

# 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 analyses of operations

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 35 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 activities and by principal markets 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 Board does not recommend the payment of a final dividend for the year ended 31st March 2006 (2005: final scrip distribution of HK4.3 cents per share).

## Financial summary

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

## 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 24 to the financial statements.

## Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

## Principal properties

Details of the principal properties of an associated company are set out on pages 9 to 13.

## Donations

Charitable and other donations made by the Group during the year amounted to HK\$400,000 (2005: HK\$900,000).

# Report of the Directors

## 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. Chan Sze Hung  
Mr. Cheung Kwok Wah, Ken  
Mr. Wong Chi Keung  
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 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

Biographical details of Directors 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 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 27, 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 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 Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

**(I) Long position in shares****(a) The Company**

Director	Number of shares			Total	Percentage of shares in issue (%) (note 3)
	Personal interest	Corporate interest	Family Interest		
Poon Jing (Mr. Poon)					
Shares held	36,516,438	38,666,804	1,420,588	76,603,830	
Entitled rights shares (note 1)	18,258,219	19,333,401	710,294	38,301,914	
Rights shares underwritten (note 2)	29,941,625	–	–	29,941,625	
<b>Total:</b>	<b>84,716,282</b>	<b>58,000,205</b>	<b>2,130,882</b>	<b>144,847,369</b>	<b>35.82%</b>
Fung Siu To, Clement ("Mr. Fung")					
Shares held	4,045,906	–	–	4,045,906	
Entitled rights shares (note 1)	2,881,953	–	–	2,881,953	
<b>Total:</b>	<b>6,927,859</b>	<b>–</b>	<b>–</b>	<b>6,927,859</b>	<b>1.71%</b>

## Notes:

1. The Company announced on 10 February 2006 to issue rights shares ("Rights Issue") to the shareholders on basis of every 2 shares held for 1 rights share as the 21 March 2006. Each of Mr. Poon, the corporations controlled by Mr. Poon, the family of Mr. Poon and Mr. Fung has undertaken to take up the rights shares to be allotted to them.
2. These shares represent the rights shares underwritten by Mr. Poon pursuant to the underwriting agreement dated 8 February 2006.
3. The percentage of shareholding is calculated on the basis of 404,294,958 shares in issue immediately after completion of the Rights Issue (assuming all the outstanding options of 14,972,000 ("Outstanding Option") are exercised).

## Report of the Directors

*(b) Associated companies*

Director	Associated Company	Number of shares held			Percentage of shares in issue (%)
		Personal interest	Corporate interest	Total	
Mr. Poon	Asia Standard	4,492,200	2,080,679,712 (note 1)	2,085,171,912	41.07
Mr. Poon	AS Hotel	248,937	3,749,148,774 (note 1)	3,749,397,711	59.44
Mr. Poon and Mr. Fung	Centop Investment Limited ("Centop")	–	20 (note 2)	20	20
Mr. Poon	Centop	–	80 (note 3)	80	80
Mr. Fung	Mark Honour Limited	9	–	9	9

Note:

1. By virtue of his controlling interest in the Company, Mr. Poon is deemed to be interested in the shares of Asia Standard and AS Hotel held by the Company's subsidiaries.
2. Centop is owned as to 80% by Asia Standard and 20% by Kingscore Investment Limited ("Kingscore"). Each of Mr. Poon and Mr. Fung 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 the Company, Mr. Poon is deemed to have interest in the 80 shares of Centop held by Asia Standard.

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

## Report of the Directors

**(II) Long positions in underlying shares**

Interest in share options

As at 31st March 2006, details of the share options granted to Directors under the share option schemes are as follows:

*(a) The Company*

Name of Director	Outstanding as at 1st April 2005 and 31st March 2006
Fung Siu To, Clement	1,718,000
Lim Yin Cheng	1,718,000
Lun Pui Kan	1,718,000
Kwan Po Lam, Phileas	1,718,000

Options were granted on 12th February 2004 and exercisable from 12th February 2004 to 11th February 2014 at exercise price of HK\$3.3 per share. During the year, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

*(b) Associated company – Asia Standard*

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

Options were granted on 30th March 2005 and exercisable from 30th March 2005 to 29th March 2015 at exercise price of HK\$0.325 per share. During the year, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

## Report of the Directors

### (c) Associated company – Q9 Technology Holdings Limited

Name of Director	Exercise period	Exercise price HK\$	Outstanding as at 1st April 2005 and 31st March 2006	
			Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
Lim Yin Cheng	5th May 2001 to 4th May 2011	0.36	84,480,000	
Fung Siu To, Clement	5th May 2001 to 4th May 2011	0.36	2,560,000	
Lun Pui Kan	5th May 2001 to 4th May 2011	0.36	1,920,000	
Kwan Po Lam, Phileas	18th May 2001 to 17th May 2011	0.45		3,000,000
	18th May 2001 to 17th May 2011	0.45		1,000,000

During the year, no option pursuant to the Pre-IPO Share Option Scheme and the share option scheme adopted on 7 May 2001 ("Post-IPO Share Option Scheme") had been granted to the Directors and no option granted to Directors had been exercised, cancelled or lapsed.

Save as disclosed above, as at 31st March 2006, none of the Directors and 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 were 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

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.

#### Long position in shares of the company

Substantial shareholder's interest	Number of shares	Percentage (%)
Teddington Holdings Limited ("Teddington")		
Shares held	16,129,861	
Entitled rights shares (note 1)	8,064,930	
Total	24,194,791 (note 3)	5.98% (note 2)
Dalton Investments LLC.	18,825,167	7.40% (note 4)

Notes:

1. These shares represent the entitled rights shares under the Rights Issue.
2. The percentage of shareholding is calculated on the basis of 404,294,958 Shares in issue immediately after completion of the Rights Issue (assuming all the Outstanding Options are exercised).
3. The interest of Teddington duplicates the interest of Mr. Poon disclosed under the heading "Directors and Chief Executive's interests in Shares and underlying shares."
4. The percentage of shareholding is calculated on the basis of 254,557,972 shares in issue as at 31 March 2006.

### Share option schemes

#### Company

The Company adopted the current share option scheme on 11th November 2002 with effect for 10 years from November 2002. According to this share 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.

## Report of the Directors

At the date of this report, the total number of shares which may be issued upon exercise of all options to be granted under the option scheme must not exceed 38,183,695 shares, representing 10% of the shares in issue. 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 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 can be any period determined by the board of Directors but in any event the exercise period should not be 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	Date of grant	Outstanding as at 1st April 2005	Granted during the year	Exercise price (HK\$)	Exercise period	Outstanding as at 31st March 2006
Directors	12th February 2004	6,872,000	–	3.300	12th February 2004 to 11th February 2014	6,872,000
Employees	25th February 2005	5,400,000	–	2.895	25th February 2005 to 24th February 2015	5,400,000
Employees	8th April 2005	–	2,700,000	2.425	8th April 2005 to 7th April 2015	2,700,000 (notes 1 and 2)

Notes:

1. The closing price of the shares immediately before the date of grant of such option was HK\$2.4.
2. The value of the options and the parameters used in the pricing model has been disclosed in note 11(b) of the financial statements.
3. No option was cancelled, lapsed nor exercised during the year.
4. The fair value of options granted is determined using the Binomial option pricing model. The model has various limitations and involves the use of different assumptions. As a result, such valuation contains a lot of uncertainty and subjectivity.



## Report of the Directors

### **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**

For the year ended 31st March 2006, the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total value of purchases. The aggregate amount of revenue attributable to the Group's five largest customer represented less than 30% of the Group's total amount of revenue.

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.

### **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