.

Financial summary

A financial summary of the results and of the assets and liabilities of the Group is set out on page 11.

Purchase, sale or redemption of listed securities

During the year, the Company had not redeemed any of its shares. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the year.

Property, plant and equipment and leasehold land

Details of the movements in property, plant and equipment and leasehold land of the Group are set out in note 17 to the financial statements.

Share capital

Details of the share capital of the Company are set out in note 25 to the financial statements.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$300,000.

Report of the Directors

Directors

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

Mr. Poon Jing
Dr. Lim Yin Cheng
Mr. Fung Siu To, Clement
Mr. Poon Tin Sau, Robert
Mr. Wong Shu Pui
Mr. Liang Shangli
Mr. Ip Chi Wai
Mr. Leung Wai Keung, Richard
Mr. Hung Yat Ming

In accordance with Bye-laws, 99 and 102(B) 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 Chairman of the Board and the Managing Director of the Company 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

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.

Arrangements to purchase shares or debentures

Apart from the share option scheme of the Company as disclosed under the heading "Share option scheme" below, and that of its holding company, Asia Standard International Group Limited ("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.

Report of the Directors

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

As at 31st March 2006, the interests and short position of the Directors and Chief Executive 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	3,749,148,774	3,749,397,711	59.44

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 and other persons' interests in shares and underlying shares." 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		
ASI	Mr. Poon Jing (note 1)	4,492,200	2,080,679,712	Nil	2,085,171,912	41.07
Centop Investment Limited ("Centop") (note 2)	Mr. Poon Jing and Mr. Fung Siu To, Clement	Nil	20	Nil	20	20
Centop (note 3)	Mr. Poon Jing	Nil	80	Nil	80	80
Mark Honour Limited	Mr. Fung Siu To, Clement	9	Nil	Nil	9	9

Notes:

1. 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.
2. Centop is owned as to 80% by ASI 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.
3. By virtue of his controlling interest in Asia Orient, Mr. Poon is deemed to be interested in the Company's subsidiaries and associated corporations, including the 80 shares of Centop held by ASI.

Report of the Directors

(II) Long positions in underlying shares

*Interests in share options**(a) The Company*

On 31st October 2005, option to subscribe for shares of the Company were granted to the following Directors of the Company exercisable during the period from 1st November 2005 to 31st October 2015 at an exercise price of HK\$0.217 per share:-

Name of Directors	No. of share options granted during the year	No. of option exercised during the year	Outstanding held as at 31st March 2006
Lim Yin Cheng	50,000,000	50,000,000	–
Wong Shu Pui	50,000,000	46,000,000	4,000,000

Save as disclosed above, during the year no option was granted to Directors and no option granted to Directors was exercised cancelled or lapsed.

(b) Associated corporation – ASI

On 30th March 2005, options to subscribe for shares of ASI were granted to the following Directors of the Company exercisable during the period from 30th March 2005 to 29th March 2015 at an exercise price of HK\$0.325 per share:

Name of Directors	No. of share options granted	No. of option exercised during the year	Outstanding held as at 31st March 2006
Poon Jing	5,000,000	–	5,000,000
Lim Yin Cheng	20,000,000	–	20,000,000
Fung Siu To, Clement	20,000,000	–	20,000,000
Wong Shu Pui	15,000,000	–	15,000,000

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 the 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 & 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.

Report of the Directors

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

As at 31st March 2006, 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 Executive 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	3,583,280,394	56.80
ASI (note 1)	3,588,335,158	56.88
Asia Orient Company Limited (note 2)	3,749,148,774	59.43
Asia Orient Holdings (BVI) Limited (note 3)	3,749,148,774	59.43
Asia Orient (note 3)	3,749,148,774	59.43
Mr. Poon Jing (note 4)	3,749,397,711	59.44

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 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.

Report of the Directors

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 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 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 subject to compliance with the requirements of the chapter. At the date of this report, the Company may grant options to subscribe for a maximum of 473,108,151 shares of the Company (representing about 5% of the shares in issue) at exercise price 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 the shares. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable under any option granted to the same participant under any 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 Company's options granted under the 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	–	100,000,000	96,000,000	4,000,000
Other employees	–	150,000,000	150,000,000	–

Notes:

- 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.
- The closing price of the shares immediately before the date of grant of such options was HK\$0.215 per share.
- No option was cancelled nor lapsed during the year.
- The weighted average closing price of the shares immediately before the dates on which the options were exercised were HK\$0.228, HK\$0.235, HK\$0.232, HK\$0.222, HK\$0.217.
- The fair value of the share option has disclosed in note 8 to the financial statements.

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Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of the shares with not less than 25% of the total issued shares of the Company as required under the Listing Rules.

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 47.1% and 24.7% 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.

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.

Auditors

The financial statements 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, 13th July 2006