

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Prospectus (as defined herein) or as to the action to be taken, you should consult a licensed securities dealer, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares (as defined herein), you should at once hand the Prospectus Documents (as defined herein) to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Dealings in the Shares (as defined herein) may be settled through the CCASS (as defined herein) and you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

A copy of the Prospectus, together with copies of the PAL (as defined herein) and the EAF (as defined herein) and the written consent of PricewaterhouseCoopers, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). A copy of the Prospectus has been filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of any of the documents referred to above.

The Stock Exchange (as defined herein) and HKSCC (as defined herein) take no responsibility for the contents of the Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus.



ASIA STANDARD HOTEL GROUP LIMITED

(泛海酒店集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 292)

RIGHTS ISSUE OF 3,154,054,340

RIGHTS SHARES OF HK\$0.02 EACH

AT HK\$0.09 PER RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE
ON THE BASIS OF

ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE

Financial adviser to Asia Standard Hotel Group Limited



結好融資有限公司
GET NICE CAPITAL LIMITED

Underwriter



結好投資有限公司
GET NICE INVESTMENT LTD.

Dealings in the Rights Shares (as defined herein) in nil-paid form will take place from Monday, 24 April 2006 to Tuesday, 2 May 2006 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived or the Underwriting Agreement (as defined herein) is terminated, the Rights Issue will not proceed. Any dealing in Shares or nil-paid Rights Shares during the period from Monday, 24 April 2006 to Tuesday, 2 May 2006 will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

The Underwriter (as defined herein) may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to the Company at any time prior to the Latest Time for Termination (as defined herein) if (1) in the reasonable opinion of the Underwriter acting in good faith, the success of the Rights Issue would be materially and adversely affected by: (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Group (as defined herein) as a whole; or (b) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement, of a political, financial, economic currency, market or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or (c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or (e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or (f) the commencement by any third party of any litigation or claim against any member of the Group which is or might be material to the Group taken as a whole; or (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the People's Republic of China or other jurisdiction relevant to the Group or any member of the Group and a change in currency conditions for this purpose includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which makes it inexpedient or inadvisable to proceed with the Rights Issue; or (3) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it.

Pursuant to the Underwriting Agreement, the Underwriter may by notice in writing rescind the Underwriting Agreement if prior to the Latest Time for Termination (1) any material breach of any of the warranties or undertakings under the Underwriting Agreement comes to the knowledge of the Underwriter and such material breach materially and adversely affects the success of the Rights Issue; or (2) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material aspect comes to the knowledge of the Underwriter and such event or matter materially and adversely affects the success of the Rights Issue. **If the Underwriting Agreement is terminated by the Underwriter before the Latest Time for Termination or does not become unconditional, the Underwriting Agreement shall terminate forthwith and the Rights Issue will not proceed.**

The latest time for acceptance and payment for the Rights Shares is 4:00 p.m. on Monday 8 May, 2006. The procedure for acceptance or transfer of the Rights Shares is set out on page 14 to 15 of this Prospectus.

* For identification purpose only

20 April 2006

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of the Prospectus:

Number of Rights Shares to be issued:	3,154,054,340 Rights Shares
Amount to be raised:	Approximately HK\$283.86 million before expenses
Subscription price:	HK\$0.09 per Rights Share payable in full on acceptance
Latest time for acceptance:	4:00 p.m. on Monday, 8 May 2006
Basis of the Rights Issue:	One Rights Share for every two existing Shares held by the Qualifying Shareholders as at the close of business on the Record Date
Right of excess applications:	Provisional allottees have the right to apply for Rights Shares in excess of their provisional allotments
Basis of entitlement:	Rights Shares will be allotted in the proportion of one Rights Share for every two existing Shares held by the Qualifying Shareholders on the Record Date. No Rights Shares will be offered to Excluded Shareholders.

EXPECTED TIMETABLE

2006

Record Date	Wednesday, 19 April
Register of members re-opens	Thursday, 20 April
First day of dealings in nil-paid Rights Shares	Monday, 24 April
Latest time for splitting of nil-paid Rights Shares	4:00 p.m., Wednesday, 26 April
Last day of dealings in nil-paid Rights Shares	Tuesday, 2 May
Latest time for acceptance of, and payment for, Rights Shares and application for excess Rights Shares	4:00 p.m., Monday, 8 May
Latest time for the Rights Issue to become unconditional	4:00 p.m., Wednesday, 10 May
Announcement of results of acceptance of and excess applications for the Rights Shares	Friday, 12 May
Despatch of refund cheques for wholly or partially unsuccessful applications for excess Rights Shares on or before	Monday, 15 May
Despatch of certificates for fully-paid Rights Shares on or before	Monday, 15 May
First day of dealings in the fully-paid Rights Shares	Wednesday, 17 May

Notes:

1. All times in the Prospectus refer to Hong Kong times.
2. Effect of bad weather on the latest time for acceptance of and payment for the Rights Shares

The latest time for acceptance of and payment for Rights Shares will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the offer of the Rights Shares. Instead the Latest Acceptance Time will be postponed to the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares does not take place on the expected latest date for acceptance of the offer of the Rights Shares, the dates mentioned in this section may be affected. A press announcement will be made by the Company in such event.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	4
Terms of the Rights Issue	5
Conditions of the Rights Issue	9
Underwriting Agreement	10
Warning of the risks of dealings in the Shares and Rights Shares	12
Shareholdings in the Company	13
Reasons for the Rights Issue and use of proceeds	13
Previous fund raising exercise of the Company	14
Procedure for acceptance or transfer	14
Application for excess Rights Shares	15
Share certificates	16
Business review and prospects	16
General	19
Further information	19
Appendix I — Information on the Group	20
Appendix II — Financial information	26
Appendix III — Unaudited pro forma financial information	77
Appendix IV — General information	80

DEFINITIONS

In the Prospectus, unless the context otherwise requires, the following terms shall have the following meanings:

“Announcement”	the announcement of the Company dated 23 March 2006 regarding the Rights Issue
“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday) on which banks in Hong Kong are generally open for business
“Bye-Laws”	the bye-laws of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Asia Standard Hotel Group Limited, an exempted company incorporated in Bermuda and whose shares are listed on the Main Board of the Stock Exchange (stock code: 292)
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for excess Rights Shares to be used in connection with the Rights Issue
“Excluded Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions, consider it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of restrictions under the laws of relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Irrevocable Undertakings”	the irrevocable undertakings given by the Relevant ASHGL Shareholders to the Underwriter and the Company, pursuant to which the Relevant ASHGL Shareholders undertake, <i>inter alia</i> , to subscribe for or procure the subscription for the Rights Shares to be provisionally allotted to them pursuant to the Rights Issue
“Last Trading Day”	22 March 2006, being the last trading day before the suspension of the trading in the Shares prior to the release of the Announcement

DEFINITIONS

“Latest Acceptance Time”	4:00 p.m. on 8 May 2006 or such later time to be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares and if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on such day at any time between 12:00 noon and 4:00 p.m., the Latest Acceptance Time will be postponed to the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m.
“Latest Practicable Date”	13 April 2006, being the latest practicable date prior to the printing of the Prospectus for ascertaining certain information contained in the Prospectus
“Latest Time for Termination”	4:00 p.m. on the second Business Day after the Latest Acceptance Time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Poon”	Mr. Poon Jing, an executive Director
“Option(s)”	the outstanding share option(s) granted by the Company to subscribe for an aggregate of 4,000,000 Shares as at the Latest Practicable Date pursuant to the Share Option Scheme
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown in the register of members of the Company at the close of business on the Record Date) which is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be used in connection with the Rights Issue
“Prospectus”	this prospectus
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	19 April 2006 or such other date as the Underwriter may agree in writing with the Company as the date by reference to which entitlements to the Rights Issue are expected to be determined
“Registrar”	Computershare Hong Kong Investor Services Limited, the branch share registrar of Company in Hong Kong whose address is at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong

DEFINITIONS

“Relevant ASHGL Shareholders”	certain beneficial owners of Shares (other than the Underwriter and the public) whose names are set out in column 1 of the table under the section headed “Shareholdings in the Company” of the Prospectus
“Rights Issue”	the proposed issue of the Rights Shares by the Company on the basis of one Rights Share for every two existing Shares held on the Record Date to the Qualifying Shareholder(s) or to holders of nil-paid Rights Shares at the Subscription Price by the Company
“Rights Share(s)”	3,154,054,340 new Shares to be issued under the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.02 each in the capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 24 May 2000
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	subscription price of HK\$0.09 per Rights Share
“Underwriter”	Get Nice Investment Limited, a deemed licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, which is not a connected person (as defined in the Listing Rules) of the Company
“Underwriting Agreement”	the underwriting agreement dated 22 March 2006 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“%”	per cent.



ASIA STANDARD HOTEL GROUP LIMITED

(泛海酒店集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 292)

Executive Directors:

Mr. Poon Jing (*Chairman*)
Dr. Lim Yin Cheng (*Deputy Chairman and
Chief Executive*)
Mr. Fung Siu To, Clement
Mr. Poon Tin Sau, Robert
Mr. Wong Shu Pui

Non-executive Director:

Mr. Liang Shangli

Independent non-executive Directors:

Mr. Ip Chi Wai
Mr. Leung Wai Keung, Richard
Mr. Hung Yat Ming

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

*Head office and principal place
of business in Hong Kong:*

30th Floor
Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai
Hong Kong

20 April 2006

*To the Qualifying Shareholders and, for information only, the Excluded Shareholders
and holder of the Options*

Dear Sirs,

**RIGHTS ISSUE OF
3,154,054,340 RIGHTS SHARES OF HK\$0.02 EACH
AT HK\$0.09 PER RIGHTS SHARE
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE**

INTRODUCTION

On 23 March 2006, the Board announced that subject to the fulfilment of the conditions of the Rights Issue, the Company proposed to raise not less than approximately HK\$283.86 million before expenses by issuing not less than 3,154,054,340 Rights Shares and to raise not more than

* For identification purpose only

LETTER FROM THE BOARD

approximately HK\$284.04 million before expenses by issuing not more than 3,156,054,340 Rights Shares at the Subscription Price of HK\$0.09 per Rights Share on the basis of one Rights Share for every two existing Shares held on the Record Date, payable in full on acceptance or application, as the case may be.

The Company has granted Options to subscribe for 4,000,000 Shares as at the Latest Practicable Date. As at the Latest Practicable Date, none of the Options has been exercised. Accordingly, the number of Rights Shares is fixed at 3,154,054,340.

Pursuant to the terms of the Share Option Scheme, adjustments to the Options may be made if the Rights Issue becomes unconditional. The Company will announce further details on such adjustment (if any) in accordance with the provisions under the Share Option Scheme.

Save for the Options, there are no outstanding warrants, share options or other securities which are convertible into or give rights to subscribe for Shares.

The purpose of the Prospectus is to provide you with further details of the Rights Issue, including information on dealings in and transfers and acceptances of the Rights Shares and certain financial and other information about the Group.

TERMS OF THE RIGHTS ISSUE

Issue Statistics

Basis of the Rights Issue:	One Rights Share for every two existing Shares held on the Record Date
Number of Shares in issue:	6,308,108,681 Shares
Number of Rights Shares:	3,154,054,340 Rights Shares
Subscription Price per Rights Share:	HK\$0.09 per Rights Share with nominal value of HK\$0.02 each

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represent 50% of the Company's existing issued share capital as at the Latest Practicable Date and approximately 33.3% of the Company's enlarged issued share capital of the Company immediately following the completion of the Rights Shares.

Qualifying Shareholders

To qualify for the Rights Issue, Shareholders must be Qualifying Shareholders and registered as members of the Company on the register of members of the Company on the Record Date.

In order to be registered as members of the Company on the Record Date, Shareholders must have lodged any transfer of Shares (with the relevant share certificates) for registration with the Registrar by 4:00 p.m. on Tuesday, 11 April 2006.

LETTER FROM THE BOARD

Holders of the Options who wish to participate in the Rights Issue must exercise their Options in accordance with the terms of the Share Option Scheme on or before 4:00 p.m. on Tuesday 11 April 2006 so as to enable themselves to be registered as Shareholders on or before the Record Date.

Closure of register of members

The register of members of the Company was closed from Wednesday, 12 April 2006 to Wednesday, 19 April 2006 (both dates inclusive) to determine the eligibility of Shareholders for the Rights Issue. No transfer of Shares was registered during this period.

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.09 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares. The Subscription Price represents

1. a discount of approximately 42.68% to the closing price of HK\$0.157 per Share as quoted on the Stock Exchange on the Last Trading Day;
2. a discount of approximately 43.04% to the average closing price of HK\$0.158 per Share for the five consecutive trading days up to and including the Last Trading Day;
3. a discount of approximately 43.04% to the average closing price of HK\$0.159 per Share for the ten consecutive trading days up to and including the Last Trading Day;
4. a discount of approximately 33.33% to the theoretical ex-rights price of HK\$0.135 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day;
5. a discount of approximately 29.13% to the closing price of HK\$0.127 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
6. a discount of 50.00% to the unaudited pro forma consolidated net tangible assets value per Share of HK\$0.18 as set out under the paragraph headed “Unaudited pro forma financial information” in Appendix III to the Prospectus.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the then market environment, prevailing Share prices and the recent financial conditions of the Group, which the Directors consider are important for the Shareholders to assess before subscribing for the Rights Shares. In order to enhance the attractiveness of a rights issue, it is a common practice that for listed issuers to issue rights shares at a discount to the market price (as evidenced in a majority of rights issues conducted in the past six months). Given the fact that the underwriting period of a rights issue is relatively long and after considering the aforesaid factors and the theoretical ex-rights price per Share (which takes into account the allotment ratio of the Rights Issue), the Directors consider that the proposed discount on the Subscription Price to the current

LETTER FROM THE BOARD

market price of the Shares is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors consider the Subscription Price to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotment

The basis of provisional allotment is one Rights Share for every two existing Shares held by the Qualifying Shareholders at the close of business on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment can be made only by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Share certificates and refund cheques for Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on or before 15 May 2006 to those Qualifying Shareholders who have accepted and (where applicable) applied for, and paid for the Rights Shares by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 15 May 2006 by ordinary post to the applicants at their own risk.

Status of the Rights Shares

The Rights Shares, when allotted and fully-paid, will rank *pari passu* in all respects with the then existing Shares in issue. Holders of fully-paid Rights Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda.

Based on the register of members of the Company, there were 15 Overseas Shareholders with registered addresses in 5 jurisdictions outside Hong Kong as at the Record Date. Pursuant to Rule 13.36(2) of the Listing Rules, the Board has made enquiries in these 5 jurisdictions as to whether there is any legal restriction under the applicable securities legislation of the relevant jurisdiction or requirement of any relevant regulatory body or stock exchange with respect to the offer of Rights Shares to such Overseas Shareholders.

The Company has received legal opinions on the laws of Canada and Malaysia that either (i) the Prospectus Documents will be required to be registered or filed with or subject to approval by the relevant regulatory authorities in the relevant jurisdictions (as the case may be); or (ii) the Company would need to take additional steps to comply with the regulatory requirements of the relevant regulatory authorities in the relevant jurisdictions. Therefore, the Company would be required to comply with the relevant laws and regulations if the Rights Issue is to be offered to the Overseas Shareholders with registered addresses in these 2 jurisdictions. Having considered the circumstances,

LETTER FROM THE BOARD

the Directors are of the view that it is not expedient to extend the Rights Issues to such Overseas Shareholders taking into consideration that the time and costs involved in complying with the legal requirements of these jurisdictions will outweigh the possible benefits to the relevant Overseas Shareholders in Canada and Malaysia and the Company. The Company will send the Prospectus, for information only, to such Overseas Shareholders with registered addresses in Canada and Malaysia but will not send the PAL and EAF to them.

The Company has also received legal opinions on the laws of Japan, Singapore and Spain that either (i) there is no legal restriction under the applicable legislation of the relevant jurisdictions or requirement of any relevant regulatory body or stock exchange with respect to the offer of the Rights Issue to the Overseas Shareholders in the relevant jurisdictions; or (ii) the Company would be exempt from obtaining approval from, and/or registration of the Prospectus Documents with, the relevant regulatory authorities under the applicable laws and regulations of the relevant jurisdictions since the Company would meet the relevant requirements for exemption under the relevant jurisdictions. Based on the legal opinions, on the laws of Japan, Singapore and Spain, the Directors believe that the Prospectus Documents would not be required to be registered under the relevant laws and regulations of these 3 jurisdictions and may be despatched to the Overseas Shareholders with registered addresses in these 3 jurisdictions without any restrictions. In view thereof, the Directors have decided to extend the Rights Issue to the Overseas Shareholders with registered addresses in Japan, Singapore and Spain and such Overseas Shareholders, together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders. The Company will send the Prospectus Documents to such Qualifying Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Excluded Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by the Qualifying Shareholders.

Fractions of Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market, if a premium (net of expenses) can be achieved, and the Company will retain the proceeds from such sale(s). Any unsold fractions of Rights Shares will be made available for excess application.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders and for any Rights Shares provisionally allotted but not accepted.

LETTER FROM THE BOARD

Application for excess Rights Shares can be made only by completing an EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis.

The latest time for acceptance of and payment for the Rights Shares and application for excess Rights Shares is expected to be at 4:00 p.m. on Monday, 8 May 2006, or such later date as may be agreed between the Company and the Underwriter.

Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, both in board lots of 10,000, registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon, among other things, each of the following conditions being fulfilled:

1. the Listing Committees of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on or before the date on which the Prospectus is despatched;
2. the delivery by or on behalf of the Company not later than the date on which the Prospectus is despatched of (i) one copy of each of the Prospectus Documents together with any requisite accompanying documents to the Stock Exchange and the Registrar of Companies in Hong Kong for filing and registration; and (ii) one copy of the Prospectus together with any requisite accompanying documents to the Registrar of Companies in Bermuda for filing;
3. the Bermuda Monetary Authority granting its consent (if required) to the issue of the Rights Shares by not later than the date on which the Prospectus is despatched;
4. the posting of the Prospectus Documents to the Qualifying Shareholders;

LETTER FROM THE BOARD

5. compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement; and
6. compliance with and performance of each of the Relevant ASHGL Shareholders of all of his/ its undertakings and obligations under the terms of the Irrevocable Undertakings.

The Rights Issue will not proceed if the Underwriting Agreement is terminated.

In the event that the conditions of the Rights Issue are not fulfilled (or, in respect of conditions (5) and (6), waived in whole or in part by the Underwriter) on or before the Latest Acceptance Time (or such later date or dates as the Company and the Underwriter may agree in writing), the Underwriting Agreement shall terminate and save in respect of any rights or obligations which may accrue under the Underwriting Agreement prior to such termination, neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

UNDERWRITING AGREEMENT

Pursuant to the Underwriting Agreement, the Underwriter has agreed to underwrite not less than 1,279,355,489 Rights Shares (assuming that none of the Options is exercised on or before the Record Date) and not more than 1,281,355,489 Rights Shares (assuming that all of the Options are exercised on or before the Record Date) (being not less than 3,154,054,340 Rights Shares and not more than 3,156,054,340 Rights Shares less the 1,874,698,851 Rights Shares to be issued to and accepted by the Relevant ASHGL Shareholders). The Underwriter is wholly-owned by Get Nice Incorporated, which in turn is wholly-owned by Get Nice Holdings Limited (stock code: 64), a company listed on the Main Board of the Stock Exchange. The Underwriter and its ultimate controlling shareholder do not have any shareholding in the Company and are independent third parties not connected with the Company, the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or their respective associates.

Commission

The Company will pay the Underwriter an underwriting commission of 1% of the aggregate Subscription Price of the Rights Shares underwritten by it, out of which the Underwriter will or may pay any sub-underwriting fees. The Directors believe that the underwriting commission is on normal commercial terms and accords with market rates.

Undertaking from the Relevant ASHGL Shareholders

As at the Latest Practicable Date, the Relevant ASHGL Shareholders are interested in an aggregate of 3,749,397,711 Shares, representing approximately 59.44% of the total issued share capital of the Company.

The Relevant ASHGL Shareholders have irrevocably undertaken to the Underwriter and the Company that (i) the Shares held by them or their nominees as at the date of the Irrevocable Undertakings will remain registered in the same names or be registered in the name of their nominee

LETTER FROM THE BOARD

until the close of business on the Record Date; (ii) they will continue to have their registered addresses in Hong Kong; (iii) save as permitted under the Underwriting Agreement, they will not transfer, dispose of or acquire any Shares or any interests therein; and (iv) they will accept or procure the acceptance of the Rights Shares provisionally allotted to them in respect of such number of Shares beneficially owned by them.

Rescission and termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to the Company at any time prior to the Latest Time for Termination if:

1. in the reasonable opinion of the Underwriter acting in good faith, the success of the Rights Issue would be materially and adversely affected by:
 - (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (b) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement, of a political, financial, economic currency, market or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
 - (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (f) the commencement by any third party of any litigation or claim against any member of the Group which is or might be material to the Group taken as a whole; or

LETTER FROM THE BOARD

2. any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the People's Republic of China or other jurisdiction relevant to the Group or any member of the Group and a change in currency conditions for this purpose includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which makes it inexpedient or inadvisable to proceed with the Rights Issue; or
3. the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it.

If the Underwriting Agreement is terminated by the Underwriter before the Latest Time for Termination or does not become unconditional, the Underwriting Agreement shall terminate forthwith (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

Pursuant to the Underwriting Agreement, the Underwriter may by notice in writing rescind the Underwriting Agreement if prior to the Latest Time for Termination:

1. any material breach of any of the warranties or undertakings under the Underwriting Agreement comes to the knowledge of the Underwriter and such material breach materially and adversely affects the success of the Rights Issue; or
2. any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material aspect comes to the knowledge of the Underwriter and such event or matter materially and adversely affects the success of the Rights Issue.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from 10 April 2006. Dealings in the Rights Shares in the nil-paid form will take place from 24 April 2006 to 2 May 2006 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

LETTER FROM THE BOARD

Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled and/or waived (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from 24 April 2006 to 2 May 2006 (both dates inclusive) will bear the risk that the Rights Issue may not become unconditional or may not proceed. If in any doubt, investors are recommended to consult their professional advisers.

SHAREHOLDINGS IN THE COMPANY

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Rights Issue, assuming that (i) there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue; (ii) the Relevant ASHGL Shareholders accept 1,874,698,851 Rights Shares provisionally allotted to them; and (iii) the Underwriter takes up 1,279,355,489 Rights Shares:

Beneficial owners of Shares	As the Latest Practicable Date		Immediately after completion of the Rights Issue	
	Share	%	Share	%
Certain wholly-owned subsidiaries of Asia Standard International Group Limited	3,588,335,158	56.89	5,382,502,737	56.89
Certain wholly-owned subsidiaries of Asia Orient Holdings Limited	160,813,616	2.55	241,220,420	2.55
Mr. Poon (<i>Note</i>)	248,937	0.00	373,405	0.00
Relevant ASHGL Shareholders	3,749,397,711	59.44	5,624,096,562	59.44
The Underwriter	—	—	1,279,355,489	13.52
Public	2,558,710,970	40.56	2,558,710,970	27.04
Total	<u>6,308,108,681</u>	<u>100.00</u>	<u>9,462,163,021</u>	<u>100.00</u>

Note: Mr. Poon is an executive Director.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consist of the holding and operation of three hotels in Hong Kong and Canada, a travel agency in Hong Kong and two franchise restaurants in Hong Kong and Shanghai.

The Directors consider appropriate for the Company to capture the fund raising opportunity through the Rights Issue on a fully underwritten basis and on a basis which will allow all Qualifying Shareholders to participate in the Rights Issue in proportion to their shareholdings. The Company

LETTER FROM THE BOARD

intends to use the net proceeds for the Rights Issue, being approximately HK\$280.56 million for repayment of part of the Group's long-term bank loans. The Directors consider that as a result of such repayment, the overall financial position of the Group will be enhanced in terms of increase in the equity base and the net assets and improvement in the gearing position of the Group.

The Directors consider that it is in the interest of the Company and the Shareholders to raise further capital through the Rights Issue for reduction of its indebtedness, and that the Rights Issue will allow all Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company.

PREVIOUS FUND RAISING EXERCISE OF THE COMPANY

Date of announcement	Event	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds
15 November 2005	Placing and subscription of 1,010 million Shares (<i>Note</i>)	HK\$192.75 million	Entirely for repayment of part of the Group's long-term bank loans	Fully used as intended

Note: Such Shares have been issued pursuant to general mandate granted at the annual general meeting of the Company held on 26 August 2005.

Save as disclosed above, the Company has not carried out any fund raising activities within the past 12 months prior to the date of the Announcement.

PROCEDURE FOR ACCEPTANCE OR TRANSFER

A PAL is enclosed with the Prospectus which entitles the Qualifying Shareholders to subscribe for the number of Rights Shares indicated on the PAL. If the Qualifying Shareholders wish to exercise the right to subscribe for all the Rights Shares specified in the enclosed PAL, the Qualifying Shareholders must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance of the number of Rights Shares provisionally allotted to the Qualifying Shareholders, with the Registrar at Rooms 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 8 May 2006. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "Asia Standard Hotel Group Limited — Provisional Allotment Account" and crossed "Account Payee Only".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Monday, 8 May 2006, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

LETTER FROM THE BOARD

If the Qualifying Shareholders wish to accept only part of the provisional allotment or to transfer all or part of their rights to subscribe for the Rights Shares provisionally allotted under the PAL to more than one person, the entire PAL must be surrendered by not later than 4:00 p.m. on Wednesday, 26 April 2006 to the Registrar who will cancel the original PAL and issue a new PAL in the denominations required. The PALs contain full information regarding the procedures to be followed if the Qualifying Shareholders wish to accept only part of the provisional allotment or if the Qualifying Shareholders wish to transfer all or part of their provisional allotment.

All cheques and cashier's orders will be presented for payment following receipt and any interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which a cheque or cashier's order is dishonoured on first presentation are liable to be rejected and in that event the provisional allotment of Rights Shares and all rights thereunder will be deemed to have been declined and will be cancelled. If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement on or before the Latest Time for Termination, or if any of the conditions of the Underwriting Agreement (as set out in the section headed "Conditions of the Rights Issue" of the Prospectus) is not fulfilled or waived on or before the Latest Acceptance Time, the Rights Issue will not proceed and the monies received in respect of the relevant provisional allotment of Rights Shares will be returned to the relevant persons without interest, by means of cheques to be despatched by the ordinary post at the risk of the relevant applicants on or before Monday, 15 May 2006.

APPLICATION FOR EXCESS RIGHTS SHARES

Qualifying Shareholders may apply for any unsold entitlements of the Excluded Shareholders and any Rights Shares provisionally allotted but not accepted.

Application for excess Rights Shares can be made only by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares on a fair and reasonable basis.

If the Qualifying Shareholders wish to apply for any Rights Shares in addition to their provisional allotment, they must complete and sign the enclosed EAF as indicated thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar at Rooms 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 8 May 2006. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "Asia Standard Hotel Group Limited — Excess Application Account" and crossed "Account Payee Only". The Registrar will notify the applicants of any allotment of excess Rights Shares made to them.

If no excess Rights Shares are allotted to the Qualifying Shareholders, the amount tendered on application is expected to be refunded in full on or before Monday, 15 May 2006. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, the surplus application monies are also expected to be refunded on or before Monday, 15 May 2006. If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement on or before the Latest Time for Termination, or if any of the conditions of the Underwriting Agreement (as

LETTER FROM THE BOARD

set out in the section headed “Conditions of the Rights Issue” of the Prospectus) is not fulfilled or waived on or before the Latest Acceptance Time, the Rights Issue will not proceed and the monies received in respect of the relevant applications for excess Rights Shares will be returned to the relevant persons without interest, by means of cheques to be despatched by the ordinary post at the risk of the relevant applicants on or before Monday, 15 May 2006.

All cheques and cashier’s orders will be presented for payment following receipt and any interest earned on such monies will be retained for the benefit of the Company. Any EAF in respect of which a cheque or cashier’s order is dishonoured on first presentation is liable to be rejected.

The EAF is for use only by the person(s) named in it and is not transferable. All documents, including cheques or cashier’s orders for refund, will be sent by ordinary post at the risk of the persons entitled thereto to their registered addresses by no later than Monday, 15 May 2006.

SHARE CERTIFICATES

It is expected that certificates for the fully-paid Rights Shares will be posted to those entitled thereto at their own risk by the Registrar on or before Monday, 15 May 2006.

Where entitlements to Rights Shares exceed one board lot, it is proposed, you will receive one share certificate for the allotment to Rights Shares.

BUSINESS REVIEW AND PROSPECTS

Operational review for the six months ended 30 September 2005

The Empire Hotel, Hong Kong

The total revenue of Empire Hong Kong increased by 17% while operating profit improved by 18% as compared with the last corresponding period.

Empire Hong Kong’s average rate improved by 13% during the period boosted by recently upgraded guest rooms which account for over 80% of the hotel room inventory. Occupancy remained similar to that of the last corresponding period.

The newly renovated rooms and lobby lounge area have been well received by corporate and high yield customers and hence would further improve the yield rate of this hotel.

During the period, a new Chinese restaurant was opened at the Empire Hong Kong hotel which brought increased rental income to the hotel while offering convenience of Chinese cuisines to the staying guests.

The Empire Hotel, Kowloon

Empire Kowloon’s total revenue and operating profit improved by 11% and 12% respectively from the last corresponding period.

LETTER FROM THE BOARD

Empire Kowloon's average rate increased by 15% during the period as compared with the last corresponding period as helped by higher yield business segments such as corporate and frequent individual travelers. Occupancy for the hotel stood at 90% during the period, slightly lower than 93% of the last corresponding period.

The Empire Landmark Hotel, Vancouver

Landmark Hotel's total revenue increased by 14% while operating profit improved by 22% during the period.

Empire Landmark Hotel average rate rose by 5% as compared with the last corresponding period attributable mainly to a stronger Canadian dollar which has appreciated by 9% during the period, while occupancy improved by 6.4% as compared with the last corresponding period.

In April 2005 an additional crew were added to the existing airline crew accommodation contract which further enhances the occupancy of this hotel all-year-round.

Travel agency

Fierce competition within travel agencies wholesale industry continues to exert pressure on the travel agency business which caused revenue to fall by HK\$14.3 million or 9% to HK\$147.6 million as compared with that of the last corresponding period.

With rapidly rising oil prices, airline fuel surcharges increase overall air-ticket prices for the consumers which in turn dampen consumers' sentiment to travel.

Concerted effort is made by the management team to direct resources to higher yield businesses in terms of different airlines and product types such as hotels and tour packages in order to alleviate the adverse effect of falling demand and improve margins.

Catering businesses

First half of 2005 has proved to be an encouraging period which saw revenue for the franchised restaurants increased by 18% to HK\$11.4 million as compared with the last corresponding period.

With strong recovery of international visitor arrivals in Hong Kong and the opening of East Rail terminal adjacent to our Tsim Sha Tsui restaurant towards the end of 2004, revenue increased by 23% as compared with the last corresponding period due largely to higher patrons numbers.

A moderate increase of 11% in revenue of the Shanghai restaurant was recorded as compared with the last corresponding period.

Financial review

Following the adoption of HKAS 17 which do not allow leasehold interest of owner-occupied land to be carried at valuation, hotel properties are now stated at cost less depreciation and impairment

LETTER FROM THE BOARD

losses. Consequently shareholders' funds as at 30th September 2005 were significantly reduced to HK\$1,207 million, a decrease of HK\$20.3 million over the last corresponding period (as restated). Net borrowings amounted to HK\$1,119 million as compared with HK\$1,197 million of the last corresponding period due chiefly to improvement in operating profitability and cash flow.

However, the Group considers that it is more meaningful to present supplementary information for revalued net assets by taking into consideration the valuation of the hotels which reflects more closely the economic substance of the hotel properties investments.

Accordingly revalued net assets and revalued net asset per share based on valuation at 30th September 2005 are HK\$2,224 million and HK\$0.44 respectively. Based on the adjusted net assets, the Group's gearing ratio as at 30th September 2005 was 50% as compared with 54% of the last corresponding period.

As at 30th September 2005, amount of HK\$47.4 million which represents 3.8% of total borrowings is repayable within one year with the balance repayable by various instalments over a period exceeding 10 years.

Furthermore, except for the Vancouver property mortgage loan amounting to HK\$148.3 million (2005: HK\$148.1 million) which was borrowed in Canadian dollar for exchange hedging purposes, all the other borrowings are denominated in Hong Kong dollar.

With rapidly rising interest rates both in the United States of America and locally, the Group's finance cost increased substantially by HK\$7.9 million, which represents a 44% increase from the last corresponding period. However, up to 20 December 2005 (being the date of publication of the Group's interim results for the six months ended 30 September 2005), interest rate swap contracts amounting to HK\$360 million have been entered to mitigate the effects of higher interest expenses.

After the period end the Group issued 1,010 million new Shares through share placement and thereby raised new capital of HK\$192.75 million. The funds raised from this share placement were used to reduce bank borrowings which will lead to interest cost savings, lower future bank loan repayments and reduced gearing.

The aggregate net book value of fixed assets pledged as securities for loans of the Group amounted to HK\$2,228.4 million (2005: HK\$2,239.6 million as restated).

Future prospects

With the opening of Disneyland in September 2005, the WTO conference in December 2005, the hosting of 2006 ITU World exhibition in December 2006 at the all-new exhibition facilities near the airport, the outlook for hotel industry continues to be promising.

The upgrading program of remaining guestrooms at the Wanchai Empire Hotel will ensure that the Group is well positioned to capitalise on the high yield business opportunities brought about by the above and other major business conference and sporting and leisure events due to take place in the near future.

LETTER FROM THE BOARD

With 2006 designated by the Hong Kong Tourism Board as Tourism Year, the Empire Hotel, Kowloon located in the center of a traditionally popular tourist area will be able to command higher occupancy and room rates brought about by influx of foreign visitors.

Similarly, the Group's franchised restaurants will also benefit from the thriving tourist industry here while the Group's Shanghai restaurant is expected to maintain stable growth in revenue and profitability.

Overseas, following the recent visit by the Chief Executive of Hong Kong and delegates to Canada aimed at closer trade ties between the two countries and with Canada being an approved destination for travelers from the People's Republic of China, and the forthcoming 2010 Winter Olympics, the future prospects for the Group's Empire Landmark Hotel at Vancouver look optimistic.

The Group is continuing its efforts searching for partners and opportunities for management contracts in the PRC.

GENERAL

All documents, including cheques for amount due, will be sent by ordinary post at the risk of the persons entitled thereto to their registered addresses.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in Appendix I to IV to this Prospectus.

By order of the Board of
Asia Standard Hotel Group Limited
Lim Yin Cheng
Deputy Chairman

1. CORPORATE INFORMATION

Registered office	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Head office and principal place of business in Hong Kong	30th Floor, Asia Orient Tower Town Place, 33 Lockhart Road Wanchai, Hong Kong
Company secretary	Mr. Lee Tai Hay, Dominic <i>ACS, ACIS</i>
Authorised representatives	Dr. Lim Yin Cheng Mr. Lee Tai Hay, Dominic
Qualified Accountant	Mr. Lee Yuk Kong, Steven <i>ACA</i>
Legal advisers to the Company	<i>(As to Hong Kong law)</i> Stephenson Harwood & Lo 18th Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong <i>(As to Bermuda law)</i> Appleby Spurling Hunter 5511 The Center 99 Queen's Road Central Hong Kong
Auditors	PricewaterhouseCoopers Certified Public Accountants 22nd Floor, Prince's Building Central, Hong Kong
Branch share registrar and transfer office in Hong Kong	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17/F, Hopewell Centre 183 Queen's Road East Hong Kong
Principal share registrar and transfer office in Bermuda	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke Bermuda

Principal bankers

Bank of China (Hong Kong) Limited
CITIC Ka Wah Bank Limited
Industrial and Commercial Bank of
China (Asia) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited
Wing Hang Bank Limited
Liu Chong Hing Bank Limited
HSBC Canada
Royal Bank of Canada

2. DIRECTORS**Particulars of Directors**

Name	Address
Executive Directors:	
Mr. Poon Jing (<i>Chairman</i>)	N.T.D.D. 381 Lot 951 Section J New Territories Hong Kong
Dr. Lim Yin Cheng (<i>Deputy Chairman and Chief Executive</i>)	Flat B, 6th Floor Monterey Court 47-49 Perkins Road Hong Kong
Mr. Fung Siu To, Clement	House No. 1 Barbecue Garden 17½ Milestone Castle Peak Road New Territories Hong Kong
Mr. Poon Tin Sau, Robert	Flat B, 11th Floor, Miami Mansion, 13-15 Cleveland Street, Causeway Bay, Hong Kong
Mr. Wong Shu Pui	4E, Block 2, Ronsdale Garden, 25 Tai Hang Drive, Hong Kong
Non-executive Director:	
Mr. Liang Shangli	Flat D, 13th Floor, Block 4, City Garden, 233 Electric Road, North Point, Hong Kong
Independent non-executive Directors:	
Mr. Ip Chi Wai	Flat 605, 6th Floor, Block P, Kornhill, Quarry Bay, Hong Kong

Mr. Leung Wai Keung, Richard

Flat A, 9th Floor,
The Astrid, Tower 1,
180 Argyle Street,
Kowloon,
Hong Kong

Mr. Hung Yat Ming

Flat C, 21st Floor
Block 1, Ronsdale Garden
25 Tai Hang Drive
Hong Kong

Executive Directors

POON Jing

Aged 51. Chairman of the Company, managing director and chief executive of Asia Standard International Group Limited (“ASI”) and Asia Orient Holdings Limited (“Asia Orient”). Mr. Poon is the founder of the Group and is an independent non-executive director of GZI Transport Limited. He is the brother-in-law of Mr. Fung Siu To, Clement and Dr. Lim Yin Cheng, a director and deputy chairman of the Company respectively, and is the brother of Mr. Poon Tin Sau, Robert, a director of the Company.

LIM Yin Cheng

Aged 61. Deputy chairman and chief executive of the Company, deputy chairman of ASI and Asia Orient and an executive director and chief executive officer of Q9 Technology Holdings Limited (“Q9”). Dr. Lim is a holder of Bachelor of Science (Chemical Engineering) and Doctor of Philosophy degrees. He has over 25 years of experience in engineering, project management and administration. He joined the Group in 1994. He is the brother-in-law of Mr. Poon Jing, the chairman of the Company.

FUNG Siu To, Clement

Aged 57. Director of the Company, chairman of ASI and Asia Orient and an executive director of Q9. Mr. Fung is a holder of a Bachelor of Applied Science (Civil Engineering) degree. He is a fellow member of the Hong Kong Institution of Engineers. He joined the Group in 1994 and has over 20 years of experience in project management and construction. He is the brother-in-law of Mr. Poon Jing, the chairman of the Company.

POON Tin Sau, Robert

Aged 60. Director of the Company. Mr. Poon was a restaurant entrepreneur in United States of America during the period from 1970 to 1996 and joined the Group in 1996. He is a brother of Mr. Poon Jing, the chairman of the Company.

WONG Shu Pui

Aged 51. Director and group general manager of the Company since 2000. Mr. Wong is responsible for the management of the Group's hospitality operations, development of Group's marketing and sales strategy as well as the Group's corporate services. Mr. Wong has almost 30 years' extensive experience in hotel industry, both local and overseas covering the United States of America and Australia, and has held senior positions in a number of major international chain hotels in Hong Kong.

Non-executive Director:**LIANG Shangli**

Aged 85. Non-executive director of the Company, Mr. Liang is the founder and chairman of Bai Hui Group Company Limited, a property development company. Prior to establishing Bai Hui Group Company Limited in 1992, Mr. Liang worked for the Guangzhou Investment Group, a property development company in the People's Republic of China ("PRC"), as chairman for over 9 years. He was a member of the Standing Committee of the Chinese People's Political Congress Committee, the PRC and is the vice-chairman of the National Industrial and Commercial Association of the PRC. He joined the Group in 2000. Mr. Liang is also an non-executive director of ASI.

Independent non-executive Directors:**IP Chi Wai**

Aged 38. Independent non-executive director and a member of the audit committee of the Company. Mr. Ip graduated from the University of Hong Kong with a Bachelor degree in law. He is a qualified solicitor in Hong Kong and has over ten years of experience in the legal profession. He is an independent non-executive Director and a member of the audit committee of Q9. He joined the Group in September 2003.

LEUNG Wai Keung, Richard

Aged 43. Independent non-executive Director and a member of the audit committee of the Company. Mr. Leung is currently a barrister-at-law. He has about 9 years of experience in accounting and financial management in several firms and has thereafter been practicing as a barrister for about 10 years. Mr. Leung is a member of the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Arbitrators and was admitted to the High Court of Hong Kong as a barrister. He holds a Master degree in Accounting and Finance from the University of Lancaster and obtained a Bachelor of laws degree from the Manchester Metropolitan University. He is also an independent non-executive director and a member of the audit committee of ASI. He joined the Group in September 2004.

HUNG Yat Ming

Aged 54. Independent non-executive Director and a member of the audit committee of the Company. Mr. Hung is currently a financial consultant. He has over 25 years of experience in audit, accounting and financial management in several firms in Sydney and Hong Kong and was an executive director of Baker Group International Holdings Limited. Mr. Hung is a member of the Institute of Chartered Accountants of Scotland and the Hong Kong Institute of Certified Public Accountants. He graduated from the University of Hong Kong with a Bachelor degree in Mathematics and obtained a post-graduate diploma in Accountancy from the University of Strathclyde, Scotland. He is an independent non-executive director and a member of the audit committee of Asia Orient. He joined the Group in September 2004.

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated profit and loss accounts and financial positions for each of the three financial years ended 31 March 2003, 2004 and 2005 as extracted from the annual reports of the Group for the years ended 31 March 2004 and 2005. The auditors' reports as set out in the annual reports of the Group for each of the three years ended 31 March 2005 were unqualified. The unaudited condensed consolidated profit and loss account of the Group for the six months ended 30 September 2005 as well as the financial position of the Group as at 30 September 2005 as extracted from the interim report dated 20 December 2005 issued by the Company are also set out below:

	Results of the Group				
	for the year ended 31 March			for the six months ended 30 September	
	2005	2004	2003	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(restated)</i>
Turnover	569,248	425,966	448,215	290,169	286,722
(Loss)/profit before taxation	105,759	(7,644)	12,158	(24,358)	(9,828)
Taxation charge	(20,863)	(4,323)	(6,445)	(691)	(1,232)
(Loss)/profit attributable to shareholders of the Company	<u>84,896</u>	<u>(11,967)</u>	<u>5,713</u>	<u>(25,049)</u>	<u>(11,060)</u>
(Loss)/earnings per share					
Basic	1.68 cent	(0.24) cent	0.11 cent	(0.50) cent	(0.22) cent
Diluted	<u>1.67 cent</u>	<u>N/A</u>	<u>N/A</u>	<u>(0.50) cent</u>	<u>(0.22) cent</u>

	Assets and liabilities of the Group			
	As at 31 March			As at 30 September
	2005	2004	2003	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	3,584,046	3,388,057	3,243,600	2,508,498
Less: Total liabilities	<u>(1,360,569)</u>	<u>(1,381,615)</u>	<u>(1,361,376)</u>	<u>(1,301,767)</u>
Total net assets attributable to shareholders of the Company	<u>2,223,477</u>	<u>2,006,442</u>	<u>1,882,224</u>	<u>1,206,731</u>

Note:

The audited accounts of the Group for the three years ended 31 March 2003, 2004 and 2005 have been prepared in accordance with the Statements of Standard Accounting Practices then in effect. The Hong Kong Institute of Certified

Public Accountants (“HKICPA”) has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) (collectively the “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The summary of results for each of the financial years ended 31 March 2003, 2004 and 2005 and the summary of assets and liabilities as at 31 March 2003, 2004, 2005 as disclosed above are not restated for the adoption of the new HKFRSs. The unaudited condensed interim consolidated accounts for the six months ended 30 September 2004 and 2005 have been prepared in accordance with the new HKFRSs.

The key changes have been discussed in note 2 of the condensed interim consolidated accounts for the six months ended 30 September 2005 as set out on pages 58 to 75 of this appendix. The new HKFRSs principally affect the accounting policies of the Group in respect of hotel properties (and the related deferred taxation on revaluation surpluses), leasehold land in Hong Kong and financial instruments. The major effects of the adoption of the new HKFRSs on the financial summary are set out below:

Results of the Group

For the years ended 31 March

	2005	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease in profit before taxation	(64,543)	(71,033)	(68,354)
Decrease in taxation	<u>8,854</u>	<u>11,640</u>	<u>9,492</u>
Decrease in results attributable to shareholders of the Company	<u>(55,689)</u>	<u>(59,393)</u>	<u>(58,862)</u>

Assets and liabilities of the Group

As at 31 March

	2005	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease in total assets	1,036,203	844,940	659,437
Decrease in total liabilities	<u>(39,756)</u>	<u>(25,235)</u>	<u>(18,588)</u>
Decrease in net assets attributable to shareholders of the Company	<u>996,447</u>	<u>819,705</u>	<u>640,849</u>

2. AUDITED FINANCIAL STATEMENTS

The following is the audited consolidated profit and loss accounts of the Group for the two years ended 31 March 2005, the audited consolidated balance sheets of the Group and the audited balance sheets of the Company as at 31 March 2004 and 31 March 2005, the audited consolidated statements of changes in equity of the Group and the audited consolidated cash flow statements of the Group for the two years ended 31 March 2005, together with accompanying notes to the accounts extracted from the annual report of the Company for the year ended 31 March 2005. The auditors' reports as set out in the annual reports of the Group for each of the two years ended 31 March 2005 were unqualified.

Consolidated Profit and Loss account

For the year ended 31st March 2005

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	2	569,248	425,966
Cost of sales		<u>(388,016)</u>	<u>(307,429)</u>
Gross profit		181,232	118,537
Administrative expenses		(84,279)	(76,626)
Other charges	3	<u>(14,730)</u>	<u>(12,935)</u>
Operating profit	4	82,223	28,976
Interest income	7	2,140	3,485
Net investment gain	8	58,601	807
Finance costs	9	(37,205)	(40,200)
Share of loss of an associated company		<u>—</u>	<u>(712)</u>
Profit/(loss) before taxation		105,759	(7,644)
Taxation	10	<u>(20,863)</u>	<u>(4,323)</u>
Profit/(loss) attributable to shareholders	11	<u>84,896</u>	<u>(11,967)</u>
Earnings/(loss) per share			
Basic	13	HK1.68 cent	HK(0.24 cent)
Diluted	13	<u>HK1.67 cent</u>	<u>N/A</u>

Consolidated Balance Sheet*As at 31st March 2005*

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fixed assets	14	3,313,996	3,169,702
Goodwill	15	13,188	27,918
Long term investment	17	—	1,601
Deferred tax assets	26	6,152	3,814
Current assets			
Inventories, at cost		2,690	2,615
Other investments	18	93,137	69,984
Debtors and prepayments	19	89,711	98,429
Tax recoverable		200	200
Bank balances and cash	20	64,972	13,794
		250,710	185,022
Current liabilities			
Creditors and accruals	21	47,585	45,510
Taxation payable		10,973	370
Bank overdraft-unsecured		8,778	3,941
Current portion of long term liabilities	25	38,963	43,311
Convertible notes	22	—	46,000
		106,299	139,132
Net current assets		144,411	45,890
		3,477,747	3,248,925
Financed by:			
Share capital	23	101,042	101,042
Reserves	24	2,122,435	1,905,400
Shareholders' funds		2,223,477	2,006,442
Long term liabilities	25	1,214,514	1,217,737
Deferred tax liabilities	26	39,756	24,746
		3,477,747	3,248,925

Balance Sheet*As at 31st March 2005*

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Subsidiaries	16	1,474,792	1,529,176
Deferred tax assets	26	778	—
Current assets			
Debtors and prepayments		104	426
Bank balances		10,757	72
		10,861	498
Current liabilities			
Accruals		3,707	1,569
Convertible notes	22	—	46,000
		3,707	47,569
Net current assets/(liabilities)		7,154	(47,071)
		1,482,724	1,482,105
Financed by:			
Share capital	23	101,042	101,042
Reserves	24	1,381,682	1,381,063
Shareholders' funds		1,482,724	1,482,105

Consolidated Cash Flow Statement*For the year ended 31st March 2005*

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Cash flows from operating activities			
Net cash generated from operations	31(a)	110,072	2,069
Interest paid		(38,290)	(40,285)
Interest element on finance leases		(28)	(42)
Net Hong Kong profits tax refunded		—	102
		<u> </u>	<u> </u>
Net cash from/(used in) operating activities		71,754	(38,156)
		<u>-----</u>	<u>-----</u>
Cash flows from investing activities			
Additions to other fixed assets		(188)	(154)
Proceeds on disposal of other investments		37,659	65,645
Purchase of other investments		(2,548)	(43,068)
Proceeds on disposal of an associated company		—	2,000
Interest received		3,412	2,597
Dividend received		335	592
		<u> </u>	<u> </u>
Net cash from investing activities		38,670	27,612
		<u>-----</u>	<u>-----</u>
Cash flows from financing activities			
Decrease in restricted bank balances		6,000	—
Issue of convertible notes		—	46,000
Redemption of convertible notes		(46,000)	—
Drawdown of long term bank loans		605,000	7,000
Repayment of long term bank loans		(623,839)	(63,220)
Repayment of finance leases		(96)	(77)
		<u> </u>	<u> </u>
Net cash used in financing activities	31(b)	(58,935)	(10,297)
		<u>-----</u>	<u>-----</u>
Changes in exchange rates		852	(107)
		<u>-----</u>	<u>-----</u>
Increase/(decrease) in cash and cash equivalents		52,341	(20,948)
Cash and cash equivalents at the beginning of the year		<u>3,853</u>	<u>24,801</u>
Cash and cash equivalents at the end of the year		<u>56,194</u>	<u>3,853</u>
		<u>-----</u>	<u>-----</u>
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		64,972	7,794
Bank overdraft		(8,778)	(3,941)
		<u> </u>	<u> </u>
		<u>56,194</u>	<u>3,853</u>
		<u>-----</u>	<u>-----</u>

Consolidated Statement of Changes in Equity*For the year ended 31st March 2005*

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Balance at the beginning of the year		2,006,442	1,882,224
Revaluation surplus of hotel properties, net of taxation	24	112,521	111,024
Exchange difference arising on translation of the accounts of overseas subsidiaries	24	19,618	25,161
Net gains not recognised in the profit and loss account		132,139	136,185
Profit/(loss) for the year	24	84,896	(11,967)
Balance at the end of the year		2,223,477	2,006,442

Notes to the Accounts

1 Principal accounting policies

(a) *Basis of preparation*

The accounts have been prepared under the historical cost convention as modified by the revaluation of hotel properties and other investments and in accordance with accounting principles generally accepted in Hong Kong.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005.

The new HKFRSs mainly affecting the Group are:

HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HK-Int 2	The Appropriate Accounting Policies for Hotel Properties

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March 2005. The Group is assessing the impact of these new HKFRSs and has so far identified that they will not affect the cash flows of the Group.

The changes and the more significant differences between new HKFRSs and current accounting policies that are expected to affect the Group’s profit and loss account and balance sheet are as follows:

(i) *Hotel properties*

Land and buildings will be accounted for separately. Hotel buildings will be stated at cost less accumulated depreciation and impairment, while the underlying freehold land will be accounted for as property, plant and equipment and stated at cost less impairment. The underlying leasehold land will be accounted for as prepayment of lease and stated at cost less accumulated amortisation and the amortisation will be recognised as an expense on a straight-line basis over the lease term. Hotel properties have been stated at valuation without depreciation under the current accounting policy.

(ii) *Financial instruments*

Under the new HKFRSs, financial instruments will be carried at either amortised cost or fair value, depending on their classification. Depending on the classification of the financial instruments, movements in fair value will be either charged to net profit or loss or taken to equity in accordance with the standard. In addition, all derivatives, including those embedded in non-derivatives host contracts will be recognised in the balance sheet at fair value. This will result in a change to the Group’s current accounting policies in respect of classification, measurement and recognition of financial instruments.

The Group will be continuing with the assessment of the impact of the new HKFRSs and other significant changes may be identified as a result.

The principal accounting policies adopted in the preparation of these accounts are as follows:

(b) ***Basis of consolidation***

The consolidated accounts incorporate the accounts of the Company and all of its subsidiaries made up to 31st March and the Group's share of post-acquisition profits less losses of its associated company.

The results of subsidiaries and associated company acquired or disposed of during the year are dealt with in the consolidated profit and loss account from the effective date of acquisition and up to the effective date of disposal respectively. The profit or loss on disposal of subsidiaries or associated company is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill which remains unamortised and any related exchange reserve.

All significant intra-group transactions and balances have been eliminated.

(c) ***Subsidiaries***

Subsidiaries are companies in which the Group has the power to exercise control governing the financial and operating policies of the companies. In the Company's balance sheet, investments in subsidiaries are carried at or below cost. Provision is made when, the Directors consider that there is long term impairment in value.

(d) ***Associated company***

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management. The Group's investment in the associated company is included in the consolidated balance sheet at the Group's share of net assets and goodwill (net of accumulated amortisation) on acquisition.

(e) ***Goodwill***

Goodwill represents the difference between the cost of an acquisition over the fair values ascribed to the Group's share of the net assets of the acquired subsidiaries and associated company at the effective date of acquisition.

Goodwill arising on acquisitions is included in the balance sheet as a separate asset and amortised using the straight line method over its estimated useful life of not more than twenty years.

Where the fair values ascribed to the net assets exceed the purchase consideration, such differences are recognised in the consolidated profit and loss account in the year of acquisition or over the weighted average useful life of those non-monetary assets acquired.

(f) ***Fixed assets and depreciation***

(i) ***Hotel properties***

Hotel properties are interests in land and buildings and their integral fixed plant, fixtures and fittings which are collectively used in the hotel operation. The initial cost of the hotel operating equipment (linen, silverware and chinaware) was included in the cost of hotel properties and subsequent additions or replacements are charged to the profit and loss account as incurred. Hotel properties are revalued annually based on independent professional valuations on an open market value basis. Changes in the values of hotel properties are dealt with as movements in the hotel properties revaluation reserve. If the reserve is insufficient to cover a revaluation deficit on an individual basis, the excess of the deficit is charged to the profit and loss account.

No depreciation is provided on hotel properties on leases of more than twenty years. It is the Group's practice to maintain hotel buildings in a continued state of sound repair and to make improvements thereto from time to time and accordingly the Directors consider that, given the estimated lives of the hotel properties, any depreciation charge would be insignificant due to their high residual value. Such expenditure on repairs and maintenance on hotel properties is charged to the profit and loss account as incurred.

(ii) *Other fixed assets*

Other fixed assets are stated at cost less accumulated depreciation and provision for significant impairment in values, and are depreciated using the straight line method to write off their costs over their estimated useful lives of five years.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group. The carrying amounts of fixed assets are reviewed regularly. Where the estimated recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts.

Profit or loss on disposal of a fixed asset is determined as the difference between the net sales proceed and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(g) *Inventories*

Inventories comprise primarily food, beverages and operating supplies and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) *Other investments*

Other investments represent equity securities and are stated in the balance sheet at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair values are recognised in the profit and loss account. Profits or losses on disposals of such investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(i) *Deferred taxation*

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(j) *Provisions*

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) *Finance leases*

Assets leased under agreements that transfer substantially all the risks and rewards incident to ownership of the relevant assets to the Group are classified as finance leases. At the inception of a finance lease, the fair value of the asset or, if lower, the present value of the minimum lease payments is capitalised as a fixed asset; the corresponding obligations, net of finance charges, is included under long term liabilities. Gross rental payable in respect of finance leases are apportioned between interest charges and a reduction of the lease obligations based on the interest rates implicit in the relevant leases.

(l) *Operating leases*

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rental payables, net of incentives received from the lessors, under such operating leases are charged to the profit and loss account on a straight line basis over the terms of the leases.

(m) *Revenue recognition*

Revenue from hotel and catering operations is recognised upon provision of services.

Operating lease rental income is recognised on a straight line basis over the term of the lease.

Revenue from sale of air tickets and hotel reservation service is recognised when customers confirm the booking.

Interest income is recognised on a time proportion basis that takes into account the principal amounts outstanding and the effective interest rate applicable.

Revenue from sale of securities is recognised when the significant risks and rewards of ownership have been transferred to the purchaser.

Dividend income from investments is recognised when the shareholder's right to receive payment is established.

(n) *Foreign currencies*

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates ruling at that date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The profit and loss accounts of subsidiaries denominated in foreign currencies are translated at the weighted average exchange rates during the year and the balance sheets denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of net investments are dealt with as a movement in reserves.

(o) *Employee benefits*

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balances sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Retirement benefit obligations*

The Group contributes to defined contribution retirement benefit schemes which are available to employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to these schemes are expensed as incurred.

(p) *Trade debtors*

Provision is made against trade debtors to the extent they are considered to be doubtful. Trade debtors in the balance sheet are stated net of such provision.

(q) *Cash and cash equivalents*

Cash and cash equivalents are stated in the balance sheet at cost.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

2 Segment information

The Group is principally engaged in hotel and catering services and travel agency operations. Turnover represents gross revenue from hotel and catering services and travel agency operations.

Primary reporting format — business segments

The Group is organised into three main business segments:

Hotel operation	—	hotel operation in Hong Kong and Canada
Catering services	—	restaurant operation in Hong Kong and Mainland China
Travel agency	—	sale of air tickets and hotel reservation service in Hong Kong

There is no other significant identifiable separate business segment. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments. Segment assets consist primarily of fixed assets, inventories, debtors and prepayments and mainly exclude other investments, deferred tax assets, bank balances and cash. Segment liabilities comprise mainly creditors, accruals and long term liabilities and exclude deferred taxation, taxation payable and bank overdrafts.

Business segments

	Hotel operation <i>HK\$'000</i>	Catering services <i>HK\$'000</i>	Travel agency <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31st March 2005				
Room rentals	172,025			
Food and beverages	39,710			
Ancillary services	8,271			
Rental income	<u>11,089</u>			
Segment revenue	<u>231,095</u>	<u>20,478</u>	<u>317,675</u>	<u>569,248</u>
Segment results	108,459	1,156	(12,939)	96,676
Unallocated corporate expenses				<u>(14,453)</u>
Operating profit				82,223
Interest income				2,140
Net investment gain				58,601
Finance costs				<u>(37,205)</u>
Profit before taxation				105,759
Taxation				<u>(20,863)</u>
Profit attributable to shareholders				<u>84,896</u>
Year ended 31st March 2004				
Room rentals	108,655			
Food and beverages	36,207			
Ancillary services	7,226			
Rental income	<u>9,460</u>			
Segment revenue	<u>161,548</u>	<u>16,310</u>	<u>248,108</u>	<u>425,966</u>
Segment results	61,801	(5,093)	(12,512)	44,196
Unallocated corporate expenses				<u>(15,220)</u>
Operating profit				28,976
Interest income				3,485
Net investment gain				807
Finance costs				(40,200)
Share of loss of an associated company	—	—	(712)	<u>(712)</u>
Loss before taxation				(7,644)
Taxation				<u>(4,323)</u>
Loss attributable to shareholders				<u>(11,967)</u>

	Hotel operation <i>HK\$'000</i>	Catering services <i>HK\$'000</i>	Travel agency <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31st March 2005				
Segment assets	3,349,420	12,241	25,982	3,387,643
Unallocated corporate assets				<u>196,403</u>
Total assets				<u><u>3,584,046</u></u>
Segment liabilities	1,281,883	2,160	13,267	1,297,310
Unallocated corporate liabilities				<u>63,259</u>
Total liabilities				<u><u>1,360,569</u></u>
Depreciation	430	231	121	782
Amortisation and impairment of goodwill	—	1,394	13,336	14,730
Capital expenditure	<u>64</u>	<u>44</u>	<u>80</u>	<u>188</u>
Year ended 31st March 2004				
Segment assets	3,196,943	14,559	39,578	3,251,080
Unallocated corporate assets				<u>136,977</u>
Total assets				<u><u>3,388,057</u></u>
Segment liabilities	1,287,828	2,219	14,908	1,304,955
Unallocated corporate liabilities				<u>76,660</u>
Total liabilities				<u><u>1,381,615</u></u>
Depreciation	442	2,549	98	3,089
Amortisation of goodwill	—	1,394	2,412	3,806
Capital expenditure	<u>12</u>	<u>54</u>	<u>88</u>	<u>154</u>

Secondary reporting format — geographical segments

The Group's business segments operating in various geographical areas are as follows:

Hong Kong	—	all the Group's business segments
Canada	—	hotel and catering
Mainland China	—	catering

Geographical segments

	Turnover <i>HK\$'000</i>	Operating profit/(loss) <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
Year ended 31st March 2005				
Hong Kong	493,118	63,595	3,113,222	184
Canada	67,910	17,790	463,104	—
Mainland China	<u>8,220</u>	<u>838</u>	<u>7,720</u>	<u>4</u>
	<u>569,248</u>	<u>82,223</u>	<u>3,584,046</u>	<u>188</u>
Year ended 31st March 2004				
Hong Kong	360,797	16,185	2,952,424	133
Canada	59,175	13,634	430,657	—
Mainland China	<u>5,994</u>	<u>(843)</u>	<u>4,976</u>	<u>21</u>
	<u>425,966</u>	<u>28,976</u>	<u>3,388,057</u>	<u>154</u>

3 **Other charges**

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Loss on disposal of an associated company	—	9,129
Impairment loss of goodwill	10,924	—
Amortisation of goodwill	<u>3,806</u>	<u>3,806</u>
	<u>14,730</u>	<u>12,935</u>

4 Operating profit

	2005 HK\$'000	2004 HK\$'000
Operating profit is stated after crediting and charging the following:		
<i>Crediting</i>		
Operating lease rental income for land and buildings	<u>11,089</u>	<u>9,460</u>
<i>Charging</i>		
Staff costs, including Directors' emoluments (note 5)	68,068	58,265
Operating lease rental expense for land and buildings	4,994	6,235
Depreciation	926	3,243
Renovation of hotel properties	6,821	—
Provision for bad and doubtful debts	923	4,460
Provision for long term investment	1,601	—
Auditors' remuneration	<u>1,237</u>	<u>1,013</u>

5 Staff costs

	2005 HK\$'000	2004 HK\$'000
Wages and salaries	65,474	55,873
Termination benefit	117	276
Retirement benefit costs (note (i))	<u>2,477</u>	<u>2,116</u>
	<u>68,068</u>	<u>58,265</u>

Notes:

(i) Retirement benefit costs

Gross contributions	2,477	2,188
Forfeitures utilised	<u>—</u>	<u>(72)</u>
Net contributions	<u>2,477</u>	<u>2,116</u>

The Group participates in defined contribution schemes for employees, namely the Mandatory Provident Fund (“MPF”) Scheme and Occupational Retirement Scheme Ordinance (“ORSO”) Scheme in Hong Kong and Canada Pension Plan (“CPP”) in Canada.

In Hong Kong, the Group participates in defined contribution schemes under the ORSO which are available to employees joining before 1st December 2000. Under these schemes, contributions of 5% of the employee's monthly salaries are made by the employees and by the Group. The Group's contributions may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also participates in the MPF scheme which are available to all employees not joining the ORSO schemes in Hong Kong, and in the CPP organised by the Canadian Government for all employees in Canada. Monthly contributions to the MPF scheme and CPP are made equal to 5% (2004: 5%) or a fixed sum and 4.95% (2004: 4.95%), respectively, of the employee's relevant income in accordance with the local legislative requirements.

The assets of all retirement schemes are held separately from those of the Group in independently administered funds.

The Group also contributes to retirement plans for its employees in Mainland China at a percentage of applicable payroll costs in compliance with the requirements of the relevant municipal government in Mainland China.

The Group's contributions to all these schemes are expensed as incurred. As at 31st March 2005, no forfeitures (2004: Nil) were available to reduce the Group's future contributions to the ORSO schemes.

(ii) *Share option schemes*

The Company has a share option scheme whereby options may be granted to employees of the Group including the executive Directors to subscribe for shares of the Company. Consideration to be paid on each grant of option is HK\$1. As at 31st March 2005 and 2004, no option has been granted under this share option scheme.

6 **Directors' and senior management's emoluments**

(a) The aggregate amount of emoluments payable to Directors of the Company during the year are as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fees	257	60
Salaries and other emoluments	<u>8,953</u>	<u>6,152</u>
	<u>9,210</u>	<u>6,212</u>

The emoluments of individual Directors fell within the following bands:

	2005 <i>Number</i>	2004 <i>Number</i>
Emolument bands		
Nil — HK\$1,000,000	6	6
HK\$1,000,001 — HK\$1,500,000	1	1
HK\$1,500,001 — HK\$2,000,000	1	—
HK\$2,500,001 — HK\$3,000,000	—	1
HK\$4,500,001 — HK\$5,000,000	<u>1</u>	<u>—</u>
	<u>9</u>	<u>8</u>

- (b) Emoluments paid to independent non-executive Directors amounted to HK\$237,000 (2004: HK\$60,000) during the year. None of the Directors have waived the right to receive their emoluments.
- (c) The five highest paid individuals in the Group for the year include four (2004: four) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2004: one) individual during the year, which fell between HK\$1,500,001 and HK\$2,000,000 (2004: between HK\$1,000,001 and HK\$1,500,000), amounted to HK\$2,000,000 (2004: HK\$1,200,000).

7 **Interest income**

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income		
Bank deposits	156	73
Loans to third parties	1,847	3,412
Others	137	—
	<u>2,140</u>	<u>3,485</u>

8 **Net investment gain**

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Realised profit on other investments	22,419	12,178
Net unrealised profit/(loss) on other investments	35,847	(11,963)
Dividend income from listed equity securities	335	592
	<u>58,601</u>	<u>807</u>

9 **Finance costs**

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense		
Bank loans and overdrafts	34,500	36,066
Convertible notes	845	2,218
Finance lease obligations wholly repayable within five years	28	42
Other incidental borrowing costs	1,832	1,874
	<u>37,205</u>	<u>40,200</u>

10 Taxation

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Hong Kong profits tax		
Current taxation	10,603	—
Under provision in prior years	—	30
Deferred taxation	6,957	1,622
Overseas tax		
Deferred taxation	4,266	2,671
Mainland China tax		
Deferred taxation	<u>(963)</u>	<u>—</u>
Taxation charge	<u>20,863</u>	<u>4,323</u>

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the year. No provision for Hong Kong profits tax was made in last year as there were no assessable profits for that year. No provision for overseas and Mainland China taxation has been made as there are no assessable profits for the year (2004: Nil).

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit/(loss) before taxation	<u>105,759</u>	<u>(7,644)</u>
Calculation at a taxation rate of 17.5% (2004: 17.5%)	18,508	(1,338)
Under provision in prior years	—	30
Effect of different taxation rates in other countries	(1,199)	(845)
Income not subject to taxation	(72)	(2,377)
Recognition of previously unrecognised temporary differences	3,324	(40)
Recognition of previously unrecognised tax losses	(2,911)	—
Expenses not deductible for taxation purposes	4,019	3,182
Tax losses not recognised	1,813	6,866
Utilisation of previously unrecognised tax losses	(3,655)	(754)
Other temporary differences	1,036	(171)
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	<u>—</u>	<u>(230)</u>
Taxation charge	<u>20,863</u>	<u>4,323</u>

11 Profit/(loss) attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$619,000 (2004: loss of HK\$4,268,000).

12 Dividend

No interim dividend was declared for the year (2004: Nil). The Directors do not recommend the payment of a final dividend for the year ended 31st March 2005 (2004: Nil).

13 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of HK\$84,896,000 (2004: loss of HK\$11,967,000) and on the weighted average of 5,052,108,681 (2004: 5,052,108,681) shares in issue during the year ended 31st March 2005.

For the year ended 31st March 2005, the calculation of diluted earnings per share is based on profit attributable to shareholders of HK\$84,896,000 plus after tax interest savings of HK\$845,000 and the weighted average number of 5,052,108,681 shares in issue during the year plus 68,019,721 shares deemed to be in issue assuming the convertible notes had been converted.

For the year ended 31st March 2004, no diluted loss per share is presented as the conversion of the convertible notes would not have a dilutive effect on the loss per share.

14 Fixed assets

	Hotel properties <i>HK\$'000</i>	Other fixed assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group			
<i>Cost or valuation</i>			
At 31st March 2004	3,167,550	28,594	3,196,144
Exchange difference	31,850	24	31,874
Additions	—	188	188
Disposals	—	(626)	(626)
Surplus on revaluation	<u>113,210</u>	<u>—</u>	<u>113,210</u>
At 31st March 2005	<u>3,312,610</u>	<u>28,180</u>	<u>3,340,790</u>
<i>Accumulated depreciation</i>			
At 31st March 2004	—	26,442	26,442
Exchange difference	—	22	22
Charge for the year	—	926	926
Disposals	<u>—</u>	<u>(596)</u>	<u>(596)</u>
At 31st March 2005	<u>—</u>	<u>26,794</u>	<u>26,794</u>
<i>Net book value</i>			
At 31st March 2005	<u>3,312,610</u>	<u>1,386</u>	<u>3,313,996</u>
At 31st March 2004	<u>3,167,550</u>	<u>2,152</u>	<u>3,169,702</u>

- (a) Hotel properties comprise a long term leasehold property in Hong Kong of HK\$1,440,000,000 (2004: HK\$1,400,000,000), a medium term leasehold property in Hong Kong of HK\$1,420,000,000 (2004: HK\$1,350,000,000) and a freehold property in Canada of HK\$452,610,000 (2004: HK\$417,550,000). The hotel properties in Hong Kong and Canada were revalued by Knight Frank and Grant Thornton Management Consultants respectively, independent professional valuers, on an open market value basis as at 31st March 2005.
- (b) All other fixed assets are stated at cost less accumulated depreciation. The net book value of the fixed assets held by the Group under finance leases amounted to HK\$40,000 (2004: HK\$242,000).
- (c) The aggregate net book value of fixed assets pledged as securities for loans of the Group amounts to HK\$3,312,610,000 (2004: HK\$3,167,550,000).

15 Goodwill

	<i>HK\$'000</i>
Cost	
At 31st March 2005 and 31st March 2004	38,581

Accumulated amortisation and impairment	
At 31st March 2004	10,663
Amortisation charge for the year	3,806
Impairment charge for the year	10,924

At 31st March 2005	25,393

Net book value	
At 31st March 2005	13,188
	=====
At 31st March 2004	27,918
	=====

16 Subsidiaries

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	—	—
Amounts due from subsidiaries	1,479,055	1,543,450
Amounts due to subsidiaries	(4,263)	(14,274)
	-----	-----
	1,474,792	1,529,176
	=====	=====

Details of the principal subsidiaries are set out in note 32.

17 Long term investment

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted share, at cost	1	1
Advance to an investee company	1,600	1,600
	-----	-----
	1,601	1,601
Less: Provision	(1,601)	—
	-----	-----
	—	1,601
	=====	=====

Advance to an investee company was unsecured, interest free and had no fixed terms of repayment.

18 **Other investments**

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities, listed in Hong Kong, at fair value	<u>93,137</u>	<u>69,984</u>

19 **Debtors and prepayments**

- (a) An ageing analysis of trade debtors net of provision for doubtful debts, which are included in debtors and prepayments, is as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	32,999	28,693
61 days to 120 days	2,039	2,716
More than 120 days	<u>1,684</u>	<u>3,339</u>
	<u>36,722</u>	<u>34,748</u>

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

- (b) Included in debtors and prepayments are loans receivable of HK\$31,000,000 (2004: HK\$45,000,000) which are interest bearing at 1% per month or 2% above prime rate per annum (2004: 2% above prime rate per annum), and repayable within one year.

20 **Bank balances and cash**

At 31st March 2004, the balances included restricted bank balances of HK\$6,000,000 which were pledged to a bank to secure the banking facilities.

21 Creditors and accruals

An ageing analysis of trade creditors, which are included in creditors and accruals, is as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	16,578	17,323
61 days to 120 days	308	3,801
More than 120 days	<u>1,366</u>	<u>1,283</u>
	<u>18,252</u>	<u>22,407</u>

22 Convertible notes

On 15th April 2003, the Company issued convertible notes of the principal amount of HK\$46,000,000, which bore interest at Hong Kong prime rate per annum payable semi-annually in arrears. Each holder of the notes had the option to convert the notes into fully paid shares of HK\$0.02 each of the Company at a conversion price of HK\$0.25 per share, subject to adjustment, at any time from the date of issue to the last business date preceding the maturity date of 18 months from the date of issue. During the year, the Company has fully redeemed all the convertible notes without conversion.

23 Share capital

	<i>Number of shares of HK\$0.02 per share</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
At 31st March 2004 and 2005	<u>25,000,000,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
At 31st March 2003, 2004 and 2005	<u>5,052,108,681</u>	<u>101,042</u>

24 Reserves

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Hotel properties revaluation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group						
At 31st March 2003	299,770	899,333	326,880	2,827	252,372	1,781,182
Translation difference	—	—	1,240	23,921	—	25,161
Surplus on revaluation						
Gross	—	—	111,532	—	—	111,532
Taxation	—	—	(508)	—	—	(508)
Loss attributable to shareholders	—	—	—	—	(11,967)	(11,967)
At 31st March 2004	299,770	899,333	439,144	26,748	240,405	1,905,400
Translation difference	—	—	569	19,049	—	19,618
Surplus on revaluation						
Gross	—	—	113,210	—	—	113,210
Taxation	—	—	(689)	—	—	(689)
Profit attributable to shareholders	—	—	—	—	84,896	84,896
At 31st March 2005	<u>299,770</u>	<u>899,333</u>	<u>552,234</u>	<u>45,797</u>	<u>325,301</u>	<u>2,122,435</u>
			Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Company						
At 31st March 2003			299,770	1,088,229	(2,668)	1,385,331
Loss for the year			—	—	(4,268)	(4,268)
At 31st March 2004			299,770	1,088,229	(6,936)	1,381,063
Profit for the year			—	—	619	619
At 31st March 2005			<u>299,770</u>	<u>1,088,229</u>	<u>(6,317)</u>	<u>1,381,682</u>

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws, the contributed surplus is also distributable. Accordingly, the total distributable reserves of the Company as at 31st March 2005 amount to HK\$1,081,912,000 (2004: HK\$1,081,293,000).

25 Long term liabilities

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Bank loans, secured (<i>note a</i>)		
Repayable within one year	38,858	43,220
Repayable within one to two years	54,335	41,220
Repayable within two to five years	256,125	223,661
Repayable after five years	<u>903,823</u>	<u>952,541</u>
	1,253,141	1,260,642
Obligations under finance leases wholly repayable within five years (<i>note b</i>)	<u>336</u>	<u>406</u>
	1,253,477	1,261,048
Current portion included in current liabilities	<u>(38,963)</u>	<u>(43,311)</u>
	<u><u>1,214,514</u></u>	<u><u>1,217,737</u></u>

(a) The bank loans are secured by mortgages of the Group's hotel properties (note 14(c)), floating charges over all the assets of certain subsidiaries and corporate guarantees given by the Company.

(b) The Group's finance lease liabilities were repayable as follows:

	Present value		Minimum payments	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	104	91	128	121
In the second year	94	99	108	121
In the third to fifth year	<u>138</u>	<u>216</u>	<u>148</u>	<u>239</u>
	<u><u>336</u></u>	<u><u>406</u></u>	<u><u>384</u></u>	<u><u>481</u></u>

26 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates.

The movement of the net deferred tax liabilities is as follows:

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
At the beginning of the year	20,932	14,049
Exchange difference	1,723	2,082
Charged to profit and loss account	10,260	4,293
Charged to equity	<u>689</u>	<u>508</u>
At the end of the year	<u><u>33,604</u></u>	<u><u>20,932</u></u>

The movement of deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year is as follows:

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of hotel properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group			
<i>Deferred tax liabilities</i>			
At 31st March 2003	83,293	2,218	85,511
Exchange differences	2,543	266	2,809
Charged to profit and loss account	13,873	—	13,873
Charged to equity	<u>—</u>	<u>508</u>	<u>508</u>
At 31st March 2004	99,709	2,992	102,701
Exchange differences	1,723	229	1,952
Charged to profit and loss account	10,280	—	10,280
Charged to equity	<u>—</u>	<u>689</u>	<u>689</u>
At 31st March 2005	<u><u>111,712</u></u>	<u><u>3,910</u></u>	<u><u>115,622</u></u>

<i>Deferred tax assets</i>	Accelerated accounting depreciation	Tax losses	Provision	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31st March 2003	290	71,168	4	71,462
Exchange differences	—	727	—	727
Credited to profit and loss account	<u>138</u>	<u>9,007</u>	<u>435</u>	<u>9,580</u>
At 31st March 2004	428	80,902	439	81,769
Exchange differences	—	229	—	229
(Charged)/Credited to profit and loss account	<u>(22)</u>	<u>477</u>	<u>(435)</u>	<u>20</u>
At 31st March 2005	<u>406</u>	<u>81,608</u>	<u>4</u>	<u>82,018</u>

	Tax losses	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Company		
<i>Deferred tax assets</i>		
At the beginning of the year	—	—
Credited to profit and loss account	<u>778</u>	<u>—</u>
At the end of the year	<u>778</u>	<u>—</u>

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current tax assets with current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting, are shown separately on the balance sheet.

	Group		Company	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax assets	(6,152)	(3,814)	(778)	—
Deferred tax liabilities	<u>39,756</u>	<u>24,746</u>	<u>—</u>	<u>—</u>
	<u>33,604</u>	<u>20,932</u>	<u>(778)</u>	<u>—</u>

Deferred tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of approximately HK\$74 million (2004: HK\$97 million) to carry forward against future taxable income. Unused tax losses of approximately HK\$9 million (2004: HK\$27 million) have no expiry date and the balance will expire at various dates up to and including 2012 (2004: 2011).

27 Capital commitments

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Contracted but not provided for	—	—	—	—
Authorised but not contracted for	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

28 Operating lease arrangements

(a) Lessor

The Group leases out certain part of its hotel properties under operating leases which typically run for lease terms between 2 and 9 years.

The future aggregate minimum lease receivable under non-cancellable operating leases is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	10,994	10,218
In the second to fifth years inclusive	16,788	24,931
After the fifth year	<u>5,203</u>	<u>7,915</u>
	<u>32,985</u>	<u>43,064</u>

As at 31st March 2005, the Company had no operating lease receivable arrangements (2004: Nil).

(b) Lessee

Future aggregate minimum lease payable under non-cancellable operating leases in respect of land and buildings is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	4,939	4,792
In the second to fifth years inclusive	<u>7,878</u>	<u>12,712</u>
	<u>12,817</u>	<u>17,504</u>

As at 31st March 2005, the Company had no operating lease payable arrangements (2004: Nil).

29 **Contingent liabilities**

	Company	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees by the Company for the loans and banking facilities of subsidiaries	<u>1,261,919</u>	<u>1,264,583</u>

As at 31st March 2005, the Group had no contingent liabilities (2004: Nil).

30 **Related party transactions**

The following is a summary of significant related party transactions during the year:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Operating lease rental expense for land and buildings to fellow subsidiaries	(463)	(463)
(ii) Hotel revenue from intermediate holding company and a fellow subsidiary	19	17
(iii) Management service expenses to fellow subsidiaries	<u>(905)</u>	<u>(821)</u>

Notes:

- (i) Rental expense is subject to terms agreed by the parties involved, which is at a monthly fixed fee.
- (ii) Hotel revenue is charged at prices and terms as agreed with the intermediate holding company and a fellow subsidiary.
- (iii) Management service expenses, including cleaning, repair and maintenance, are subject to terms agreed by the parties involved, which are at fixed fees.

31 Notes to consolidated cash flow statement

(a) Reconciliation of profit/(loss) before taxation to net cash generated from operations

	2005 HK\$'000	2004 HK\$'000
Profit/(loss) before taxation	105,759	(7,644)
Share of loss of an associated company	—	712
Loss on disposal of an associated company	—	9,129
Depreciation	926	3,243
Interest income	(2,140)	(3,485)
Dividend income	(335)	(592)
Finance costs	37,205	40,200
Realised profit on other investments	(22,419)	(12,178)
Provision for long term investment	1,601	—
Net unrealised (profit)/loss on other investments	(35,847)	11,963
Loss on disposal of fixed assets	30	62
Amortisation and impairment of goodwill	14,730	3,806
	<u>99,510</u>	<u>45,216</u>
Operating profit before working capital changes	99,510	45,216
(Increase)/decrease in inventories	(75)	295
Decrease/(increase) in debtors and prepayments	7,449	(45,968)
Increase in creditors and accruals	3,188	2,526
	<u>110,072</u>	<u>2,069</u>
Net cash generated from operations	<u>110,072</u>	<u>2,069</u>

(b) Analysis of changes in financing during the year

	Share capital, share premium, contributed surplus HK\$'000	Restricted bank balances HK\$'000	Finance lease payable HK\$'000	Convertible notes HK\$'000	Long term bank loans HK\$'000	Total HK\$'000
At 31st March 2003	1,300,145	(6,000)	449	—	1,299,710	2,594,304
Changes in exchange rates	—	—	34	—	17,152	17,186
Net cash (used in)/ from financing	<u>—</u>	<u>—</u>	<u>(77)</u>	<u>46,000</u>	<u>(56,220)</u>	<u>(10,297)</u>
At 31st March 2004	1,300,145	(6,000)	406	46,000	1,260,642	2,601,193
Changes in exchange rates	—	—	26	—	11,338	11,364
Net cash from/ (used in) financing	<u>—</u>	<u>6,000</u>	<u>(96)</u>	<u>(46,000)</u>	<u>(18,839)</u>	<u>(58,935)</u>
At 31st March 2005	<u>1,300,145</u>	<u>—</u>	<u>336</u>	<u>—</u>	<u>1,253,141</u>	<u>2,553,622</u>

32 **Principal subsidiaries**

A list of the Group's principal subsidiaries which are in the opinion of the Directors, principally affect the results and/or net assets of the Group, are as follows:

(Unless indicated otherwise, they are indirectly wholly owned by the Group and have their principal place of operation in Hong Kong)

Name	Principal activity	Issued and fully paid ordinary share capital/ registered capital
<i>Incorporated in Hong Kong</i>		
Asia Standard Hotel (Holdings) Limited	Investment holding	HK\$2
Grace Profit Enterprises Limited	Investment holding	HK\$2
JBC Travel Company Limited	Travel agency	HK\$2,500,000
Perfect Wave Limited	Catering operation	HK\$2
Stone Pole Limited	Hotel investment and operation	HK\$10
Vinstar Development Limited	Hotel investment and operation	<u>HK\$2</u>
<i>Incorporated in the British Virgin Islands</i>		
Empire Hotel Investment Limited	Investment holding	US\$1
Enrich Enterprise Limited [#]	Hotel investment	US\$1
Global Gateway Corp. [#]	Hotel operation	US\$1
Glory Ventures Enterprises Inc. [#]	Hotel investment	US\$1
Greatime Limited	Securities investment	US\$1
Superite Limited	Securities investment	<u>US\$1</u>
<i>Incorporated in the People's Republic of China</i>		
Shanghai Hong Hua TGIF Restaurant Co. Limited (95% owned) ^{##}	Catering operation	<u>RMB17,384,640</u>

Operates in Canada

Operates in Mainland China, cooperative joint venture

33 **Ultimate holding company**

The Directors regard Asia Standard International Group Limited, incorporated in Bermuda and listed in Hong Kong, as being the ultimate holding company.

34 **Approval of accounts**

The accounts were approved by the Board of Directors on 19th July 2005.

3. UNAUDITED INTERIM RESULTS

Set out below is a summary of the unaudited consolidated financial statements of the Group together with the relevant notes to the accounts as extracted from the interim report of the Company for the six months ended 30 September 2005.

Consolidated Profit and Loss Account — Unaudited

	<i>Note</i>	Six months ended	
		30th September	
		2005	2004
		HK\$'000	HK\$'000
			<i>(restated)</i>
Turnover	6	290,169	286,722
Cost of sales		<u>(188,480)</u>	<u>(197,490)</u>
Gross profit		101,689	89,232
Administrative expenses		(39,729)	(36,249)
Other charges	7	<u>(35,748)</u>	<u>(37,463)</u>
Operating profit	8	26,212	15,520
Interest income		1,728	1,125
Net loss from financial assets	9	(26,382)	(8,465)
Finance costs	10	<u>(25,916)</u>	<u>(18,008)</u>
Loss before taxation		(24,358)	(9,828)
Taxation	11	<u>(691)</u>	<u>(1,232)</u>
Loss attributable to shareholders		<u><u>(25,049)</u></u>	<u><u>(11,060)</u></u>
Loss per share			
Basic and diluted	13	<u><u>(0.50) cent</u></u>	<u><u>(0.22) cent</u></u>

Consolidated Balance Sheet — Unaudited

		30th September 2005	31st March 2005
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(restated)</i>
Non-current assets			
Property, plant and equipment	14	893,855	894,931
Leasehold land	14	1,335,744	1,346,063
Goodwill		13,188	13,188
Derivative financial instruments		428	—
Deferred tax assets		<u>42,260</u>	<u>42,951</u>
		<u>2,285,475</u>	<u>2,297,133</u>
Current assets			
Inventories, at cost		2,577	2,690
Financial assets at fair value through profit or loss		52,277	93,137
Debtors and prepayments	15	51,272	89,711
Tax recoverable		200	200
Bank balances and cash		<u>116,697</u>	<u>64,972</u>
		<u>223,023</u>	<u>250,710</u>
Current liabilities			
Creditors and accruals	16	55,238	47,585
Tax payable		10,973	10,973
Bank overdraft-unsecured		4,164	8,778
Borrowings	17	<u>43,211</u>	<u>38,963</u>
		<u>113,586</u>	<u>106,299</u>
Net current assets		<u>109,437</u>	<u>144,411</u>
Total assets less current liabilities		2,394,912	2,441,544
Non-current liabilities			
Borrowings	17	<u>1,188,181</u>	<u>1,214,514</u>
Net assets		<u>1,206,731</u>	<u>1,227,030</u>
Equity			
Share capital	18	101,042	101,042
Reserves	19	<u>1,105,689</u>	<u>1,125,988</u>
Equity attributable to the Company's shareholders		<u>1,206,731</u>	<u>1,227,030</u>

Condensed Consolidated Cash Flow Statement — Unaudited

	Six months ended 30th September	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net cash from operating activities	74,292	59,865
Net cash from/(used in) investing activities	1,185	(1,300)
Net cash used in financing activities	(19,524)	(42,220)
Changes in exchange rates	386	305
	<u>74,292</u>	<u>16,650</u>
Net increase in cash and cash equivalents	56,339	16,650
Cash and cash equivalents at the beginning of the period	56,194	9,853
	<u>56,194</u>	<u>9,853</u>
Cash and cash equivalents at the end of the period	<u>112,533</u>	<u>26,503</u>
Analysis of balances of cash and cash equivalents		
Bank balance	116,697	34,558
Bank overdrafts	(4,164)	(8,055)
	<u>112,533</u>	<u>26,503</u>

Consolidated Statement of Changes in Equity — Unaudited

	Note	Six months ended 30th September	
		2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Total equity at the beginning of the period, as previously reported		2,223,477	2,006,442
Prior period adjustments as a result of changes in accounting policies	3	<u>(996,447)</u>	<u>(819,705)</u>
Total equity at the beginning of the period, as restated		1,227,030	1,186,737
Net income directly recognised in equity			
Exchange differences	19	4,750	4,165
Loss attributable to shareholders	19	<u>(25,049)</u>	<u>(11,060)</u>
Total equity at the end of the period		<u><u>1,206,731</u></u>	<u><u>1,179,842</u></u>

Notes to the Interim Consolidated Accounts

1 Basis of preparation

The unaudited interim consolidated accounts (“Interim Accounts”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 31st March 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRS”) and HKAS (collectively “HKFRS”) which are effective for accounting periods commencing on or after 1st January 2005 as described in note 2 below. A summary of effects of the changes in accounting policies between the Statements of Standard Accounting Practices (“SSAPs”) in effect until 31st December 2004 (the “Old Hong Kong Accounting Standards”) and the new HKFRS which has been applied in the Interim Accounts for the six months ended 30th September 2005 is set out in note 3.

2 Changes in accounting policies

Commencing on 1st April 2005, the Group adopted the new/revised of HKFRS set out below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant provisions of these new/revised standards.

HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations
HK-Int 2	The Appropriate Policies for Hotel Properties

(i) *Hotel properties*

The adoption of HKAS 16 and HK-Int 2 has resulted in a change in the accounting policy for the Group’s hotel properties, which are now stated at cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

In prior years, hotel properties were stated at valuation and were not depreciated. The initial cost of the hotel operating equipment was included in the cost of hotel properties and subsequent additions or replacements were charged to profit and loss account as incurred.

Depreciation is calculated to write off the carrying value of the assets on a straight line basis over the shorter of the unexpired period of the land lease and the estimated remaining useful lives of the assets. The useful lives which have been adopted are summarised as follows:

Hotel building	Shorter of 50 years or the remaining lease period of the land on which the hotel building is located
Plant and machinery	10 years
Furniture, fixtures and equipment	5 years — 10 years
Computer equipment	3 $\frac{1}{3}$ years

Freehold land is accounted for as property, plant and equipment and stated at cost less impairment. No depreciation is provided for freehold land.

(ii) *Leasehold land*

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to prepaid operating leases. Leasehold land is accounted for as prepayment of lease and stated at cost less accumulated amortisation and the amortisation is recognised as an expense on a straight line basis over the lease term. In prior years, the leasehold land was included in hotel properties and was accounted for at fair value.

(iii) *Goodwill*

The adoption of HKAS 36, HKAS 38 and HKFRS 3 results in a change in the accounting policy for goodwill. The Group ceased amortisation of goodwill from 1st April 2005. The accumulated amortisation as at 31st March 2005 has been eliminated with a corresponding decrease in the cost of goodwill. From the year ending 31st March 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

(iv) *Financial instruments*

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy relating to the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All the new/revised standards adopted by the Group require retrospective application other than those stated below:

- (a) HKAS 39 — the adjustments to recognise all derivatives at fair value and to remeasure those financial assets or financial liabilities are adjusted to the opening balance of the revenue reserve at 1st April 2005; and
- (b) HKFRS 3 — prospectively after the adoption date.

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 18, 19, 21, 23, 24, 27, 33, 37, HKFRS 2 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies.

3 Summary of the effects of the changes in accounting policies

(a) Effects of the changes in accounting policies on consolidated profit and loss account

	(Loss)/profit attributable to shareholders <i>HK\$'000</i>	(Loss)/ earnings per share <i>HK cents</i>
Six months ended 30th September 2005		
Reported under the Old Hong Kong Accounting Standards	(23,752)	(0.47)
Increase/(decrease) in:		
HKAS 16 and HK-Int 2		
Renovation cost of hotel properties capitalised	15,100	0.30
Depreciation of hotel buildings, plant and equipment	(25,003)	(0.49)
Hotel revaluation deficit	14,308	0.27
Deferred taxation	4,189	0.08
HKAS 17		
Amortisation of leasehold land	(10,319)	(0.20)
HKAS 32 and HKAS 39		
Fair value gains on interest rate swap contracts	428	0.01
	(1,297)	(0.03)
Reported under new HKFRS	(25,049)	(0.50)
Six months ended 30th September 2004		
Reported under the Old Hong Kong Accounting Standards	17,453	0.35
Increase/(decrease) in:		
HKAS 16 and HK-Int 2		
Renovation cost of hotel properties capitalised	2,610	0.05
Depreciation of hotel buildings, plant and equipment	(24,761)	(0.49)
Deferred taxation	4,412	0.09
HKAS 17		
Amortisation of leasehold land	(10,319)	(0.21)
HKAS 32 and HKAS 39		
Interest expenses on convertible notes	(455)	(0.01)
	(28,513)	(0.57)
Reported under new HKFRS	(11,060)	(0.22)

(b) *Effects of the changes in accounting policies on consolidated balance sheet*

	HKAS 16 & HK-Int 2 HK\$'000	HKAS 17 HK\$'000	HKAS 32 & HKAS 39 HK\$'000	Total HK\$'000
At 30th September 2005				
Increase/(decrease) in net assets/equity:				
Hotel properties	(1,796,094)	(1,527,516)	—	(3,323,610)
Property, plant and equipment	892,626	—	—	892,626
Leasehold land	—	1,335,744	—	1,335,744
Derivative financial instruments	—	—	428	428
Deferred tax assets	36,112	—	—	36,112
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	(867,356)	(191,772)	428	(1,058,700)
Deferred tax liabilities	41,511	—	—	41,511
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net assets	<u>(825,845)</u>	<u>(191,772)</u>	<u>428</u>	<u>(1,017,189)</u>
Hotel properties revaluation reserve	(567,921)	—	—	(567,921)
Exchange reserve	(11,456)	—	—	(11,456)
Revenue reserve	(246,468)	(191,772)	428	(437,812)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Equity	<u>(825,845)</u>	<u>(191,772)</u>	<u>428</u>	<u>(1,017,189)</u>

	HKAS 16 & HK-Int 2 HK\$'000	HKAS 17 HK\$'000	Total HK\$'000
At 31st March 2005			
Increase/(decrease) in net assets/equity:			
Hotel properties	(1,785,094)	(1,527,516)	(3,312,610)
Property, plant and equipment	893,545	—	893,545
Leasehold land	—	1,346,063	1,346,063
Deferred tax assets	36,799	—	36,799
	<u> </u>	<u> </u>	<u> </u>
Total assets	(854,750)	(181,453)	(1,036,203)
Deferred tax liabilities	39,756	—	39,756
	<u> </u>	<u> </u>	<u> </u>
Net assets	<u>(814,994)</u>	<u>(181,453)</u>	<u>(996,447)</u>
Hotel properties revaluation reserve	(552,234)	—	(552,234)
Exchange reserve	(7,697)	—	(7,697)
Revenue reserve	(255,063)	(181,453)	(436,516)
	<u> </u>	<u> </u>	<u> </u>
Equity	<u>(814,994)</u>	<u>(181,453)</u>	<u>(996,447)</u>

	HKAS 16 & HK-Int 2 HK\$'000	HKAS 17 HK\$'000	HKAS 32 & HKAS 39 HK\$'000	Total HK\$'000
At 1st April 2004				
Increase/(decrease) in net assets/equity:				
Hotel properties	(1,640,034)	(1,527,516)	—	(3,167,550)
Property, plant and equipment	915,367	—	—	915,367
Leasehold land	—	1,366,700	—	1,366,700
Deferred tax assets	<u>40,543</u>	<u>—</u>	<u>—</u>	<u>40,543</u>
 Total assets	 (684,124)	 (160,816)	 —	 (844,940)
Convertible notes	—	—	489	489
Deferred tax liabilities	<u>24,746</u>	<u>—</u>	<u>—</u>	<u>24,746</u>
 Net assets	 <u>(659,378)</u>	 <u>(160,816)</u>	 <u>489</u>	 <u>(819,705)</u>
 Hotel properties revaluation reserve	 (439,144)	 —	 —	 (439,144)
Exchange reserve	265	—	—	265
Other reserve	—	—	1,363	1,363
Revenue reserve	<u>(220,499)</u>	<u>(160,816)</u>	<u>(874)</u>	<u>(382,189)</u>
 Equity	 <u>(659,378)</u>	 <u>(160,816)</u>	 <u>489</u>	 <u>(819,705)</u>

4 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be equal to related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include those related to impairment of assets and income taxes.

6 Turnover and segment information

The Group is principally engaged in hotel, catering services and travel agency operations. Turnover represents gross revenue from hotel, catering services and travel agency operations.

Primary reporting format — business segments

The Group is organised into three main business segments:

Hotel	—	hotel operation in Hong Kong and Canada
Catering services	—	restaurant operation in Hong Kong and Mainland China
Travel agency	—	sale of air tickets and hotel reservation service

There is no other significant identifiable separate business segment. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments.

Business segments

	Hotel operation	Catering services	Travel agency	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30th September 2005				
Room rentals	95,910			
Food and beverages	25,152			
Ancillary services	4,387			
Rental income	<u>5,699</u>			
Segment revenue	<u>131,148</u>	<u>11,408</u>	<u>147,613</u>	<u>290,169</u>
Segment results before depreciation and amortisation	66,600	2,024	111	68,735
Depreciation and amortisation	<u>(35,502)</u>	<u>(117)</u>	<u>(59)</u>	<u>(35,678)</u>
Segment results	<u>31,098</u>	<u>1,907</u>	<u>52</u>	33,057
Unallocated corporate expenses				<u>(6,845)</u>
Operating profit				26,212
Interest income				1,728
Net loss from financial assets				(26,382)
Finance costs				<u>(25,916)</u>
Loss before taxation				(24,358)
Taxation				<u>(691)</u>
Loss attributable to shareholders				<u>(25,049)</u>

	Hotel operation	Catering services	Travel agency	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30th September 2004 (restated)				
Room rentals	85,341			
Food and beverages	20,869			
Ancillary services	3,966			
Rental income	<u>4,996</u>			
Segment revenue	<u>115,172</u>	<u>9,675</u>	<u>161,875</u>	<u>286,722</u>
Segment results before depreciation and amortisation	57,649	969	384	59,002
Depreciation and amortisation	<u>(35,296)</u>	<u>(817)</u>	<u>(1,278)</u>	<u>(37,391)</u>
Segment results	<u>22,353</u>	<u>152</u>	<u>(894)</u>	21,611
Unallocated corporate expenses				<u>(6,091)</u>
Operating profit				15,520
Interest income				1,125
Net loss from financial assets				(8,465)
Finance costs				<u>(18,008)</u>
Loss before taxation				(9,828)
Taxation				<u>(1,232)</u>
Loss attributable to shareholders				<u>(11,060)</u>

Secondary reporting format — geographical segments

The Group's business segments operating in various geographical areas are as follows:

Hong Kong	—	all the Group's business segments
Canada	—	hotel and catering
Mainland China	—	catering

A summary of geographical segments is set out as follows:

	Turnover		Operating profit	
	Six months ended		Six months ended	
	30th September		30th September	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(restated)</i>
Hong Kong	235,765	238,945	11,321	4,797
Canada	49,942	43,764	14,255	10,337
Mainland China	4,462	4,013	636	386
	<u>290,169</u>	<u>286,722</u>	<u>26,212</u>	<u>15,520</u>

7 **Other charges**

	Six months ended	
	30th September	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
Depreciation of property, plant and equipment	25,429	25,215
Amortisation of leasehold land	10,319	10,319
Amortisation of goodwill	—	1,929
	<u>35,748</u>	<u>37,463</u>

8 **Operating profit**

	Six months ended	
	30th September	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit is stated after charging the following:		
Staff costs, including directors' emoluments	37,308	32,587
Operating lease rental expense for properties	2,469	2,667
Impairment of long term investment	—	1,601
Provision for bad and doubtful debts	1,312	1,589
Cost of goods sold	<u>11,033</u>	<u>10,131</u>

9 Net loss from financial assets

	Six months ended 30th September	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Financial assets at fair value through profit or loss		
Net fair value losses	(22,651)	(8,607)
Realised losses	(5,160)	—
Dividend income from listed equity securities	<u>1,429</u>	<u>142</u>
	<u>(26,382)</u>	<u>(8,465)</u>

10 Finance costs

	Six months ended 30th September	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> <i>(restated)</i>
Interest expense		
Bank loans and overdrafts	26,328	15,533
Convertible notes	—	1,279
Finance lease obligations wholly payable within five years	16	17
Other incidental borrowing costs	—	1,179
Fair value gains on interest rate swap contracts	<u>(428)</u>	<u>—</u>
	<u>25,916</u>	<u>18,008</u>

11 Taxation

	Six months ended 30th September	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> <i>(restated)</i>
Deferred taxation	<u>691</u>	<u>1,232</u>

Hong Kong profits tax has been provided at rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profit has been calculated on the estimated taxable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

12 **Dividend**

The Directors do not recommend the payment of an interim dividend (2004: Nil).

13 **Loss per share**

The calculation of loss per share is based on the loss attributable to shareholders of HK\$25,049,000 (2004: HK\$11,060,000 restated) and on the weighted average of 5,052,108,681 (2004: 5,052,108,681) shares in issue during the period.

As there are no dilutive instruments for the six months ended 30th September 2005 and the conversion of the convertible notes would not have a dilutive effect on the loss per share for the six months ended 30th September 2004, the basic loss per share is equal to the diluted loss per share for the two periods.

14 **Property, plant & equipment and leasehold land****Group**

	Freehold land and hotel buildings	Plant and equipment	Leasehold land	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost				
At 31st March 2005, as previously reported	3,312,610	28,180	—	3,340,790
Prior period adjustments as a result of changes in accounting policies	<u>(2,349,364)</u>	<u>267,055</u>	<u>1,527,516</u>	<u>(554,793)</u>
At 31st March 2005, as restated	963,246	295,235	1,527,516	2,785,997
Exchange difference	11,786	1,909	—	13,695
Additions	—	15,366	—	15,366
Disposals	<u>—</u>	<u>(19,681)</u>	<u>—</u>	<u>(19,681)</u>
At 30th September 2005	<u>975,032</u>	<u>292,829</u>	<u>1,527,516</u>	<u>2,795,377</u>
Accumulated depreciation and amortisation				
At 31st March 2005, as previously reported	—	26,794	—	26,794
Prior period adjustments as a result of changes in accounting policies	<u>172,053</u>	<u>164,703</u>	<u>181,453</u>	<u>518,209</u>
At 31st March 2005, as restated	172,053	191,497	181,453	545,003
Exchange difference	3,355	1,353	—	4,708
Charge for the period	12,644	12,785	10,319	35,748
Disposals	<u>—</u>	<u>(19,681)</u>	<u>—</u>	<u>(19,681)</u>
At 30th September 2005	<u><u>188,052</u></u>	<u><u>185,954</u></u>	<u><u>191,772</u></u>	<u><u>565,778</u></u>
Net book value				
At 30th September 2005	<u><u>786,980</u></u>	<u><u>106,875</u></u>	<u><u>1,335,744</u></u>	<u><u>2,229,599</u></u>
At 31st March 2005, as restated	<u>791,193</u>	<u>103,738</u>	<u>1,346,063</u>	<u>2,240,994</u>

	30th September 2005	31st March 2005
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(restated)</i>
Net book value of hotel properties comprise the followings:		
(i) Freehold land and hotel buildings	786,980	791,193
(ii) Plant and equipment	<u>106,875</u>	<u>103,738</u>
Property, plant and equipment	893,855	894,931
(iii) Leasehold land	<u>1,335,744</u>	<u>1,346,063</u>
	<u><u>2,229,599</u></u>	<u><u>2,240,994</u></u>

Supplementary information with hotel properties at valuation:

The aggregate valuation of the hotel properties in Hong Kong and Canada based on the valuation reports of Knight Frank and Grant Thornton Management Consultants respectively, independent professional valuers, amounted to HK\$3,323,610,000 (31st March 2005: HK\$3,312,610,000).

15 Debtors and prepayments

An ageing analysis of trade receivables net of provision of doubtful debts, which are included in debtors and prepayments, is as follows:

	30th September 2005	31st March 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	39,297	32,999
61 days to 120 days	1,123	2,039
More than 120 days	<u>1,565</u>	<u>1,684</u>
	<u><u>41,985</u></u>	<u><u>36,722</u></u>

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

16 **Creditors and accruals**

An ageing analysis of trade payables, which are included in creditors and accruals, is as follows:

	30th September 2005	31st March 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	8,846	16,578
61 days to 120 days	104	308
More than 120 days	<u>1,084</u>	<u>1,366</u>
	<u>10,034</u>	<u>18,252</u>

17 **Borrowings**

The maturity of borrowings is as follows:

	30th September 2005	31st March 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings, secured		
Repayable within one year	43,100	38,858
Repayable within one to two years	63,604	54,335
Repayable within two to five years	264,117	256,125
Repayable after five years	<u>860,275</u>	<u>903,823</u>
	1,231,096	1,253,141
Obligations under finance leases wholly payable within five years	<u>296</u>	<u>336</u>
	1,231,392	1,253,477
Current portion included in current liabilities	<u>(43,211)</u>	<u>(38,963)</u>
	<u>1,188,181</u>	<u>1,214,514</u>

Bank borrowings are secured by mortgages of property, plant, equipment and leasehold land of the Group (note 14) of the aggregate amount of HK\$2,228,370,000 (31st March 2005: HK\$2,239,608,000), floating charges over all the assets of certain subsidiaries and corporate guarantees given by the Company.

18 Share capital

30th September **31st March**
2005 **2005**
HK\$'000 *HK\$'000*

Authorised:

25,000,000,000 shares of HK\$0.02 per share

500,000 500,000

Issued and fully paid:

5,052,108,681 shares of HK\$0.02 per share

101,042 101,042

On 31st October 2005, options to subscribe for a total of 250,000,000 shares of the Company were granted under the share option scheme at an exercise price of HK\$0.217 per share. In November 2005, the options for a total of 246,000,000 shares were exercised.

19 Reserves

	Share	Contributed	Hotel	Exchange	Revenue	Total
	premium	surplus	properties	reserve	reserve	reserve
	<i>HK\$'000</i>	<i>HK\$'000</i>	revaluation	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			reserve			
			<i>HK\$'000</i>			<i>HK\$'000</i>
As 1st April 2005, as previously reported	299,770	899,333	552,234	45,797	325,301	2,122,435
Prior period adjustments as a result of changes in accounting policies (note 3)	<u>—</u>	<u>—</u>	<u>(552,234)</u>	<u>(7,697)</u>	<u>(436,516)</u>	<u>(996,447)</u>
At 1st April 2005, as restated	299,770	899,333	—	38,100	(111,215)	1,125,988
Exchange difference	—	—	—	4,750	—	4,750
Loss attributable to shareholders	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(25,049)</u>	<u>(25,049)</u>
At 30th September 2005	<u>299,770</u>	<u>899,333</u>	<u>—</u>	<u>42,850</u>	<u>(136,264)</u>	<u>1,105,689</u>

20 **Related party transactions**

The following is a summary of significant related party transactions during the period:

	Six months ended	
	30th September	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Operating lease rental expense for properties to fellow subsidiaries	(231)	(231)
(ii) Management service expenses to related companies	<u>(479)</u>	<u>(438)</u>

Notes:

- (i) Rental expense is subject to terms agreed by the parties involved, which is at a monthly fixed fee.
- (ii) Management service expenses, including cleaning, repair and maintenance, are subject to terms agreed by the parties involved, which are at fixed fees.

21 **Capital commitments**

As at 30th September 2005 and 31st March 2005, the Group has no capital commitments.

22 **Contingent liabilities**

As at 30th September 2005 and 31st March 2005, the Group has no significant contingent liabilities.

23 **Post balance sheet event**

On 15th November 2005, the Company issued 1,010,000,000 new shares of HK\$0.02 each at the issue price of HK\$0.195 per share. Net proceeds of HK\$193 million from the placing were used for repayment of bank loans. All new shares rank pari passu with the existing shares.

4. WORKING CAPITAL

The Directors are of the opinion that, taking into account the cash flows generated from the operating activities, the financial resources available to the Group, including internally generated funds, the available credit facilities and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of the Prospectus.

5. INDEBTEDNESS

As at the close of business on 28 February 2006, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the Group had outstanding borrowings of HK\$903.60 million, comprising secured bank loans of approximately HK\$903.30 million and obligations under finance leases of HK\$0.3 million.

The Group's above outstanding borrowings were secured by mortgages of property, plant, equipment and leasehold land of the Group with an aggregate book value of HK\$2,210.7 million as at 28 February 2006.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, at the close of business on 28 February 2006, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 28 February 2006.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2005, the date to which the latest published audited financial statements of the Company were made up.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is an illustrative and unaudited pro forma consolidated net tangible assets of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Rights Issue on the net tangible assets of the Group as if it had taken place on 30 September 2005.

The unaudited pro forma consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group following the Rights Issue.

Unaudited consolidated net assets as at 30 September 2005 <i>HK\$'000</i> <i>(Note 1)</i>	Less: Intangible assets as at 30 September 2005 <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited consolidated net tangible assets as at 30 September 2005 <i>HK\$'000</i>	Unaudited consolidated net tangible assets per Share as at 30 September 2005 <i>HK\$</i> <i>(Note 3)</i>	Estimated net proceeds from the proposed Rights Issue <i>HK\$'000</i> <i>(Note 4)</i>	Unaudited pro forma consolidated net tangible assets <i>HK\$'000</i>	Unaudited pro forma consolidated net tangible assets per share <i>HK\$</i> <i>(Note 5)</i>
--	---	--	--	---	---	---

Based on

3,154,054,340

Rights shares of

subscription price

of HK\$0.09 per

Rights Share

<u>1,206,731</u>	<u>(13,188)</u>	<u>1,193,543</u>	<u>0.24</u>	<u>280,560</u>	<u>1,474,103</u>	<u>0.18</u>
------------------	-----------------	------------------	-------------	----------------	------------------	-------------

Notes:

1. The unaudited consolidated net assets as at 30 September 2005 was extracted from the published interim report of the Group as set out in Appendix II to the Prospectus.
2. The intangible assets as at 30 September 2005 represented the net book value of goodwill which was extracted from the published interim report of the Group as set out in Appendix II to the Prospectus.
3. The unaudited consolidated net tangible assets per Share as at 30 September 2005 was calculated based on 5,052,108,681 Shares in issue as at 30 September 2005.
4. The estimated net proceeds from the Rights Issue are based on 3,154,054,340 Rights Shares issued at Subscription Price of HK\$0.09 per Rights Share (after deduction of the expenses of approximately HK\$3 million), and takes no account of any additional Rights Shares to be issued upon the exercise of any outstanding Options on or before the Record Date.
5. The unaudited pro forma consolidated net tangible asset value per Share is arrived at after aggregating the unaudited consolidated net tangible assets of approximately HK\$1,193,543,000 of the Group as at 30 September 2005, and the estimated net proceeds of HK\$280,560,000 from the Rights Issue on the basis that 8,206,163,021 Shares were in issue, representing the total of 5,052,108,681 Shares in issue as at 30 September 2005; and assuming the Rights Issue had been completed on 30 September 2005, 3,154,054,340 additional Shares were issued (without taking account of any Rights Share to be issued upon the exercise of any Outstanding Options).
6. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 September 2005. Accordingly, the issue of 246,000,000 Shares on 31 October 2005 upon exercise of employees' share options and the placing of 1,010,000,000 Shares on 15 November 2005 are not reflected in this pro forma statement.

2. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the auditors of the Company, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information for the purpose of incorporation in this prospectus.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

20 April 2006

The Directors
Asia Standard Hotel Group Limited

Dear Sirs

We report on the unaudited pro forma financial information of Asia Standard Hotel Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on page 77 under the heading of “Unaudited pro forma financial information” in Appendix III of the Company’s prospectus dated 20 April 2006 (the “Prospectus”), in connection with the proposed rights issue (the “Rights Issue”) by the Company. The unaudited pro forma financial information has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the Rights Issue might have affected the net tangible assets of the Group as at 30 September 2005. The basis of preparation of the unaudited pro forma financial information is set out on page 77 of the Prospectus.

Respective Responsibilities of Directors of the Company and Auditors

It is the responsibility solely of the Directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 13 of Appendix 1B and paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group at any future date.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the Directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

The Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Prospectus have been arrived at after due and careful consideration and there are no other facts not contained in the Prospectus, the omission of which would make any statement herein misleading.

2. SHARE CAPITAL AND OPTIONS

(a) Share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were and immediately following completion of the Rights Issue will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>25,000,000,000</u>	Shares	<u>500,000,000</u>
<i>Issued and fully-paid:</i>		
6,308,108,681	Shares in issue as at the Latest Practicable Date	126,162,173.62
<u>3,154,054,340</u>	Shares to be issued pursuant to the Rights Issue	<u>63,081,086.80</u>
<u>9,462,163,021</u>	Shares in issue immediately following completion of the Rights Issue	<u>189,243,260.42</u>

Each of the Shares in issue ranks *pari passu* with all other Shares in all respects including as to rights to dividends, voting and return of capital. The Shares to be issued pursuant to the Rights Issue, when fully paid and issued, will rank *pari passu* in all respects with the then issued Shares including as to the right to receive dividends and distributions which may be declared, made or paid after the issue of the Rights Shares.

Save as disclosed herein, no part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchanges.

(b) Share options

The Company had Options in issue as at the Latest Practicable Date. Upon full exercise of the rights attaching to the outstanding Options, at the subscription price of HK\$0.217, 4,000,000 Shares will be issued. The Options were granted to Mr. Wong Shu Pui, an executive Director, on 31 October 2005 and exercisable from 1 November 2005 to 31 October 2015. As at the Latest Practicable Date, none of the Options has been exercised, cancelled or lapsed.

Save for the Options, there are no outstanding warrants, share options or other securities which are convertible into or give rights to subscribe for Shares. Save as disclosed herein, no Share or loan capital of the Company or any of its subsidiaries has been put under option or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(I) Long positions in shares

a) *The Company*

Director	Capacity	Number of Shares held	Total	Approximate percentage shareholding (%)
Mr. Poon	Beneficial owner	373,405 <i>(Note 1)</i>	5,624,096,562	59.40
	Interest of controlled corporations	5,623,723,157 <i>(Note 2)</i>		

Notes:

- These Shares represent the sum of (a) the 248,937 Shares currently held by Mr. Poon, and (b) the 124,468 Shares to be provisionally allotted to Mr. Poon in respect of such 248,937 Shares which Mr. Poon has undertaken to take up under the Rights Issue.
- These Shares represent the sum of (a) the 3,749,148,774 Shares currently held by corporations controlled by Mr. Poon (the “Controlled Corporations”); and (b) the 1,874,574,383 Shares to be provisionally allotted to the Controlled Corporations in respect of such 3,749,148,774 Shares which the Controlled Corporations have undertaken to take up under the Rights Issue.

By virtue of his interest in the Company through Asia Orient Holdings Limited (“Asia Orient”) and its subsidiaries as disclosed under the section headed “Disclosure of Interests by Substantial Shareholders” below, Mr. Poon is deemed to be interested in the shares of all of the Company’s subsidiaries and associated corporations.

b) *Associated corporations*

Associated corporation	Director	Capacity	Number of shares held	Total	Approximate percentage shareholding (%)
Asia Standard International Group Limited (“ASI”)	Mr. Poon	Beneficial owner	4,492,200	2,085,171,912	41.07
		Interest of controlled corporations	2,080,679,712 (Note 1)		
Centop Investment Limited (“Centop”)	Mr. Poon and Mr. Fung Siu To, Clement	Interest of controlled corporations	20 (Note 2)	20	20
Centop	Mr. Poon	Interest of controlled corporations	80 (Note 3)	80	80
Mark Honour Limited	Mr. Fung Siu To, Clement	Beneficial owner	9	9	9

Notes:

- By virtue of his controlling interest in Asia Orient, Mr. Poon is deemed to be interested in the shares of ASI held by subsidiaries of Asia Orient.
- Centop is owned as to 80% by ASI and as to 20% by Kingscore Investment Limited (“Kingscore”). Each of Mr. Poon 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 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.

(II) **Long positions in underlying shares***Interests in share options*a) *The Company*

As at the Latest Practicable Date, Mr. Wong Shu Pui, an executive Director as beneficial owner, held the Options entitling him to subscribe for 4,000,000 Shares at a subscription price of HK\$0.217 per Share. The Options were granted on 31 October 2005 and exercisable from 1 November 2005 to 31 October 2015.

b) *Associated corporation — ASI*

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

Name of Directors	Capacity	Number of underlying shares subject to outstanding options as at the Latest Practicable Date
Mr. Poon	Beneficial owner	5,000,000
Dr. Lim Yin Cheng	Beneficial owner	20,000,000
Mr. Fung Siu To, Clement	Beneficial owner	20,000,000
Mr. Wong Shu Pui	Beneficial owner	15,000,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

4. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

Save as publicly disclosed, none of the Directors is interested, directly or indirectly, in any assets which have been since 31 March 2005 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Save as disclosed in the section headed "Material Contracts" in this Appendix, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing nor proposed service contracts with any member of the Group which will expire or are not terminable by the employer within one year without payment of compensation (other than statutory compensation).

6. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (the “**Substantial Shareholders**”) (other than the Directors or the chief executive of the Company) who had or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or had any options in respect of such shares are set out below:

Long positions in Shares

Name of Substantial Shareholders	Capacity	Number of Shares	Approximate percentage shareholding (%)
Asia Standard International Limited	Beneficial owner	5,374,920,591 <i>(Note 1)</i>	56.76
ASI	Interest of controlled corporations	5,382,502,737 <i>(Note 2)</i>	56.84
Asia Orient Company Limited	Interest of controlled corporations	5,623,723,157 <i>(Note 3)</i>	59.39
Asia Orient Holdings (BVI) Limited <i>(Note 4)</i>	Interest of controlled corporations	5,623,723,157 <i>(Note 3)</i>	59.39
Asia Orient <i>(Note 4)</i>	Interest of controlled corporations	5,623,723,157 <i>(Note 3)</i>	59.39
Get Nice Holdings Limited <i>(Note 5)</i>	Interest of controlled corporation	1,281,355,489	13.53
Get Nice Incorporated <i>(Note 5)</i>	Interest of controlled corporation	1,281,355,489	13.53
Honeylink Agents Limited <i>(Note 5)</i>	Interest of controlled corporation	1,281,355,489	13.53

Notes:

- (1) These Shares represent the sum of (a) the 3,583,280,394 Shares currently held by Asia Standard International Limited; and (b) the 1,791,640,197 Rights Shares to be provisionally allotted to it in respect of such 3,583,280,394 Shares which Asia Standard International Limited has undertaken to take up under the Rights Issue.
- (2) These Shares represent the sum of (a) the 5,374,920,591 Shares deemed to be interested by Asia Standard International Limited, a wholly owned subsidiary of ASI; (b) the 5,054,764 Shares currently held by a corporation controlled by ASI (the “Controlled Corporation”) and (c) the 2,527,382 Rights Shares to be provisionally allotted to the Controlled Corporation in respect of such 5,054,764 Shares which it has undertaken to take up under the Rights Issue.

- (3) These Shares represent the sum of (a) 5,382,502,737 Shares deemed to be interested by ASI in which Asia Orient Company Limited and its subsidiaries together hold more than one-third of its issued share capital; (b) the 160,813,616 Shares currently held by Asia Orient Company Limited and its subsidiaries; and (c) the 80,406,804 Rights Shares to be provisionally allotted to Asia Orient Company Limited and its subsidiaries in respect of such 160,813,616 Shares which they have undertaken to take up under the Rights Issue.
- (4) 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 Asia Orient Company Limited and its subsidiaries.
- (5) These are the Rights Shares which the Underwriter has underwritten in respect of the Rights Issue (assuming all the Options were exercised before the Record Date). The Underwriter is wholly-owned by Get Nice Incorporated which in turn is wholly-owned by Get Nice Holdings Limited. Get Nice Holdings Limited is owned as to approximately 30.62% by Honeylink Agents Limited. Mr. Hung Hon Man is the beneficial owner of Honeylink Agents Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, no other person (not being a Director or chief executive of the Company) had, or was deemed or taken to have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any options in respect of such capital.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) were entered into by the Company or its subsidiaries within the two years immediately preceding the date of the Prospectus and are or may be material:

- (1) the top-up subscription agreement made between Asia Standard International Limited and the Company dated 15 November 2005 in respect of the top-up subscription of 1,010,000,000 new Shares at HK\$0.195 each; and
- (2) the Underwriting Agreement

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and, so far as the Directors are aware, there is no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

9. EXPENSES

The expenses in connection with the Rights Issue, including but not limited to financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to amount to approximately HK\$3.3 million and are payable by the Company.

10. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES IN HONG KONG AND BERMUDA

A copy of the Prospectus having attached thereto the PAL and the EAF and the written consent of PricewaterhouseCoopers has been registered by the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

A copy of this Prospectus has been filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended).

11. EXPERT

The following is the qualification of the expert who has been named in the Prospectus or has given its opinion or advice which is contained in the Prospectus:

Name	Qualification
PricewaterhouseCoopers (“PwC”)	Certified Public Accountants

As at the Latest Practicable Date, PwC did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

PwC does not have any direct or indirect interests in any assets which have been, since 31 March 2005 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

PwC has given and has not withdrawn their written consent to the issue of the Prospectus with the inclusion herein of its report and the references to its name in the form and context in which it appears.

12. MISCELLANEOUS

The English texts of the Prospectus, the PAL and the EAF shall prevail over the Chinese texts in the case of any inconsistency between the two texts.

13. NOTICE TO PERSONS RESIDENT IN SINGAPORE

The Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Rights Shares may not be circulated or distributed, nor may any Rights Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act, Chapter 289 of Singapore.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's head office and principal place of business in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong up to and including 8 May 2006:

- (a) the memorandum of association of the Company and the Bye-Laws;
- (b) the Underwriting Agreement;
- (c) the letter of consent referred to in the paragraph headed "Expert" above;
- (d) the report from PwC on pro forma financial information, the text of which is set out in Appendix III to the Prospectus;
- (e) the unaudited interim financial statements of the Company for the six months ended 30 September 2005;
- (f) the audited financial statements of the Company for each of the two years ended 31 March 2005; and
- (g) the material contracts referred to in the section headed "Material Contracts" of this Appendix.