

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 analyses of operations

The principal activity of the Company is investment holding. The principal activities of its 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 activities and by principal markets 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 23.

The Directors do not recommend the payment of a dividend.

Financial summary

Ten-year financial summary of the results and of the assets and liabilities of the Group is set out on page 8.

Donations

Charitable and other donations made by the Group during the year amounted to 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

Movements 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 9 to 11.

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. Chan Sze Hung
Mr. Cheung Kwok Wah, Ken

In accordance with Bye-Law 99 of the Company's Bye-Laws, one third of the Directors retire by rotation 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 page 12.

Directors' interests in contracts

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries 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 19, and that of its subsidiaries, Asia Standard International Group Limited ("Asia Standard") and Asia Standard Hotel Group Limited ("Asia Standard Hotel"), at no time during the year was the Company or its 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 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			Total	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

(b) Subsidiaries

Director	Subsidiary	Number of shares held			Total	Percentage of shares in issue
		Personal interest	Corporate interest			
Poon Jing	Asia Standard	4,445,650	2,170,469,712*	2,174,915,362*	52.93	
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	1	–	1	10	

* By virtue of his controlling interest in the Company, Mr. Poon Jing is deemed to be interested in the shares of Asia Standard and Asia Standard Hotel held by the Company's subsidiaries.

In addition, by virtue of his interest in the Company, Mr. Poon Jing is deemed to be interested in the shares of all the Company's subsidiaries.

(II) Long positions in underlying shares

Interest in share options

(a) The Company

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

The options granted are not recognised in the financial statements until they are exercised. The Directors consider that it is not appropriate

to state the value of the share options granted during the year on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

(b) Subsidiary - Asia Standard

Options to subscribe for 1,750,000 shares of Asia Standard 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 Asia Standard.

(c) Associated company - Q9 Technology Holdings Limited

As at 31st March 2004, details of the share options granted to Directors under the share option schemes are as follows:

Name of Director	Exercise Period*	Outstanding as at 1st April 2003 and 31st March 2004	
		Pre-IPO Share Option Scheme	Share Option Scheme adopted on 7th May 2001
Lim Yin Cheng	See note 1	84,480,000	
Fung Siu To, Clement	See note 2	2,560,000	
Lun Pui Kan	See note 2	1,920,000	
	18th May 2001 to 17th May 2011		3,000,000
Kwan Po Lam, Phileas	18th May 2001 to 17th May 2011		1,000,000

Note: Options under the Pre-IPO Share Option Scheme were granted on 5th May 2001 at exercise price of HK\$0.36 per share and options under the Share Option Scheme adopted on 7th May 2001 were granted on 18th May 2001 at exercise price of HK\$0.45 per share.

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No option pursuant to the Pre-IPO Share Option Scheme and Share Option Scheme adopted on 7th May 2001 had been granted to the Directors and no option granted to Directors had been exercised, cancelled or lapsed during the year. The option may be exercised at any time within the option period provided that the options have been vested.

* The exercise period is, unless otherwise stated in that column, from 5th May 2001, the date of grant of the options (subject to such options having vested, details of which are set out below), to 4th May 2011, ten years from the date of grant. The vesting dates of the options and the percentage of options vested or vesting on such dates are set out below.

Date of vesting of the options (that is, the date when the options become/became exercisable)	Percentage of options vested / vesting on such dates	
	(Note 1)	(Note 2)
a. 18th November 2001	10%	10%
b. 18th May 2002	10%	20%
c. 18th November 2002	10%	20%
d. 18th May 2003	20%	20%
e. 18th November 2003	20%	20%
f. 18th May 2004	20%	10%
g. 18th November 2004	10%	–

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 held	Percentage (%)
Poon Jing (notes 1 and 2)	71,122,611	40.99
Teddington Holdings Limited ("Teddington")	15,856,581	9.14
Heston Holdings Limited ("Heston")	13,209,717	7.61
Full Speed Investments Limited ("Full Speed")	8,945,397	5.16
Lau Luen Hung, Thomas (note 3)	13,428,180	7.73
Tjia Boen Sien (note 4)	9,749,999	5.62
Cheung Chung Kiu (note 5)	10,364,746	5.97
Palin Holdings Limited (note 5)	10,364,746	5.97
Chongqing Industrial Limited (note 5)	10,364,746	5.97
Yugang International Limited (note 5)	10,364,746	5.97
Yugang International (BVI) Limited (note 5)	10,364,746	5.97
Regulator Holdings Limited (note 5)	7,000,000	4.03 (note 6)
Qualipak International Holdings Limited (note 5)	7,000,000	4.03 (note 6)
Qualipak Development Limited (note 5)	7,000,000	4.03 (note 6)
Worthwell Investments Limited (note 5)	7,000,000	4.03 (note 6)

Notes:

1. Mr. Poon Jing, his family interest and the companies wholly owned by him namely Teddington, Heston and Full Speed together hold 71,122,611 shares.
2. The interest of Mr. Poon Jing in the Company duplicate the interest of Teddington, Heston and Full Speed.
3. Mr. Lau Luen Hung has personal interest in 5,928,180 shares of the Company and has controlling interest of 50% in Swarkin Assets Ltd. ("Swarkin") which holds 7,500,000 shares of the Company. By virtue of the SFO, Mr. Lau is deemed to be interested in 7,500,000 shares held by Swarkin.
4. Mr. Tjia Boen Sien has personal interest in 583,333 shares and corporate interest in 9,166,666 shares. He also has controlling interest of 50% in Swarkin. By virtue of the SFO, Mr. Tjia is deemed to be interested in the shares held by Swarkin and Mr. Tjia's interest of the Company duplicate the interest of Swarkin.
5. Mr. Cheung Chung Kiu is deemed to be interested in the shares of the Company by virtue of his indirect shareholding in Bookman Properties Limited which owns 3,364,746 shares in the Company and Worthwell Investments Limited which owns 7,000,000 shares in the Company. Bookman Properties Limited is a wholly-owned subsidiary of Ferrex Holdings Limited. Ferrex Holdings Limited is a wholly-owned subsidiary of Yugang International (BVI) Limited. Worthwell Investments Limited was a wholly owned subsidiary of Qualipak Development Limited. Qualipak Development Limited is a wholly-owned subsidiary of Qualipak International Holdings Limited which is controlled (59.71%) by Regulator Holdings Limited. Regulator Holdings Limited is a wholly owned subsidiary of Yugang International (BVI) Limited, which is, in turn, a wholly-owned subsidiary of Yugang International Limited. Chongqing Industrial Limited owns 37.79% of the issued share capital of Yugang International Limited. Chongqing Industrial Limited is controlled by a discretionary trust. Mr. Cheung Chung Kiu is the founder of the said discretionary trust and Palin Holdings Limited, which is controlled by Mr. Cheung Chung Kiu, is the trustee of the said discretionary trust.
6. The aggregated holding of shares together with the underlying shares of interest in the convertible notes disclosed herein below is more than 5% of the issued share capital of the Company.

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(b) Long positions in underlying shares of the company Convertible notes

Substantial shareholder	Underlying shares interest of convertible notes
Cheung Chung Kiu (note 1)	9,666,666
Palin Holdings Limited (note 1)	9,666,666
Chongqing Industrial Limited (note 1)	9,666,666
Yugang International Limited (note 1)	9,666,666
Yugang International (BVI) Limited (note 1)	9,666,666
Regulator Holdings Limited (note 1)	9,666,666
Qualipak International Holdings Limited (note 1)	9,666,666
Qualipak Development Limited (note 1)	9,666,666
Worthwell Investments Limited (note 1)	9,666,666
The Cross-Harbour (Holdings) Limited (note 2)	12,500,000
Wingspan Limited (note 2)	12,500,000
Gold Faith Investments Limited (note 2)	12,500,000

The convertible notes can be converted into shares of the Company at conversion price of HK\$1.10 per share for the period from 15th January 2003 to 14th January 2004 and HK\$1.20 for the period from 15th January 2004 to 14th January 2005.

During the year, HK\$28,400,000 convertible notes were converted into 23,666,665 shares of the Company at HK\$1.20 per share.

Notes : -

1. Mr. Cheung Chung Kiu is deemed to be interested in the underlying shares of the Company by virtue of his indirect shareholding in Worthwell Investments Limited which owns 9,666,666 underlying shares in the Company. Worthwell Investments Limited was a wholly owned subsidiary of Qualipak Development Limited. Qualipak Development Limited is a wholly-owned subsidiary of Qualipak International Holdings Limited which is controlled (59.71%) by Regulator Holdings Limited. Regulator Holdings Limited is a wholly owned subsidiary of Yugang International (BVI) Limited, which is, in turn, a wholly-owned subsidiary of Yugang International Limited. Chongqing Industrial Limited owns 37.79% of the issued share capital of Yugang International Limited. Chongqing Industrial Limited is controlled by a discretionary trust. Mr. Cheung Chung Kiu is the founder of the said discretionary trust and Palin Holdings Limited, which is controlled by Mr. Cheung Chung Kiu, is the trustee of the said discretionary trust.
2. The Cross-Harbour (Holdings) Limited has controlling interest (100%) in Gold Faith Investments Limited through a wholly-owned subsidiary Wingspan Limited. The Cross-Harbour (Holdings) Limited and Wingspan Limited are deemed to be interested in and duplicate the interest in the 12,500,000 underlying shares held by Gold Faith Investments Limited.

Save as disclosed above, as at 31st March 2004, the Directors are not aware of any other persons who had interests or short position 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 28th August 1996 (“Old Option Scheme”)

The Old Option Scheme was adopted on 28th August 1996 whereby options may be granted to employees of the Company and its subsidiaries including the Executive Directors, to subscribe for shares of the Company. On 11th November 2002, the Old Option Scheme was resolved by the shareholders of the Company to be cancelled. Options to subscribe for 300,000 and 4,950,000 shares of the Company at exercise price of HK\$17.33 per share granted under the Old Option Scheme had been lapsed and cancelled on 21st January and 26th March 2004 respectively.

2. Share Option Scheme adopted on 11th November 2002 (“New Option Scheme”)

Pursuant to an ordinary resolution passed at the Special General Meeting of the Company held on 11th November 2002, the Company adopted the New Option Scheme to replace the Old 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 14,982,643 shares, representing 8.64% 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 11th November 2002.

During the year, options to subscribe for 6,872,000 shares had been granted under the New Option Scheme by the Company to the Directors. At the date before the options were granted, 11th February 2004, the closing price per share was HK\$3.40.

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

Grantee	Outstanding as at 1st April 2003	Outstanding as at 31st March 2004
Old Option Scheme		
Directors	1,200,000	–
Former Director of a subsidiary	300,000	–
Employees	3,750,000	–
New Option Scheme		
Directors	–	6,872,000

Notes:

1. No option was exercised during the year.
2. Options are exercisable at exercise price of HK\$17.33 per share and HK\$3.3 per share for options granted under the Old Option Scheme and the New Option Scheme respectively.
3. Options under the Old Option Scheme were granted on 14th February 2000 and exercisable from 14th March 2000 to 13th February 2010.
4. Options under the New Option Scheme were granted on 12th February 2004 and exercisable from 12th February 2004 to 11th February 2014.

Subsidiaries

1. Asia Standard
The share option scheme of Asia Standard 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.

2. 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 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.

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	22.5%
Percentage of purchases attributable to the Group's five largest suppliers	50.8%
Percentage of sales attributable to the Group's largest customer	2.2%
Percentage of sales attributable to the Group's five largest customers	9.9%

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.

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. Chan Sze Hung and Mr. Cheung Kwok Wah, Ken. 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.

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 64 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