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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Asia Orient Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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### Asia Orient Holdings Limited

(滙漢控股有限公司) \*

*(incorporated in Bermuda with limited liability)*

(Stock Code: 214)

#### MAJOR TRANSACTION

#### UNDERTAKING TO TAKE UP THE ASSURED ENTITLEMENT UNDER THE RIGHTS ISSUE OF ASIA STANDARD INTERNATIONAL GROUP LIMITED

Financial adviser to Asia Orient Holdings Limited



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A letter from the Board (as defined herein) is set out on pages 5 to 11 of this circular.

A notice convening the SGM (as defined herein) of the Company (as defined herein) to be held on Tuesday, 12th February 2008 at 10:00 a.m. at Basement 1, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong is set out on pages 164 to 165 of this circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's principal place of business in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

\* For identification purpose only

25th January 2008

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Announcement”	the joint announcement dated 9th January 2008 issued by the Company and Asia Standard in relation to the AS Rights Issue
“AS Directors”	the directors of Asia Standard
“AS Excluded Shareholders”	the AS Shareholders whose names appear on the register of members of Asia Standard as at the close of business on the Record Date and whose addresses as shown on such register are outside Hong Kong where the AS Directors, having made enquiry regarding the legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place, consider it necessary or expedient not to offer the AS Rights Shares to such AS Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“AS Group”	Asia Standard together with its subsidiaries
“AS Prospectus”	the prospectus to be issued by Asia Standard to the AS Shareholders as required under the Companies Ordinance in relation to the AS Rights Issue
“AS Qualifying Shareholder(s)”	the AS Shareholder(s) whose name(s) appear(s) on the register of members of Asia Standard as at the close of business on the Record Date, other than the AS Excluded Shareholders
“AS Rights Issue”	the issue by way of rights of not less than 3,625,269,558 AS Rights Shares and not more than 4,424,686,393 AS Rights Shares at the Subscription Price on the basis of one AS Rights Share for every two existing AS Shares held on the Record Date on the terms and subject to the conditions set out in the AS Rights Issue Documents
“AS Rights Issue Documents”	the AS Prospectus, the provisional allotment letters in respect of the AS Rights Issue and the forms of application for use by the AS Qualifying Shareholders to apply for excess AS Rights Shares
“AS Rights Share(s)”	new AS Share(s) to be allotted and issued pursuant to the AS Rights Issue
“AS Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of Asia Standard

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## DEFINITIONS

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“AS Shareholder(s)”	the holder(s) of the AS Shares
“Asia Standard”	Asia Standard International Group Limited (stock code: 129), an exempted company incorporated in Bermuda with limited liability and an associate company of the Company, the issued shares of which are listed on the Stock Exchange
“AS Share Options”	options granted by Asia Standard to subscribe for an aggregate of 164,974,086 AS Shares pursuant to the share option scheme adopted by Asia Standard on 27th August 2004, which are outstanding as at the Latest Practicable Date
“AS Warrants”	the outstanding bonus warrants issued by Asia Standard which entitle the holders thereof to exercise, at any time up to 6th September 2008, for an aggregate of 1,433,859,583 fully paid new AS Shares at an initial subscription price of HK\$0.29 per AS Share, subject to adjustment(s) and reset arrangements, as stated in the announcement of Asia Standard dated 19th July 2007
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day(s) except Saturday(s) and Sunday(s) on which banks in Hong Kong are generally open for business
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
“Company”	Asia Orient Holdings Limited (stock code: 214), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange. The Company is beneficially interested in approximately 45.0% of the issued share capital of Asia Standard as at the Latest Practicable Date
“Director(s)”	the director(s) of the Company
“Get Nice”	Get Nice Investment Limited, a licensed corporation licensed to carry out 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 one of the Underwriters and not a connected person (as defined in the Listing Rules) of Asia Standard
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Irrevocable Undertaking(s)”	the irrevocable undertaking(s) dated 7th January 2008 given by each of the Company and Mr. Poon to Asia Standard and each of the Underwriters in relation to the AS Rights Issue
“Latest Practicable Date”	21st January 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Latest Time for Acceptance”	4:00 p.m. on Friday, 29th February 2008 or such later time to be agreed in writing between Taifook Securities (acting on behalf of the Underwriters) and Asia Standard, being the latest time for acceptance of, and payment for, the AS Rights Shares and application for excess AS Rights Shares
“Latest Time for Termination”	4:00 p.m. on Tuesday, 4th March 2008 or such later time to be agreed in writing between Taifook Securities (acting on behalf of the Underwriters) and Asia Standard, being the latest time for termination of the Underwriting Agreement
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Poon”	Mr. Poon Jing, an executive director of the Company and Asia Standard, who held approximately 37.7% of the issued share capital of the Company and was personally interested in approximately 0.1% of the issued share capital of Asia Standard as at the Latest Practicable Date
“Posting Date”	Thursday, 14th February 2008 or such other date as Taifook Securities (on the behalf of the Underwriters) may agree in writing with Asia Standard for the despatch of the AS Rights Issue Documents
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Record Date”	Wednesday, 13th February 2008, the record date to determine entitlements of the AS Shareholders to participate in the AS Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time

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## DEFINITIONS

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“SGM”	the special general meeting of the Shareholders to be held on Tuesday, 12th February 2008 at 10:00 a.m. at Basement 1, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong to approve the Transaction
“Share(s)”	the ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.18 per AS Rights Share
“Taifook Securities”	Taifook Securities Company Limited, a licensed corporation licensed to carry out type 1 (dealing in securities), type 3 (leveraged foreign exchange trading) and type 4 (advising on securities) regulated activities under the SFO, which is one of the Underwriters and not a connected person (as defined in the Listing Rules) of Asia Standard
“Transaction”	the acceptance by the Group of (a) 1,629,467,008 AS Rights Shares to be provisionally allotted to the Group or its nominee(s) under the AS Rights Issue; and (b) all the additional AS Rights Shares to be provisionally allotted to the Group or its nominee(s) in the event that additional AS Shares are (i) issued to the Group on or before the Record Date upon the exercise of any of the conversion rights attaching to the AS Warrants held by the Group; and/or (ii) otherwise acquired by the Group on or before the Record Date
“Underwriting Agreement”	the underwriting agreement entered into between the Underwriters and Asia Standard dated 7th January 2008 in relation to the AS Rights Issue
“Underwriters”	Taifook Securities and Get Nice
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

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LETTER FROM THE BOARD

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**Asia Orient Holdings Limited**  
**(滙漢控股有限公司)\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 214)**

*Executive Directors:*

Mr. Fung Siu To, Clement (*Chairman*)  
Dr. Lim Yin Cheng (*Deputy Chairman*)  
Mr. Poon Jing (*Managing Director and Chief Executive*)  
Mr. Lun Pui Kan  
Mr. Kwan Po Lam, Phileas

*Non-executive Director:*

Mr. Chan Sze Hung

*Independent non-executive Directors:*

Mr. Cheung Kwok Wah, Ken  
Mr. Hung Yat Ming  
Mr. Wong Chi Keung

*Registered Office:*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Principal place of business  
in Hong Kong:*

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

25th January 2008

*To the Shareholders and for information purpose only, the warrant holders*

Dear Sirs or Madams,

**MAJOR TRANSACTION**

**UNDERTAKING TO TAKE UP THE ASSURED ENTITLEMENT  
UNDER THE RIGHTS ISSUE OF  
ASIA STANDARD INTERNATIONAL GROUP LIMITED**

**INTRODUCTION**

On 9th January 2008, the Company announced that it had given the Irrevocable Undertaking to Asia Standard pursuant to which the Company shall, among other things and subject to the approval of the Shareholders on or before the Latest Time for Acceptance, accept or procure the acceptance of

*\* For identification purpose only*

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## LETTER FROM THE BOARD

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(a) 1,629,467,008 AS Rights Shares to be provisionally allotted to the Group or its nominee(s); and  
(b) all the additional AS Rights Shares to be provisionally allotted to the Group or its nominee(s) in the event that additional AS Shares are issued to the Group on or before the Record Date upon the exercise of any of the conversion rights attaching to the AS Warrants held by it.

As at the Latest Practicable Date, the Group was interested in 3,258,934,038 AS Shares. If the Transaction is approved by the Shareholders at the SGM, the Company will be authorised to accept or procure the acceptance of such number of AS Rights Shares to be provisionally allotted to the Group or its nominee(s) in respect of the total number of AS Shares held by the Group or its nominee(s) as at the Record Date, including the AS Shares falling to be issued to the Group or its nominee(s) on or before the Record Date upon the exercise of any of the conversion rights attaching to the AS Warrants held by them and/or the AS Shares otherwise acquired by the Group or its nominee(s) on or before the Record Date.

The Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. The SGM will be convened by the Company at which an ordinary resolution will be proposed to approve the Transaction.

The purpose of this circular is to give you further information in relation to the Transaction and to give your notice of SGM at which resolution will be proposed to seek your approval of the Transaction, together with the proxy form.

### INFORMATION ABOUT THE AS RIGHTS ISSUE

Basis of the AS Rights Issue:	one AS Rights Share for every two existing AS Shares held on the Record Date
Number of authorised AS Shares:	400,000,000,000 AS Shares
Number of AS Shares in issue:	7,250,539,117 AS Shares as at the Latest Practicable Date
Number of AS Rights Shares:	not less than 3,625,269,558 AS Rights Shares (assuming that none of the AS Share Options and the AS Warrants are exercised before the Record Date) and not more than 4,424,686,393 AS Rights Shares (assuming that all the AS Share Options and the AS Warrants are exercised on or before the Record Date)
Underwriters:	Taifook Securities Get Nice

According to the Underwriting Agreement, not less than 1,992,629,658 AS Rights Shares and not more than 2,467,049,733 AS Rights Shares are underwritten by the Underwriters on the terms and subject to the conditions set out in the Underwriting Agreement.

As at the Latest Practicable Date, the Group was interested in AS Warrants which entitled it to subscribe for an aggregate of 643,669,142 AS Shares. The Group confirms that it has no present intention to exercise the AS Warrants on or before the Record Date and will not apply for any excess AS Rights Shares.



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## LETTER FROM THE BOARD

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### Subscription Price

HK\$0.18 per AS Rights Share, payable in full by AS Qualifying Shareholders upon acceptance of the provisional allotment of the AS Rights Shares under the AS Rights Issue or application for excess AS Rights Shares or when a transferee of nil-paid AS Rights Shares applies for the AS Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 35.7% to the closing price of HK\$0.28 per AS Share as quoted on the Stock Exchange on 7th January 2008, being the last trading day of the AS Shares on the Stock Exchange prior to the suspension of the trading in the AS Shares on the Stock Exchange on 8th January 2008 pending the release of the Announcement;
- (ii) a discount of approximately 34.1% to the average closing price of approximately HK\$0.273 per AS Share for the 10 consecutive trading days up to and including 7th January 2008 as quoted on the Stock Exchange;
- (iii) a discount of approximately 34.3% to the average closing price of approximately HK\$0.274 per AS Share for the 30 consecutive trading days up to and including 7th January 2008 as quoted on the Stock Exchange;
- (iv) a discount of approximately 27.1% to the theoretical ex-right price of HK\$0.247 based on the closing price of HK\$0.28 per AS Share as quoted on the Stock Exchange on 7th January 2008 assuming none of the AS Share Options and AS Warrants are exercised on or before the Record Date; and
- (v) a discount of approximately 13.5% to the closing price of HK\$0.208 per AS Share as quoted on the Stock Exchange on 21st January 2008, being the Latest Practicable Date.
- (vi) a discount of approximately 68.9% to the audited consolidated net tangible assets value per AS Share of approximately HK\$0.579 as at 31st March 2007.

The Subscription Price was arrived at after arm's length negotiation between the Underwriters and Asia Standard with reference to the market price of the AS Shares under the prevailing market conditions.

### Conditions precedent to the AS Rights Issue

The AS Rights Issue is conditional upon the following:

- (a) the delivery by or on behalf of Asia Standard not later than the Posting Date of (i) one copy of each of the duly signed AS Rights Issue Documents together with any requisite accompanying documents, to the Stock Exchange and the Registrar of Companies in Hong

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## LETTER FROM THE BOARD

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Kong for filing and registration in accordance with the provisions of the Companies Ordinance; and (ii) one copy of the duly signed AS Prospectus together with any requisite accompanying documents, to the Registrar of Companies in Bermuda for filing in accordance with the Companies Act 1981 of Bermuda (as amended);

- (b) the Listing Committee granting or agreeing to grant (subject to allotment) listing of and permission to deal in all the AS Rights Shares (in their nil-paid and fully-paid forms) before 8:00 a.m. on the date of commencement of dealing in the nil-paid AS Rights Shares on the Stock Exchange and not having withdrawn or revoked such listings and permission before 8:00 a.m. on the date of commencement of dealing in the fully-paid AS Rights Shares on the Stock Exchange;
- (c) the Bermuda Monetary Authority granting consent (if required) to the issue of the AS Rights Shares by no later than the Posting Date;
- (d) the posting of the AS Rights Issue Documents to the AS Qualifying Shareholders and of the AS Prospectus, for information purposes only, to the AS Excluded Shareholders;
- (e) compliance with and performance of all the undertakings and obligations of Asia Standard under the terms of the Underwriting Agreement;
- (f) compliance with and performance by each of the Company and Mr. Poon of all of its/his obligations and undertakings under the terms of the Irrevocable Undertakings;
- (g) the passing of a resolution by the Shareholders at the SGM to approve the Transaction by no later than the Latest Time for Acceptance; and
- (h) the obligations of the Underwriters not being terminated by Taifook Securities (acting on behalf of the Underwriters) in accordance with the terms hereof.

If the conditions precedent are not satisfied and/or waived by the Latest Time for Termination or such later date or dates as Taifook Securities (acting on behalf of the Underwriters) may agree with Asia Standard in writing, the Underwriting Agreement shall terminate (save in respect of any reasonable legal fees and other reasonable out-of-pocket expenses, if any, of the Underwriters, or the indemnity and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party will have any claim against the other party for costs, damages, compensation or otherwise.

### **Irrevocable Undertaking of the Company**

The Company has given an Irrevocable Undertaking to Asia Standard and each of the Underwriters that it shall continue to own or procure to continue to own on the Record Date 3,258,934,038 AS Shares.

The Company has also undertaken, subject to the approval of the Shareholders on or before the Latest Time for Acceptance, to accept or procure the acceptance of (a) 1,629,467,008 AS Rights Shares

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## LETTER FROM THE BOARD

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to be provisionally allotted to the Group or its nominee(s); and (b) all the additional AS Rights Shares to be provisionally allotted to the Group or its nominee(s) in the event that additional AS Shares are issued to the Group on or before the Record Date upon the exercise of any of the conversion rights attaching to the AS Warrants held by the Group.

### REASONS FOR THE TRANSACTION

The Company is an investment holding company. The principal activities of its major investee companies include investment and development of properties and investment and operation of hotels, restaurants, travel agency and securities investment.

The terms of Underwriting Agreement were determined after arm's length negotiation between the Underwriters and Asia Standard. The Directors consider that the Transaction would enable the Company to maintain, support and enhance the value of its investment in Asia Standard since this will maintain its shareholding in Asia Standard. The payment to be made by the Group for taking up its assured entitlement under the AS Rights Issue will amount to approximately HK\$293.3 million (assuming that none of the AS Warrants held by the Group are converted on or before the Record Date and HK\$351.2 million (assuming the AS Warrants held by the Group are converted in full on or before the Record Date), which will be financed by the internal resources of the Group. It is the intention of the Company to hold the AS Rights Shares to be allotted and issued to the Group as long term investments. Accordingly, the Directors believe that the Transaction is in the interests of the Company and the Shareholders as a whole. The Company confirm that it will not apply for any excess Rights Shares.

### INFORMATION ABOUT THE ASIA STANDARD GROUP

Asia Standard is an investment holding company. The principal activities of its major investee companies include property development and investment.

For the year ended 31st March 2006 and the year ended 31st March 2007, (i) the audited consolidated profit before taxation of the AS Group amounted to approximately HK\$201.6 million and HK\$359.1 million respectively; and (ii) the audited consolidated net profit after taxation attributable to the AS Shareholders amounted to approximately HK\$167.9 million and HK\$287.6 million respectively. As at 30th September 2007, the unaudited consolidated net assets attributable to the AS Shareholders were approximately HK\$4,158.2 million.

### FINANCIAL EFFECTS OF THE TRANSACTION ON THE GROUP

After completion of the AS Rights Issue, Asia Standard will continue to be equity accounted for by the Company in its consolidated financial statements. Given that (1) the Group will not apply for the excess AS Rights Shares and therefore its percentage shareholding in Asia Standard will remain the same immediately after completion of the Rights Issue; and (2) the Group will subscribe for 1,629,467,008 AS Rights Shares using its internal resources, the Directors are of the view that the Transaction will not have any material effect on its earnings, total assets and total liabilities of the Group.

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## **LETTER FROM THE BOARD**

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### **GENERAL**

The Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. If Taifook Securities (on behalf of the Underwriters) terminates the Underwriting Agreement or the conditions precedent to the AS Rights Issue (see sub-section headed “Conditions precedent to the AS Rights Issue” above) are not fulfilled or waived, the AS Rights Issue will not proceed. Accordingly, the Transaction may or may not proceed.

### **SGM**

The SGM will be held at 10:00 a.m. on Tuesday, 12th February 2008 at Basement 1, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong at which, an ordinary resolution will be proposed to approve the Transaction. A notice convening the SGM is set out on pages 164 to 165 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company’s principal place of business in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

### **PROCEDURES TO DEMAND A POLL AT THE SGM**

Pursuant to the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of the meeting; or
- (b) by not less than three Shareholders present in person or by a duly authorised corporate representative or by proxy having the right to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

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## LETTER FROM THE BOARD

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If a poll is demanded, it shall (subject to any poll duly demanded on the election of a chairman of a meeting, or on any question of adjournment, shall be taken at the meeting and without adjournment) be taken in such manner and at such time and place, not being more than 30 days from the date of the meeting or adjourned meeting at which the poll was demanded, as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn, with the consent of the chairman, at any time before the close of the meeting or the taking of the poll, whichever is the earlier.

### RECOMMENDATION

The Directors consider that the Transaction is on normal commercial terms and that such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Transaction. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholder has a material interest in the Transaction and therefore no Shareholder is required to abstain from voting on the said resolution at the SGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information relating to the Group set out in the appendices to this circular and the notice convening the SGM.

Yours faithfully,  
By Order of the Board  
**Asia Orient Holdings Limited**  
**Fung Siu To, Clement**  
*Chairman*

## 1. SUMMARY OF THE CONSOLIDATED RESULTS OF THE GROUP

Set out below is a summary of the consolidated results of the Group for each of the three financial years ended 31st March 2005, 2006 and 2007 as extracted from the published annual reports of the Company.

For the year ended 31st March 2006, the Group adopted the new and revised Hong Kong Financial Reporting Standards (the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants which are effective for accounting periods commencing on or after 1st January 2005, resulting in changes to certain accounting policies of the Group.

For the years ended 31st March 2007 and 2006, the Group has adopted the new HKFRS and the figures for the year ended 31st March 2005 have been restated only as required under the new and revised HKFRS. These restated figures have been adopted for the purpose of this summary.

	Year ended 31st March		
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000 (Restated)
Revenue from property management, dividend and interest income and proceeds from sale of financial assets at fair value through profit or loss	<u>118,650</u>	<u>45,090</u>	<u>553,180</u>
Profit before taxation	167,535	56,405	57,859
Taxation credit	<u>36</u>	<u>—</u>	<u>3,830</u>
Profit after taxation	167,571	56,405	61,689
Minority interests	<u>—</u>	<u>—</u>	<u>(113,588)</u>
Profit/(loss) attributable to Shareholders of the Company	<u>167,571</u>	<u>56,405</u>	<u>(51,899)</u>
Dividends and distribution	<u>23,791</u>	<u>—</u>	<u>14,081</u>
Earnings/(loss) per Share ( <i>Note</i> )			
Basic	<u>HK44 cents</u>	<u>HK21 cents</u>	<u>HK(27) cents</u>
Diluted	<u>HK44 cents</u>	<u>HK21 cents</u>	<u>HK(31) cents</u>
Dividends and distribution per Share	<u>HK5.2 cents</u>	<u>NIL</u>	<u>HK6.3 cents</u>

*Note:* Calculations of earnings/(loss) per Share are stated in the Note 14 to the financial statements of the Group under the section headed “Audited Consolidated Financial Statements for the year ended 31st March 2007” in Appendix I.

## 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2007

Set out below is the audited consolidated financial statements of the Group for the two financial years ended 31st March 2006 and 2007 as extracted from the annual report of the Company. There were no material changes to the accounting policy of the Group for the two years ended 31st March 2006 and 2007.

### Consolidated Profit and Loss Account

For the year ended 31st March 2007

	<i>Note</i>	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Revenue from property management, dividend and interest income and proceeds from sale of financial assets at fair value through profit or loss	5, 7	<u>118,650</u>	<u>45,090</u>
Revenue from property management, dividend and interest income	5, 7	20,237	17,363
Cost of sales		<u>(8,895)</u>	<u>(8,317)</u>
Gross profit		11,342	9,046
Administrative expenses	7	(22,302)	(12,342)
Other income and charges	6	<u>56,310</u>	<u>(10,869)</u>
Operating profit/(loss)		45,350	(14,165)
Finance costs	8	(688)	(1,363)
Share of profits less losses of			
Jointly controlled entities		—	6,334
Associated companies		<u>122,873</u>	<u>65,599</u>
Profit before income tax		167,535	56,405
Income tax credit	11	<u>36</u>	<u>—</u>
Profit for the year attributable to shareholders of the Company	12	<u>167,571</u>	<u>56,405</u>
Dividends and distribution	13	<u>23,791</u>	<u>—</u>
Earnings per share			
Basic	14	<u>HK\$0.44</u>	<u>HK\$0.21</u>
Diluted	14	<u>HK\$0.44</u>	<u>HK\$0.21</u>

**APPENDIX I**
**FINANCIAL INFORMATION ON THE GROUP**
**Consolidated Balance Sheet**
*As at 31st March 2007*

	<i>Note</i>	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	15	1,876	2,646
Jointly controlled entities	17	7,272	11,694
Associated companies	18	1,876,465	1,453,079
Deferred income tax assets	26	<u>3,885</u>	<u>3,902</u>
		<u>1,889,498</u>	<u>1,471,321</u>
<b>Current assets</b>			
Trade and other receivables	19	891	102,977
Financial assets at fair value through profit or loss	20	50,321	45,943
Derivative financial instruments	21	5,902	—
Bank balances and cash	22	115,045	105,505
		<u>172,159</u>	<u>254,425</u>
<b>Current liabilities</b>			
Trade and other payables	23	39,100	40,659
Amounts due to jointly controlled entities	17	—	4,422
Amounts due to associated companies	18	1,641	18
Amounts due to minority shareholders	27	8,311	8,311
		<u>49,052</u>	<u>53,410</u>
Net current assets		<u>123,107</u>	<u>201,015</u>
Total assets less current liabilities		2,012,605	1,672,336
<b>Non-current liabilities</b>			
Deferred income tax liabilities	26	<u>9</u>	<u>135</u>
Net assets		<u>2,012,596</u>	<u>1,672,201</u>
<b>Equity</b>			
Share capital	24	38,572	25,456
Reserves	25	<u>1,974,024</u>	<u>1,646,745</u>
		<u>2,012,596</u>	<u>1,672,201</u>



**APPENDIX I****FINANCIAL INFORMATION ON THE GROUP****Balance Sheet***As at 31st March 2007*

	<i>Note</i>	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Non-current assets			
Subsidiaries	16	3,648,228	3,478,137
Deferred income tax assets	26	<u>171</u>	<u>171</u>
		<u>3,648,399</u>	<u>3,478,308</u>
Current assets			
Trade and other receivables		109	1,600
Bank balances and cash	22	<u>52</u>	<u>16,298</u>
		161	17,898
Current liabilities			
Trade and other payables		<u>1,236</u>	<u>2,298</u>
Net current (liabilities)/assets		<u>(1,075)</u>	<u>15,600</u>
Net assets		<u><u>3,647,324</u></u>	<u><u>3,493,908</u></u>
Equity			
Share capital	24	38,572	25,456
Reserves	25	<u>3,608,752</u>	<u>3,468,452</u>
		<u><u>3,647,324</u></u>	<u><u>3,493,908</u></u>

**Consolidated Cash Flow Statement***For the year ended 31st March 2007*

	<i>Note</i>	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
<b>Cash flows from operating activities</b>			
Net cash from operations	31(a)	97,331	18,681
Net income tax paid		(73)	—
Interest paid		(688)	(1,377)
Net cash from operating activities		<u>96,570</u>	<u>17,304</u>
<b>Cash flows from investing activities</b>			
Interest received		7,507	10,475
Dividend received from financial assets at fair value through profit or loss		480	—
Dividend received from an associated company		878	8,221
Proceeds on disposal of financial assets at fair value through profit or loss		98,413	27,727
Purchase of financial assets at fair value through profit or loss		(109,522)	(54,618)
Addition to property, plant and equipment		(13)	(1,754)
Proceeds on disposal of subsidiaries	31(b)	150	—
Proceeds on disposal of associated companies and a jointly controlled entity		14,080	—
Increase in investments in associated companies		(256,785)	(7,290)
Decrease/(increase) in advances to associated companies		4,145	(2,163)
Decrease in advances to jointly controlled entities		—	6,894
Net cash used in investing activities		<u>(240,667)</u>	<u>(12,508)</u>
Net cash (used)/generated before financing activities		<u>(144,097)</u>	<u>4,796</u>
<b>Cash flows from financing activities</b>			
Dividend paid to shareholders		(5,778)	—
Net proceeds from rights issue		160,451	—
Placement of new shares		—	28,999
Repayment of long term bank loans		—	(43,598)
Drawdown of short term bank loans		114,424	—
Repayment of short term bank loans		(114,424)	(10,000)
Net cash generated from/(used in) financing activities		<u>154,673</u>	<u>(24,599)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		10,576	(19,803)
Cash and cash equivalents at the beginning of the year		<u>71,203</u>	<u>91,006</u>
Cash and cash equivalents at the end of the year		<u>81,779</u>	<u>71,203</u>
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances (excluding restricted bank balance)	22	<u>81,779</u>	<u>71,203</u>

**Consolidated Statement of Changes in Equity***For the year ended 31st March 2007*

	<b>Shareholders of the Company</b> <i>HK\$'000</i>
At 1st April 2005	1,576,633
Currency translation differences	2,283
Profit for the year	<u>56,405</u>
Total recognised income for the year	----- 58,688
Placement of new shares	28,999
Grant of share options	3,348
Share options granted by a listed associated company	<u>4,533</u>
	----- <u>36,880</u>
At 31st March 2006	<u>1,672,201</u>
At 1st April 2006	----- 1,672,201
Currency translation differences	467
Profit for the year	<u>167,571</u>
Total recognised income for the year	----- 168,038
Shares issued for scrip dividend	6,441
Interim dividend	(12,219)
Grant of share options	11,913
Share options granted by a listed associated company	2,295
Net proceeds pursuant to rights issue	160,451
Convertible notes and bonds of listed associated companies	<u>3,476</u>
	----- <u>172,357</u>
At 31st March 2007	<u>2,012,596</u>

## Notes to the financial statements

### 1 Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss and derivative financial instruments, which are carried at fair value, and in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

### 2 Principal accounting policies

#### (a) *The adoption of new/revised HKFRS*

During the year, the Group adopted the amendments and interpretation of HKFRS below, which are relevant to its operations.

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC) - Int 4	Determining whether an Arrangement contains a Lease

The Group has assessed the impact of the adoption of these amendments and interpretation and considered that there were no significant impact on the Group’s results and financial position and no substantial changes in the Group’s accounting policies.

#### *Standards, interpretations and amendments to existing standards that are not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published which are relevant to the Group’s operations and financial statements and are mandatory for the Group’s accounting periods beginning on or after 1st April 2007 or later periods as follows:

#### Effective from 1st January 2007

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK (IFRIC) - Int 8	Scope of HKFRS 2
HK (IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) - Int 10	Interim Reporting and Impairment
HK (IFRIC) - Int 11	HKFRS 2 - Group and Treasury Share Transactions
HKFRS 7	Financial Instruments: Disclosures

#### Effective from 1st January 2009

HKFRS 8	Operating Segments
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The Group has not early adopted the above standards, amendments and interpretations and it is not expected to have substantial changes to the Group's accounting policies and presentation of the financial statements.

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

The consolidated financial statements of the Group include the financial statements of the Company and all its subsidiaries made up to 31st March.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account as negative goodwill.

The profit or loss on disposal of subsidiaries, jointly controlled entities or associated companies is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill/negative goodwill which remains unamortised and any related exchange reserve.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the profit and loss account. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) ***Subsidiaries***

Subsidiaries are all entities (including special purpose entities) in which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) *Jointly controlled entities*

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with other venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) *Associated companies*

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(f) *Goodwill*

Goodwill represents the excess of the cost of acquisition over the fair values of the Group's share of the net identifiable assets of the acquired subsidiaries, jointly controlled entities and associated companies at the date of acquisition. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation and translated at closing rate.

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill on acquisitions of jointly controlled entities and associated companies is included in investments in jointly controlled entities and associated companies respectively. Goodwill is tested for impairment at least annually and whether there is any indicator for impairment and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment losses recognised on goodwill are not reversed.

(g) *Financial assets*

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and derivative financial instruments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and financial assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the profit and loss account in the period in which they arise.

The fair values of financial instruments traded in active markets are based on quoted market price at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contract is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of derivative instruments are recognised immediately in the profit and loss account.

(h) ***Property, plant and equipment***

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Hotel and other buildings	Shorter of 50 years or the remaining lease period of the land on which the buildings is located
Other equipment	3 $\frac{1}{3}$ to 10 years

No depreciation is provided for buildings under development.

Freehold land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(i) ***Impairment of assets***

Assets that have an indefinite useful life and are not subject to depreciation/amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its



recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) *Investment properties*

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment properties are measured initially at its cost, including related transaction costs. After initial recognition, investment properties are carried at fair value and are valued at least annually by independent valuers. The valuations are on an open market basis, related to individual properties, and separate values are not attributed to land and buildings. Investment property that is being redeveloped for continuing use as investment property continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Changes in fair values are recognised in the profit and loss account.

Subsequent expenditure is charged to the asset's carrying amount 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 costs are expensed in the profit and loss account during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

(k) *Properties held for/under development for sale*

Properties held for/under development for sale are included in current assets and comprise leasehold land at amortised cost, construction costs, interest and other direct costs attributable to such properties and allowances for any foreseeable losses.

(l) *Completed properties held for sale*

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises leasehold land at amortised cost, construction costs, interest and other direct expenses capitalised during the course of development. Net realisable value is determined by the Directors based on prevailing market conditions.

(m) *Hotel and restaurant inventories*

Hotel and restaurant inventories comprise consumables and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis.

(n) *Trade and other receivables*

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade and other receivables in the balance sheet are stated net of such provision.

(o) *Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

(p) *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

(q) *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 balance 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 several defined contribution retirement 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.

(iii) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(r) *Deferred income tax*

Deferred income tax 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 financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(s) *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(t) *Segment reporting*

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(u) *Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is recognised as follows:

(i) *Properties*

Revenue from sales of properties is recognised upon the later of completion of the properties and the sale and purchase contracts.

(ii) *Investment properties*

Rental income from investment properties is recognised on a straight line basis over the terms of the respective leases.

(iii) *Hotel, travel agency and management services businesses*

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

Revenue from sale of air tickets and hotel reservation service is recognised when related services are rendered.

Management fee income is recognised when services are rendered.

(iv) *Investment and others*

Interest income is recognised on a time proportion basis using the effective interest method.

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

(v) ***Foreign currency translation***

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which are the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss.

(iii) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(w) ***Borrowing costs***

Borrowing costs incurred on properties under development that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of the properties under development.

All other borrowing costs are recognised in the profit and loss account in the year in which they are incurred.

(x) ***Operating leases***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors), are charged in the profit and loss account on a straight line basis over the period of the lease.

(y) ***Leasehold land***

The up-front prepayments made for leasehold land are amortised on a straight-line basis over the period of the lease and are charged to profit and loss account. Where there is impairment, impairment is expensed in the profit and loss account.

(z) ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

(aa) ***Related parties***

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, jointly controlled entities and associated companies and key management (including close members of their families), where the individual, company or group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

3 **Financial risk management**

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

(a) ***Market risk***

(i) ***Foreign exchange risk***

The Group and its associated companies operate mainly in Hong Kong and has limited exposures to foreign exchange risk arising from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group and its associated companies have certain investments in foreign operations in Canada and Mainland China, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the foreign operations in Canada is managed primarily through borrowings denominated in the relevant foreign currency.

(ii) *Price risk*

The Group and its associated companies are exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

(b) *Credit risk*

The Group and its associated companies have no significant concentrations of credit risk. Sales of properties are made to customers with appropriate mortgage arrangements. Other sales are either made in cash, via major credit cards or to customer with appropriate credit history. Cash transactions are limited to high-credit-quality financial institutions.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group maintains flexibility in funding by keeping committed credit lines available.

(d) *Interest rate risk*

The Group and its associated companies' interest rate risk arise from mortgage loans receivable and long term borrowings issued at variable rates.

The Group's associated companies manage certain of its interest rate risk from long term borrowings by limited use of floating-to-fixed interest-rate swaps. Such interest-rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

#### 4 **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 and its associated companies make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the 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 investment properties, impairment of assets and income taxes.

(a) *Estimate of fair value of investment properties*

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the amount is determined within a range of reasonable fair value estimates. Information from a variety of sources are considered in making the judgement:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. Assumptions used are mainly based on market conditions existing at each balance sheet date.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(b) ***Impairment of assets***

The Group's associated companies test at least annually whether goodwill has suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amounts of an asset or a cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

(c) ***Income taxes***

The Group and its associated companies are subject to income taxes in Hong Kong and other jurisdictions. Judgement is required in certain provision for income taxes for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

Recognition of deferred tax assets which principally relate to tax losses, depend on management's expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

5 **Revenue and segment information**

The Company is a limited liability company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is 30th Floor, Asia Orient Tower, Tower Place, 33 Lockhart Road, Wan Chai, Hong Kong.

The Group and its associated companies are principally engaged in property management, development and investment, hotel, travel agency and catering operations. Turnover comprises gross revenues from property management, investment and interest income.

*Primary reporting format - business segment*

The Group, its jointly controlled entities and associated companies are organised into four main business segments, comprising property sales, property leasing and management, hotel and travel and investment. There is no other significant identifiable separate business segment. Segment revenue from external customers is after elimination of inter-segment revenues. 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 property, plant and equipment, leasehold land, trade and other receivables, financial assets at fair value through profit or loss and derivative financial instruments and mainly exclude deferred income tax assets and bank balances and cash. Segment liabilities comprise mainly trade and other payables and exclude current income tax payable and deferred income tax liabilities.

	Property management	Investment	Other operations	Group
<b>2007 (in HK\$'000)</b>				
Proceeds from sale of financial assets at fair value through profit or loss	—	98,413	—	98,413
Segment revenue	<u>11,838</u>	<u>480</u>	<u>7,919</u>	<u>20,237</u>
	<u>11,838</u>	<u>98,893</u>	<u>7,919</u>	<u>118,650</u>
Contribution to segment results	2,943	480	7,919	11,342
Other income/(charges)	—	56,310	—	56,310
Unallocated corporate expenses				<u>(22,302)</u>
Operating profit				45,350
Finance costs				(688)
Share of results of Associated companies ( <i>note (i)</i> )				<u>122,873</u>
Profit before income tax				167,535
Income tax credit				<u>36</u>
Profit for the year				<u>167,571</u>



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**FINANCIAL INFORMATION ON THE GROUP**

	Property management	Investment	Other operations	Group
<b>2006 (in HK\$'000)</b>				
Proceeds from sale of financial assets at fair value through profit or loss	—	27,727	—	27,727
Segment revenue	<u>11,263</u>	<u>—</u>	<u>6,100</u>	<u>17,363</u>
	<u>11,263</u>	<u>27,727</u>	<u>6,100</u>	<u>45,090</u>
Contribution to segment results	2,946	—	6,100	9,046
Other income/(charges)	—	(10,869)	—	(10,869)
Unallocated corporate expenses				<u>(12,342)</u>
Operating loss				(14,165)
Finance costs				(1,363)
Share of results of				
Jointly controlled entities ( <i>note (i)</i> )				6,334
Associated companies ( <i>note (i)</i> )				<u>65,599</u>
Profit before income tax				56,405
Income tax				<u>—</u>
Profit for the year				<u>56,405</u>

*Note (i):* Share of results of jointly controlled entities and associated companies

	2007		2006	
	Jointly controlled entities <i>HK\$'000</i>	Associated companies <i>HK\$'000</i>	Jointly controlled entities <i>HK\$'000</i>	Associated companies <i>HK\$'000</i>
Property sales	—	47,457	—	(13,597)
Property leasing	—	114,129	—	144,758
Hotel and travel	—	33,276	—	12,835
Investments	—	—	6,334	(7,428)
Other operations	—	15,187	—	7,766
Finance costs	—	(45,561)	—	(49,537)
Unallocated corporate expenses	<u>—</u>	<u>(41,615)</u>	<u>—</u>	<u>(29,198)</u>
	<u>—</u>	<u>122,873</u>	<u>6,334</u>	<u>65,599</u>

**APPENDIX I****FINANCIAL INFORMATION ON THE GROUP**

	Property sales	Property management	Investment	Other operations	Group
<b>2007 (in HK\$'000)</b>					
Segment assets	—	488	56,223	2,147	58,858
Jointly controlled entities and associated companies ( <i>note (ii)</i> )					1,883,737
Unallocated assets					<u>119,062</u>
					<u>2,061,657</u>
Segment liabilities	—	37,786	—	8,311	46,097
Unallocated liabilities					<u>2,964</u>
					<u>49,061</u>
Capital expenditure	—	14	—	—	14
Depreciation	—	42	—	742	784
<b>2006 (in HK\$'000)</b>					
Segment assets	101,000	2,105	45,943	2,519	151,567
Jointly controlled entities and associated companies ( <i>note (ii)</i> )					1,464,773
Unallocated assets					<u>109,406</u>
					<u>1,725,746</u>
Segment liabilities	—	35,575	—	8,311	43,886
Unallocated liabilities					<u>9,659</u>
					<u>53,545</u>
Capital expenditure	—	77	—	1,677	1,754
Depreciation	—	42	—	428	470

*Note (ii):* Share of segment assets less liabilities of jointly controlled entities and associated companies

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property sales	585,168	315,367
Property leasing	663,967	708,162
Hotel and travel	570,912	319,485
Investments	7,272	50,009
Other operations	49,470	20,044
Unallocated net assets	<u>6,948</u>	<u>51,706</u>
	<u>1,883,737</u>	<u>1,464,773</u>

*Secondary reporting format - geographical segments*

For the year ended 31st March 2007 and 2006, the activities of the Group are mainly based in Hong Kong. The Group incurred its capital expenditure, derived all of its revenue and operating profit/(loss) from Hong Kong. Over 90% of its total assets are located in Hong Kong.

6 **Other income and charges**

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unrealised gain on derivative financial instruments	5,902	—
Unrealised losses on financial assets at fair value through profit or loss	(1,650)	(4,556)
Net realised losses on financial assets at fair value through profit or loss	(5,080)	(13,758)
Gain on disposal of subsidiaries	163	—
Gain on disposal of associated companies and a jointly controlled entity	13,215	—
Negative goodwill recognised on acquisition of additional interest in listed associated companies	43,760	8,811
Loss on deemed disposal of interest in a listed associated company	<u>—</u>	<u>(1,366)</u>
	<u>56,310</u>	<u>(10,869)</u>

**APPENDIX I****FINANCIAL INFORMATION ON THE GROUP****7 Income and expenses by nature**

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Income</b>		
Interest income		
Financial assets at fair value through profit or loss	—	274
Others	7,508	5,440
Dividends from listed financial assets at fair value through profit or loss	<u>480</u>	<u>—</u>
<b>Expenses</b>		
Operating lease rental expenses for land and buildings	269	259
Employee benefit expense, including Directors' emoluments (note 10)	23,598	15,016
Depreciation	784	470
Auditor's remuneration	<u>813</u>	<u>914</u>

**8 Finance costs**

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense		
Long term bank loans	—	1,284
Short term bank loans and overdrafts	<u>688</u>	<u>79</u>
	<u>688</u>	<u>1,363</u>

**APPENDIX I**
**FINANCIAL INFORMATION ON THE GROUP**
**9 Directors' and senior management emoluments**

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

Name of director	Directors'	Share	Salaries,	2007	Directors'	Salaries,	2006
	fee	options	and benefits	Total	fee	and benefits	Total
	HK\$'000	HK\$'000	in kind HK\$'000	HK\$'000	HK\$'000	in kind HK\$'000	HK\$'000
<i>Executive</i>							
Mr. Fung Siu To, Clement	—	600	—	600	—	—	—
Dr. Lim Yin Cheng	—	600	—	600	—	—	—
Mr. Poon Jing	—	—	4,000	4,000	—	3,500	3,500
Mr. Lun Pui Kan	—	600	—	600	—	300	300
Mr. Kwan Po Lam, Phileas	—	600	—	600	—	—	—
<i>Non-executive</i>							
Mr. Chan Sze Hung	20	—	—	20	20	—	20
<i>Independent Non-executive</i>							
Mr. Cheung Kwok Wah, Ken	200	—	—	200	200	—	200
Mr. Wong Chi Keung	200	—	—	200	200	—	200
Mr. Hung Yat Ming	200	—	—	200	200	—	200
	<u>620</u>	<u>2,400</u>	<u>4,000</u>	<u>7,020</u>	<u>620</u>	<u>3,800</u>	<u>4,420</u>

(b) The five highest paid individuals in the Group for the year include two (2006: two) Directors whose emoluments are already reflected in the analysis presented above.

The emoluments payable to the remaining three (2006: three) individuals during the year are as follows:

	2007	2006
	HK\$'000	HK\$'000
Basic salaries, allowances, benefits in kind and share option benefits	<u>3,416</u>	<u>2,643</u>

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2007	2006
Below HK\$1,000,000	—	2
HK\$1,000,001 - HK\$1,500,000	3	—
HK\$2,000,001 - HK\$2,500,000	<u>—</u>	<u>1</u>

## 10 Employee benefit expense

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages and salaries	11,514	11,399
Retirement benefits costs ( <i>note (a)</i> )	171	269
Employee share option benefits ( <i>note (b)</i> )	11,913	3,348
	<u>23,598</u>	<u>15,016</u>

Employee benefit expense is stated inclusive of Directors' emoluments.

*Notes:*

## (a) Retirement benefits costs

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross contributions	311	308
Forfeitures utilised	(140)	(39)
Net contributions	<u>171</u>	<u>269</u>

The Group participates in various types of defined contribution schemes for employees, namely the Mandatory Provident Fund ("MPF") Scheme and Occupational Retirement Scheme Ordinance ("ORSO") Scheme in Hong Kong.

The Group participates in several defined contribution schemes under the ORSO which are available to employees joining before 1st December 2000. Under these schemes, contribution of 5% of the employees' 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 is available to all employees not joining the ORSO schemes in Hong Kong. Monthly contributions to the MPF scheme are made equal to 5% (2006: 5%) of the employees' relevant income in accordance with the legislative requirements.

The Group's contributions to all these schemes are expensed as incurred. The assets of all these retirement schemes are held separately from those of the Group in independently administered funds.

As at 31st March 2007, no forfeitures (2006: nil) were available to reduce the Group's future contributions to the ORSO schemes.

(b) *Share options*

The Company operates share option schemes whereby options may be granted to employees of the Group, including the executive Directors, to subscribe for shares of the Company. The consideration to be paid on each grant of option is HK\$1.

Share options were granted to directors and to employees to subscribe for shares in accordance with the terms and conditions of the share option scheme.

Details of share options held under the schemes are as follows:

<b>Grantee</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>2007 Number</b>	<b>2006 Number</b>
Directors	29th March 2017	HK\$1.602	7,600,000	—
Employees	29th March 2017	HK\$1.602	23,900,000	—
Directors of a listed associated company	29th March 2017	HK\$1.602	6,200,000	—
Directors	11th February 2014	HK\$2.9371	—	7,721,048
Employees	24th February 2015	HK\$2.5766	—	6,067,180
Employees	7th April 2015	HK\$2.1583	—	3,033,590
			<u>37,700,000</u>	<u>16,821,818</u>

During the year, 37,700,000 (2006: 2,700,000) options to subscribe for shares of the Company were granted. All of the share options granted in prior years (with the number of outstanding share options granted and the exercise price thereof adjusted for the effect of rights issue on 10th April 2006) were cancelled during the year (2006: Nil). No options were exercised, forfeited or lapsed during the year.

The fair value of the options granted and vested in the current year determined using the Binomial option pricing model is HK\$11,913,200 and is recognised in the profit and loss account. The following assumptions were used to calculate the fair values of share options granted on 29th March 2007:

Closing share price at the date of grant (HK\$)	1.570
Exercise price (HK\$)	1.602
Expected life of options (years)	4
Expected volatility (%) - note (i)	26.62%
Expected dividend yield (%) - note (ii)	3.58%
Risk free rate (%)	3.953%

*Notes:*

(i) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over one year immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the expected life of the options and the historical volatility of the shares.

(ii) It is based on prospective dividend yield of the shares at 29th March 2007.

11 **Income tax credit**

No provision for Hong Kong profits tax and overseas income tax have been made as the Group has no estimated assessable profit for the year (2006: Nil).

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Current income tax		
Underprovision in prior years	(73)	—
Deferred income tax	<u>109</u>	<u>—</u>
	<u><u>36</u></u>	<u><u>—</u></u>

Share of income tax of jointly controlled entities and associated companies for the year of nil (2006: HK\$ nil) and HK\$24,146,000 (2006: HK\$15,551,000) are included in the profit and loss account as share of profits less losses of jointly controlled entities and associated companies respectively.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Profit before income tax	167,535	56,405
Share of profits less losses of jointly controlled entities and associated companies	<u>(122,873)</u>	<u>(71,933)</u>
	<u><u>44,662</u></u>	<u><u>(15,528)</u></u>
Calculated at a tax rate of 17.5% (2006: 17.5%)	(7,816)	2,717
Underprovisions in prior years	(73)	—
Income not subject to taxation	10,961	1,614
Expenses not deductible for tax purposes	(1,414)	(1,386)
Tax losses not recognised	(4,938)	(2,945)
Other temporary differences	20	—
Recognition of previously unrecognised tax losses	3,187	—
Others	<u>109</u>	<u>—</u>
Income tax credit	<u><u>36</u></u>	<u><u>—</u></u>

12 **Profit attributable to shareholders of the Company**

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of loss of HK\$13,170,000 (2006: HK\$6,630,000).



## 13 Dividends and distribution

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, paid, of HK3.2 cents (2006: Nil) per share	12,219	—
Final, proposed, of HK2.0 cents (2006: Nil) per share	<u>11,572</u>	<u>—</u>
	<u>23,791</u>	<u>—</u>

At a meeting held on 18th July 2007, the Board has proposed a distribution of HK2.0 cents per share with a scrip option. This proposed distribution is not reflected in the financial statements, but will be reflected as an appropriation of contributed surplus in the year ending 31st March 2008.

The proposed distribution of HK\$11,572,000 is based on 578,576,347 shares in issue assuming the proposed rights issue of the Company is completed (note 33).

## 14 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$167,571,000 (2006: HK\$56,405,000) and divided by the weighted average of 378,686,455 (2006: 271,331,660, adjusted for the effects of rights issue in April 2006) shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31st March 2007 is based on HK\$164,964,000 equaling to the profit attributable to shareholders of HK\$167,571,000 with a decrease in share of profit after tax HK\$2,607,000 from Asia Standard International Group Limited (“Asia Standard”) arising from potential conversion of the convertible notes of Asia Standard, and the weighted average number of 378,686,455 shares in issue during the year. The Company’s outstanding share options did not have a dilutive effect on the earnings per share.

In 2006, the exercise of subscription rights attached to the share options and the conversion of the convertible bonds of Asia Standard would not have a dilutive effect on the earnings per share. The diluted earnings per share were equal to the basic earnings per share in 2006.

## 15 Property, plant and equipment

	<b>Other equipment</b> <i>HK\$'000</i>
<b>Cost</b>	
At 31st March 2006	4,970
Additions	<u>14</u>
<b>At 31st March 2007</b>	----- 4,984
<b>Accumulated depreciation</b>	
At 31st March 2006	2,324
Charge for the year	<u>784</u>
<b>At 31st March 2007</b>	----- 3,108
<b>Net book value</b>	
<b>At 31st March 2007</b>	<u><u>1,876</u></u>
<b>Cost</b>	
At 31st March 2005	3,216
Additions	<u>1,754</u>
At 31st March 2006	----- 4,970
<b>Accumulated depreciation</b>	
At 31st March 2005	1,854
Charge for the year	<u>470</u>
At 31st March 2006	----- 2,324
<b>Net book value</b>	
<b>At 31st March 2006</b>	<u><u>2,646</u></u>

## 16 Subsidiaries

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	2,823,639	2,823,639
Amounts due by subsidiaries less provisions	<u>824,589</u>	<u>654,498</u>
	<u><u>3,648,228</u></u>	<u><u>3,478,137</u></u>

Details of the principal subsidiaries are set out in note 34.

The amounts receivable are unsecured, interest free and have no fixed terms of repayment.

## 17 Jointly controlled entities

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net liabilities	(35,764)	(31,506)
Advances to jointly controlled entities less provisions	<u>43,036</u>	<u>43,200</u>
Total carrying amounts of jointly controlled entities	7,272	11,694
Amount due to a jointly controlled entity included in current liabilities	<u>—</u>	<u>(4,422)</u>
	<u><u>7,272</u></u>	<u><u>7,272</u></u>

Advances are made to finance working capital of those jointly controlled entities. The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment.

Details of the principal jointly controlled entities are set out in note 34.

**APPENDIX I****FINANCIAL INFORMATION ON THE GROUP***The Group's share of assets and liabilities and results*

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets		
Non-current assets	19	14
Current assets	411	729
	<u>430</u>	<u>743</u>
Liabilities		
Non-current liabilities	32,857	29,481
Current liabilities	3,337	2,768
	<u>36,194</u>	<u>32,249</u>
	<u>(35,764)</u>	<u>(31,506)</u>
Income	—	9,064
Expenses	—	(2,730)
Profit before income tax	—	6,334
Income tax expense	—	—
Profit for the year	<u>—</u>	<u>6,334</u>

**18 Associated companies**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	1,876,465	1,450,730
Advances to associated companies less provisions	—	2,349
Total carrying amounts of associated companies	1,876,465	1,453,079
Amounts due to associated companies included in current liabilities	<u>(1,641)</u>	<u>(18)</u>
	<u>1,874,824</u>	<u>1,453,061</u>
Market value of listed shares	<u>779,045</u>	<u>619,330</u>

The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment.

Details of the principal associated companies are set out in note 34.

*The Group's share of assets and liabilities and results*

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets	3,494,038	2,930,346
Liabilities	<u>(1,617,573)</u>	<u>(1,479,616)</u>
Net assets	<u>1,876,465</u>	<u>1,450,730</u>
Revenues	607,750	319,911
Profit for the year	122,873	65,599
Contingent liabilities	<u>100,629</u>	<u>57,809</u>

19 **Trade and other receivables**

Trade and other receivables of the Group include trade receivables, utility and other deposits, interest and other receivables.

Trade receivables of the Group amounted to HK\$302,000 (2006: HK\$159,000). 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.

Aging analysis of trade receivables net of provision for impairment of doubtful debts is as follows:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	226	98
61 days to 120 days	76	11
More than 120 days	<u>—</u>	<u>50</u>
	<u>302</u>	<u>159</u>

The carrying amounts of trade and other receivables approximate their fair values.

**APPENDIX I****FINANCIAL INFORMATION ON THE GROUP****20 Financial assets at fair value through profit or loss**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities		
Listed in Hong Kong	9,026	39,679
Listed overseas	—	6,264
Pledged United States treasury bills (Note)	<u>41,295</u>	<u>—</u>
	<u><u>50,321</u></u>	<u><u>45,943</u></u>

Note: The United States treasury bills were pledged for United States Dollars currency forward contract.

**21 Derivative financial instruments**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets		
Financial assets, held for trading		
— United States Dollars currency forward contract	<u>5,902</u>	<u>—</u>

The notional principal amounts of the outstanding forward foreign exchange contracts at 31st March 2007 were US\$100,000,000 (2006: Nil).

**22 Bank balances and cash**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at bank and in hand	11,709	9,808	52	1,416
Restricted bank balances	33,266	34,302	—	—
Short-term deposits	<u>70,070</u>	<u>61,395</u>	<u>—</u>	<u>14,882</u>
	<u><u>115,045</u></u>	<u><u>105,505</u></u>	<u><u>52</u></u>	<u><u>16,298</u></u>

The effective interest rate on restricted bank balances is 3.2% (2006: 3.4%) per annum. These balances are held in trust in respect of buildings managed by the Group on behalf of third parties.

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The effective interest rate on short-term bank deposits is 4.9% (2006: 3.3%) per annum for the Group and nil (2006: 3%) per annum for the Company. These deposits have an average maturity of 3 days (2006: 4 days) for the Group and nil (2006: 1 day) for the Company.

**23 Trade and other payables**

Trade and other payables of the Group include trade payables, management fee deposits, interest and other payables and various accruals. Trade payables of the Group amounted to HK\$4,181,000 (2006: HK\$2,173,000)

Aging analysis of trade payables is as follows:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	3,629	1,807
61 days to 120 days	28	12
More than 120 days	<u>524</u>	<u>354</u>
	<u><u>4,181</u></u>	<u><u>2,173</u></u>

The carrying amounts of trade and other payables approximate their fair values.

**24 Share capital**

<b>Shares of HK\$0.1 each</b>	<b>Number of shares</b>	<b>Amount</b>
		<i>HK\$'000</i>
Authorised		
At 31st March 2006 and 2007	<u><u>750,000,000</u></u>	<u><u>75,000</u></u>

	<b>Number of shares</b>		<b>Amount</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
			<i>HK\$'000</i>	<i>HK\$'000</i>
Issued and fully paid:				
At the beginning of the year	254,557,972	234,516,210	25,456	23,452
Scrip dividend/distribution ( <i>note (a)</i> )	3,880,607	4,041,762	388	404
Shares issued pursuant to rights issue ( <i>note (b)</i> )	127,278,986	—	12,728	—
Placement of shares ( <i>note (c)</i> )	<u>—</u>	<u>16,000,000</u>	<u>—</u>	<u>1,600</u>
At the end of the year	<u><u>385,717,565</u></u>	<u><u>254,557,972</u></u>	<u><u>38,572</u></u>	<u><u>25,456</u></u>

*Notes:*

- (a) In February 2007, 3,880,607 new shares (2006: 4,041,762 new shares as scrip distribution) were allotted and issued as scrip dividend.
  
- (b) In April 2006, the Company issued 127.3 million shares at HK\$1.30 each for a gross amount of HK\$165.4 million pursuant to a rights issue of 1 rights share for 2 shares held. The net proceeds from the subscription would be used for investment in Hong Kong, Macau and the People's Republic of China ("PRC") in order to expand the Group's investment portfolio.
  
- (c) Pursuant to a placing and subscription agreement dated 11th January 2006, the Company issued 16 million new shares at HK\$1.85 per share, a discount of approximately 9.76% to the closing price of HK\$2.05 per share as quoted on the Stock Exchange on 11th January 2006, to more than six independent third parties. The net proceeds from the subscription was approximately HK\$29.0 million representing HK\$1.81 per share, and would be used for general working capital purpose. The reasons for this share placement were to broaden the entity capital base as well as to strengthen the financial position of the Group.



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**FINANCIAL INFORMATION ON THE GROUP**
**25 Reserves**

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Convertible notes and bonds <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Group</b>							
At 1st April 2005	1,527,278	360,302	1,002,675	—	—	(1,337,074)	1,553,181
Offsetting of accumulated losses (note)	—	—	(920,762)	—	—	920,762	—
Currency translation differences	—	—	—	—	—	2,283	2,283
Placement of new shares	27,399	—	—	—	—	—	27,399
Scrip distribution	9,680	—	(10,084)	—	—	—	(404)
Grant of share options	—	—	—	—	3,348	—	3,348
Share options granted by a listed associated company	—	—	—	—	4,533	—	4,533
Exercise of share options of a listed associated company	—	—	—	—	(4,461)	4,461	—
Profit for the year	—	—	—	—	—	56,405	56,405
<b>At 31st March 2006</b>	<b>1,564,357</b>	<b>360,302</b>	<b>71,829</b>	<b>—</b>	<b>3,420</b>	<b>(353,163)</b>	<b>1,646,745</b>
Interim dividend with scrip option	6,053	—	—	—	—	(12,219)	(6,166)
Currency translation differences	—	—	—	—	—	467	467
Shares issued pursuant to rights issue less expenses	147,723	—	—	—	—	—	147,723
Goodwill released on disposal of an associated company	—	37,719	—	—	—	(37,719)	—
Grant of share options	—	—	—	—	11,913	—	11,913
Cancellation of share options	—	—	—	—	(3,348)	3,348	—
Share options granted by a listed associated company	—	—	—	—	2,295	—	2,295
Share of reserve of associated companies	—	—	—	3,476	—	—	3,476
Profit for the year	—	—	—	—	—	167,571	167,571
<b>At 31st March 2007</b>	<b>1,718,133</b>	<b>398,021</b>	<b>71,829</b>	<b>3,476</b>	<b>14,280</b>	<b>(231,715)</b>	<b>1,974,024</b>
Representing:							
2007 proposed distribution	—	—	11,572	—	—	—	11,572
Others	1,718,133	398,021	60,257	3,476	14,280	(231,715)	1,962,452
<b>At 31st March 2007</b>	<b>1,718,133</b>	<b>398,021</b>	<b>71,829</b>	<b>3,476</b>	<b>14,280</b>	<b>(231,715)</b>	<b>1,974,024</b>

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	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Company</b>					
At 31st March 2005	1,527,278	2,838,224	—	(920,763)	3,444,739
Offsetting accumulated losses ( <i>note</i> )	—	(920,762)	—	920,762	—
Placement of new shares	27,399	—	—	—	27,399
Scrip distribution	9,680	(10,084)	—	—	(404)
Grant of share options	—	—	3,348	—	3,348
Loss for the year	—	—	—	(6,630)	(6,630)
<b>At 31st March 2006</b>	<b>1,564,357</b>	<b>1,907,378</b>	<b>3,348</b>	<b>(6,631)</b>	<b>3,468,452</b>
Interim dividend with scrip option	6,053	—	—	(12,219)	(6,166)
Shares issued pursuant to rights issue less expenses	147,723	—	—	—	147,723
Grant of share options	—	—	11,913	—	11,913
Cancellation of share options	—	—	(3,348)	3,348	—
Loss for the year	—	—	—	(13,170)	(13,170)
<b>At 31st March 2007</b>	<b>1,718,133</b>	<b>1,907,378</b>	<b>11,913</b>	<b>(28,672)</b>	<b>3,608,752</b>
Representing:					
2007 proposed distribution	—	11,572	—	—	11,572
Others	1,718,133	1,895,806	11,913	(28,672)	3,597,180
<b>At 31st March 2007</b>	<b>1,718,133</b>	<b>1,907,378</b>	<b>11,913</b>	<b>(28,672)</b>	<b>3,608,752</b>

*Note:* Pursuant to a resolution passed in the Annual General Meeting held in August 2005, an amount of HK\$920,762,000 in the contributed surplus account was applied to set off the accumulated losses of the Company.

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus and share option reserve are also distributable. Accordingly, total distributable reserves of the Company amounted to HK\$1,890,619,000 (2006: HK\$1,904,095,000) as at 31st March 2007.

## 26 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred income tax assets	3,885	3,902	171	171
Deferred income tax liabilities	<u>(9)</u>	<u>(135)</u>	<u>—</u>	<u>—</u>
	<u>3,876</u>	<u>3,767</u>	<u>171</u>	<u>171</u>

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

*Group**Deferred income tax assets*

	Decelerated tax depreciation		Tax losses		Total	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	51	51	3,893	5,252	3,944	5,303
Recognised in the profit and loss account	<u>(11)</u>	<u>—</u>	<u>(48)</u>	<u>(1,359)</u>	<u>(59)</u>	<u>(1,359)</u>
At the end of the year	<u>40</u>	<u>51</u>	<u>3,845</u>	<u>3,893</u>	<u>3,885</u>	<u>3,944</u>

*Deferred income tax liabilities*

	Accelerated tax depreciation		Unrealised gains on financial assets at fair value through profit or loss		Total	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	(177)	(11)	—	(1,525)	(177)	(1,536)
Recognised in the profit and loss account	<u>168</u>	<u>(166)</u>	<u>—</u>	<u>1,525</u>	<u>168</u>	<u>1,359</u>
At the end of the year	<u>(9)</u>	<u>(177)</u>	<u>—</u>	<u>—</u>	<u>(9)</u>	<u>(177)</u>

*Company**Deferred income tax assets*

	<b>Tax losses</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning and end of the year	<u>171</u>	<u>171</u>

Deferred income 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 did not recognise deferred income tax assets of HK\$6 million (2006: HK\$4 million) in respect of losses amounting to HK\$34 million (2006: HK\$24 million) than can be carried forward against future taxable income. These tax losses have no expiry date.

**27 Amounts due to minority shareholders**

Amounts due to minority shareholders are unsecured, interest free and have no specific terms of repayment.

**28 Capital commitments**

At 31st March 2007, neither the Group nor the Company had any capital commitments which were contracted but not provided for, nor authorised but not contracted for (2006: nil).

**29 Operating lease arrangements**

Future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
In respect of land and buildings:		
Within one year	407	87
In the second to fifth year inclusive	<u>136</u>	<u>—</u>
	<u>543</u>	<u>87</u>

**30 Contingent liabilities**

The Group and the Company did not have any material contingent liabilities as at 31st March 2007 (2006: nil).

## 31 Notes to consolidated cash flow statement

## (a) Reconciliation of profit before income tax to net cash from operations

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Profit before income tax	167,535	56,405
Share of profits less losses of		
Jointly controlled entities	—	(6,334)
Associated companies	(122,873)	(65,599)
Dividends from financial assets at fair value through profit or loss	(480)	—
Depreciation	784	470
Gain on disposal of subsidiaries	(163)	—
Gain on disposal of associated companies and a jointly controlled entity	(13,215)	—
Loss on deemed disposal of interest in a listed associated company	—	1,366
Net realised and unrealised losses on financial assets at fair value through profit or loss	6,730	18,314
Unrealised gain on derivative financial instruments	(5,902)	—
Employee share option benefits	11,913	3,348
Interest income	(7,508)	(5,714)
Interest expense	688	1,363
Negative goodwill recognised on acquisition of additional interest in listed associated companies	<u>(43,760)</u>	<u>(8,811)</u>
Operating loss before working capital changes	(6,251)	(5,192)
Decrease in trade and other receivables	102,069	23,688
Decrease/(increase) in restricted bank balances	1,036	(1,141)
Increase in trade and other payables	<u>477</u>	<u>1,326</u>
Net cash from operations	<u>97,331</u>	<u>18,681</u>

## (b) Disposal of subsidiaries

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Net liabilities disposed		
Accrued expenses	(13)	—
Add: Gain on disposal	<u>163</u>	<u>—</u>
Cash proceeds received less expenses	<u>150</u>	<u>—</u>

32 **Related party transactions**

In addition to the related party information shown elsewhere in the financial statements, the following transactions were carried out with related parties:

*Sales and purchases of goods and services*

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from/(expense to) associated companies		
Management fee income ( <i>note (a)</i> )	1,044	1,011
Cleaning income ( <i>note (b)</i> )	881	728
Secretarial fee income ( <i>note (c)</i> )	—	96
Rental expenses ( <i>note (d)</i> )	<u>(269)</u>	<u>(259)</u>

*Notes:*

- (a) Management fee income is charged for management services rendered at a mutually agreed fee.
- (b) Cleaning income is subject to terms agreed by the parties involved, which are at a fixed monthly fee.
- (c) Secretarial fee income is charged for management services rendered at a mutually agreed fee.
- (d) Rental expenses is subject to terms agreed by the parties involved, which are at a fixed monthly fee.

33 **Subsequent event**

In June 2007, the Company offered a rights issue of 193 million shares at HK\$1.30 each for a gross amount of HK\$251 million pursuant to a rights issue of 1 rights share for every 2 shares held on the record date. The net proceeds from the subscription would be used for investment in Hong Kong, Macau and the PRC in order to expand the Group's investment portfolio.

34 **Principal subsidiaries, jointly controlled entities and associated companies**

Listed below are the principal subsidiaries, jointly controlled entities and associated companies which, in the opinion of the Directors, principally affect the results and/or net assets of the Group.

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**FINANCIAL INFORMATION ON THE GROUP**
***Subsidiaries***

(Unless indicated otherwise, they are indirectly held by the Group and have their principal place of operations in Hong Kong.)

Name	Principal activity	Issued and fully paid ordinary share capital	Percentage of equity held by the Group
<i>Incorporated in British Virgin Islands</i>			
Asia Orient Holdings (BVI) Limited *	Investment holding	US\$100	100%
Finnex Limited	Securities investment	US\$1	100%
Impetus Holdings Limited	Investment holding	US\$1	100%
Jetcom Capital Limited	Investment holding	US\$1	100%
Mega Fusion Limited	Investment holding	US\$1	100%
New Day Holdings Ltd.	Investment holding	US\$1	100%
Persian Limited	Investment holding	US\$49,050	100%
Sunrich Holdings Limited	Securities investment	US\$1	100%
United Resources Associates Limited	Investment holding	US\$6	83.3%
On-link Limited	Investment holding	US\$1	100%
<i>Incorporated in Hong Kong</i>			
Asia Orient Company Limited	Investment holding	US\$26,964,837	100%
Good Year Engineering Services Limited	Engineering and maintenance services	HK\$2	100%
Hitako Limited	Investment holding	HK\$20	100%
Ocean Hand Investments Limited	Investment holding	HK\$2	100%
Pan Bright Investment Limited	Investment holding	HK\$20	100%
Pan Harbour Investment Limited	Investment holding	HK\$2	100%
Pan Inn Investment Limited	Investment holding	HK\$20	100%
Pan Kite Investment Limited	Investment holding	HK\$20	100%
Pan Pearl Investment Limited	Investment holding	HK\$20	100%
Pan Spring Investment Limited	Investment holding	HK\$20	100%
Prosperity Land Cleaning Service Limited	Cleaning services	HK\$100 and non-voting deferred share capital of HK\$100	100%
Prosperity Land Estate Management Limited	Property management	HK\$150 and non-voting deferred share capital of HK\$1,500,000	100%
Union Home Development Limited	Investment holding	HK\$2	100%
<i>Incorporated in Liberia</i>			
Bassindale Limited	Investment holding	US\$500	100%

\* Direct subsidiary of the Company

**APPENDIX I**
**FINANCIAL INFORMATION ON THE GROUP**
**Jointly controlled entities**

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
<i>Incorporated in Hong Kong</i>			
China INFOBANK Limited	Internet content provider	HK\$27,000,000	40.0%
Express Wind Limited	Investment holding	HK\$10,000	25.0%

*Incorporated in the PRC*

Cultural Palace Entertainment Company Limited #	Leasing of an entertainment complex	US\$4,750,000	25.0%
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# Cooperative Joint Venture operating in the PRC

**Associated companies**

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
<i>Incorporated in Bermuda</i>			
Asia Standard Hotel Group Limited	Hotel, catering services and travel	HK\$221,605,000	29.9%
Asia Standard International Group Limited	Property development, property leasing, hotel and travel	HK\$69,173,000	42.9%
<i>Incorporated in Hong Kong</i>			
Asia Standard Development (Holdings) Limited	Investment holding	HK\$10 and non-voting deferred share capital of HK\$362,892,949	42.9%
Asia Standard Finance Company Limited	Financing services	HK\$1,000,000	42.9%
Asia Standard International Limited	Investment holding	HK\$1,214,916,441	42.9%
Asia Standard Management Services Limited	Management services	HK\$2	42.9%
Full Union Development Limited	Property development	HK\$2	42.9%
Get Rich Enterprises Limited	Property development	HK\$2	34.3%



Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
Hoi Chak Properties Limited	Property investment	HK\$10 and non-voting deferred share capital of HK2	42.9%
JBC Travel Company Limited	Travel agency	HK\$2,500,000	29.9%
Lucky New Investment Limited	Property development	HK\$1	21.5%
Master Asia Enterprises Limited	Hotel holding	HK\$10,000	29.9%
Paramount Shine Limited	Property development	HK\$2	21.5%
Stone Pole Limited	Hotel holding	HK\$10	29.9%
Tilpifa Company Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$10,000	42.9%
Tonlok Limited	Property development	HK\$1,000	42.9%
Union Rich Resources Limited	Property development	HK\$2	34.3%
Vinstar Development Limited	Hotel holding	HK\$2	29.9%
Weststar Enterprises Limited	Property development	HK\$2	21.5%
Winfast Engineering Limited	Construction	HK\$2	42.9%
<i>Incorporated in British Virgin Islands</i>			
Enrich Enterprises Limited	Hotel holding	US\$1	29.9%
Global Gateway Corp.	Hotel operation	US\$1	29.9%
Glory Ventures Enterprises Inc.	Hotel holding	US\$1	29.9%
Honour Ahead Limited	Property development	US\$50,000	48.0%
<i>Incorporated in Cayman Islands</i>			
Asia Standard International Capital Limited	Financing services	US\$2	42.9%
<i>Incorporated in the PRC</i>			
漁陽房地產開發(深圳)有限公司 #	Property development	RMB40,000,000	17.7%

# Wholly owned Foreign Enterprises operating in the PRC

### 35 Approval of financial statements

The financial statements were approved by the Board of Directors on 18th July 2007.

## 3. UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Set out below are the unaudited interim financial statements of the Group for the six months ended 30th September 2007 with the relevant comparative figures as extracted from the interim report of the Company.

**Consolidated Profit and Loss Account — Unaudited**

	<i>Note</i>	<b>Six months ended</b>	
		<b>30th September</b>	
		<b>2007</b>	<b>2006</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from property management, dividend and interest income and proceeds from sale of financial assets at fair value through profit or loss	4	<u>15,961</u>	<u>40,802</u>
Revenue from property management, dividend and interest income	4	11,548	11,162
Cost of sales	6	<u>(5,256)</u>	<u>(4,310)</u>
Gross profit		6,292	6,852
Other income and charges	5	4,963	4,779
Administrative expenses	6	<u>(7,029)</u>	<u>(5,209)</u>
Operating profit		4,226	6,422
Finance costs	7	(194)	(169)
Share of profits less losses of			
Jointly controlled entities		(800)	—
Associated companies		<u>69,955</u>	<u>22,576</u>
Profit before income tax		73,187	28,829
Income tax expense	8	<u>(57)</u>	<u>—</u>
Profit for the period attributable to shareholders of the Company		<u>73,130</u>	<u>28,829</u>
Dividend	9	<u>12,463</u>	<u>12,219</u>
Earnings per share (HK cents)			
Basic	10	14.6	6.9
Diluted	10	<u>14.3</u>	<u>6.8</u>

## Consolidated Balance Sheet — Unaudited

	<i>Note</i>	<b>30th September 2007 HK\$'000</b>	<b>31st March 2007 HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	1,502	1,876
Jointly controlled entities		7,272	7,272
Associated companies		1,850,481	1,876,465
Deferred income tax assets		<u>3,885</u>	<u>3,885</u>
		<u>1,863,140</u>	<u>1,889,498</u>
<b>Current assets</b>			
Trade and other receivables	12	87,992	891
Assets held for sale	13	101,155	—
Financial assets at fair value through profit or loss		29,604	50,321
Warrant assets	14	42,733	—
Derivative financial instruments		3,227	5,902
Bank balances and cash		<u>351,295</u>	<u>115,045</u>
		<u>616,006</u>	<u>172,159</u>
<b>Current liabilities</b>			
Trade and other payables	15	41,966	39,100
Deposits received		10,000	—
Dividend payable		11,572	—
Warrant liabilities	16	32,342	—
Amounts due to associated companies		—	1,641
Amounts due to minority shareholders		8,311	8,311
Short-term bank loan and overdrafts		75,467	—
Income tax payable		<u>57</u>	<u>—</u>
		<u>179,715</u>	<u>49,052</u>
Net current assets		<u>436,291</u>	<u>123,107</u>
Total assets less current liabilities		2,299,431	2,012,605
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<u>9</u>	<u>9</u>
Net assets		<u>2,299,422</u>	<u>2,012,596</u>
<b>Equity</b>			
Share capital	17	57,858	38,572
Reserves	18	<u>2,241,564</u>	<u>1,974,024</u>
		<u>2,299,422</u>	<u>2,012,596</u>

## Condensed Consolidated Cash Flow Statement — Unaudited

	Six months ended	
	30th September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in)		
Operating activities	(92,876)	97,736
Investing activities	3,698	(91,872)
Financing activities	<u>321,607</u>	<u>161,403</u>
Net increase in cash and cash equivalents	232,429	167,267
Cash and cash equivalents at the beginning of period	<u>81,779</u>	<u>71,203</u>
Cash and cash equivalents at the end of period	<u><u>314,208</u></u>	<u><u>238,470</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash (excluding restricted bank balance)	314,221	238,470
Bank overdrafts	<u>(13)</u>	<u>—</u>
	<u><u>314,208</u></u>	<u><u>238,470</u></u>

## Consolidated Statement of Changes in Equity — Unaudited

	<i>HK\$'000</i>
At 31st March 2006	1,672,201
Currency translation differences	1,791
Profit for the period	<u>28,829</u>
Total recognised income for the period	30,620
Net proceeds pursuant to rights issue	160,492
Convertible notes of a listed associated company	<u>2,379</u>
	<u>162,871</u>
At 30th September 2006	<u><u>1,865,692</u></u>
At 31st March 2007	2,012,596
Currency translation differences	7,612
Profit for the period	<u>73,130</u>
Total recognised income for the period	80,742
Net proceeds pursuant to rights issue	246,152
Net proceeds pursuant to conversion of warrants	1
2007 final dividend	(11,572)
Warrants of the Company	(32,840)
Share options granted by a listed associated company	7,038
Convertible notes and bonds of listed associated companies	<u>(2,695)</u>
	<u>206,084</u>
At 30th September 2007	<u><u>2,299,422</u></u>

**Notes to the Interim Financial Information****1 Basis of preparation**

The unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and should be read in conjunction with the annual financial statements for the year ended 31st March 2007.

The accounting policies and methods of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st March 2007. In addition, the following accounting policies are adopted:

**(a) Warrant assets and liabilities**

Warrant assets and liabilities are initially recognised at fair value on the date of grant and are subsequently remeasured at their fair value. Changes in the fair value of warrant assets and liabilities are recognised in the profit and loss account.

**(b) Assets held for sale**

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

The following new standards, amendments and interpretations to existing standards have been published which are relevant to the Group’s operations and are mandatory for the Group’s accounting periods beginning on or after 1st April 2007 as follows:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK (IFRIC) - Int 8	Scope of HKFRS 2
HK (IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) - Int 10	Interim Reporting and Impairment
HK (IFRIC) - Int 11	HKFRS 2 — Group and Treasury Share Transactions
HKFRS 7	Financial Instruments: Disclosures

The adoption of the above standards, amendments and interpretations does not have substantial changes to the Group’s accounting policies and presentation of the financial statements, except that additional disclosures required under HKAS 1 (Amendment) and HKFRS 7 will be made in the 2008 annual financial statements.

**2 Financial risk management**

The activities of the Group, its jointly controlled entities and its associated companies expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group’s overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. The Group’s associated companies use derivative financial instruments to hedge certain risk exposures.

3 **Critical accounting estimates and judgements**

Estimates and judgments 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, its jointly controlled entities and its associated companies make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the 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 investment properties, impairment of assets, income taxes and fair values of warrant assets and liabilities.

4 **Revenue and segment information**

The Company is a limited liability company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited. The address of its principal office is 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

The Group, its jointly controlled entities and its associated companies are principally engaged in property management, development and investment, hotel, travel agency and catering operations. Turnover comprises gross revenues from property management, investment and interest income.

*Primary reporting format — business segments*

The Group, its jointly controlled entities and its associated companies are organised into four main business segments, comprising property sales, property leasing and management, hotel and travel and investment. There is no other significant identifiable separate business segment. Segment revenue from external customers is after elimination of inter-segment revenues. 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. Additional segment information of jointly controlled entities and associated companies was set out in supplementary notes.

	<b>Property management</b>	<b>Investment</b>	<b>Other operations</b>	<b>Group</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30th September 2007				
Proceeds from sales of financial assets at fair value through profit or loss	—	4,413	—	4,413
Segment revenues	<u>7,182</u>	<u>—</u>	<u>4,366</u>	<u>11,548</u>
	<u>7,182</u>	<u>4,413</u>	<u>4,366</u>	<u>15,961</u>
Contribution to segment results	1,926	—	4,366	6,292
Other income and charges	—	4,963	—	4,963
Unallocated corporate expenses				<u>(7,029)</u>

**APPENDIX I**
**FINANCIAL INFORMATION ON THE GROUP**

	<b>Property management</b>	<b>Investment</b>	<b>Other operations</b>	<b>Group</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit				4,226
Finance costs				(194)
Share of results of				
Jointly controlled entities ( <i>note (i)</i> )				(800)
Associated companies ( <i>note (i)</i> )				<u>69,955</u>
Profit before income tax				73,187
Income tax expense				<u>(57)</u>
Profit for the period				<u><u>73,130</u></u>
Six months ended 30th September 2006				
Proceeds from sales of financial assets at fair value through profit or loss	—	29,640	—	29,640
Segment revenues	<u>5,464</u>	<u>—</u>	<u>5,698</u>	<u>11,162</u>
	<u><u>5,464</u></u>	<u><u>29,640</u></u>	<u><u>5,698</u></u>	<u><u>40,802</u></u>
Contribution to segment results	1,154	—	5,698	6,852
Other income and charges	—	4,779	—	4,779
Unallocated corporate expenses				<u>(5,209)</u>
Operating profit				6,422
Finance costs				(169)
Share of results of associated companies ( <i>note (i)</i> )				<u>22,576</u>
Profit for the period				<u><u>28,829</u></u>



Note (i) Share of results of jointly controlled entities and associated companies

	Six months ended 30th September 2007		Six months ended 30th September 2006	
	Jointly controlled entities	Associated companies	Jointly controlled entities	Associated companies
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property sales	—	21,349	—	(783)
Property leasing	—	53,385	—	55,636
Hotel and travel	—	8,930	—	13,456
Other operations	(800)	20,242	—	(7,786)
Finance costs	—	(12,157)	—	(22,139)
Unallocated corporate expenses	—	(10,189)	—	(8,315)
Income tax expenses	—	(11,605)	—	(7,493)
	<u>(800)</u>	<u>69,955</u>	<u>—</u>	<u>22,576</u>

#### Geographical segments

For the six months ended 30th September 2007 and 2006, the activities of the Group are mainly based in Hong Kong. The Group incurred its capital expenditure, derived all of its revenue and operating profit from Hong Kong. Over 90% of its total assets are located in Hong Kong.

#### 5 Other income and charges

	Six months ended 30th September	
	2007	2006
	HK\$'000	HK\$'000
Net realised gains/(losses) on financial assets at fair value through profit or loss	749	(13,734)
Net unrealised losses on financial assets at fair value through profit or loss	(110)	(633)
Net realised gains on derivative financial instruments	302	—
Net unrealised gains on derivative financial instruments	374	—
Net fair value gains on warrant assets (note 14)	3,805	—
Fair value gains on warrant liabilities (note 16)	498	—
Net (losses)/gains on dilution/acquisition of interest in listed associated companies	(655)	9,630
Gain on disposal of an associated company	—	9,516
	<u>4,963</u>	<u>4,779</u>

## 6 Costs and expenses by nature

	Six months ended 30th September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Expenses</b>		
Depreciation	393	392
Employee benefit expense, including Directors' emoluments ( <i>note (a)</i> )	<u>6,777</u>	<u>5,930</u>
<b>(a) Employee benefit expense</b>		
Wages and salaries	6,624	5,776
Retirement benefits costs	<u>153</u>	<u>154</u>
	<u>6,777</u>	<u>5,930</u>

## 7 Finance costs

	Six months ended 30th September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense and finance charges on short term bank loans and overdrafts	<u>194</u>	<u>169</u>

## 8 Income tax expense

	Six months ended 30th September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax	<u>57</u>	<u>—</u>

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the period and no Hong Kong profits tax was made in the prior period as the Group had no assessable profits in that period. No overseas income tax has been made as the Group has no estimated assessable profit for the period (2006: nil).

Share of income tax of jointly controlled entities and associated companies for the six months ended 30th September 2007 of nil (2006: nil) and HK\$11,494,000 (2006: HK\$8,253,000) is included in the profit and loss account as share of profits less losses of jointly controlled entities and associated companies respectively.

## 9 Dividend

	Six months ended 30th September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend of HK2.0 cents (2006: HK3.2 cents) per share	<u>12,463</u>	<u>12,219</u>

At a meeting held on 21st December 2007, the Board of Directors has declared to pay an interim dividend of HK2.0 cents per share. This interim dividend is not reflected in the interim financial information, but will be reflected as an appropriation of revenue reserve in the year ending 31st March 2008.

The amount HK\$12,463,000 is based on 623,143,834 issued shares as at 21st December 2007.

## 10 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$73,130,000 (2006: HK\$28,829,000) and on the weighted average number of 502,314,630 (2006: 420,296,571, adjusted for the effects of rights issue in July 2007) shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30th September 2007 is based on HK\$72,452,000 equalling to profit attributable to shareholders of the Company of HK\$73,130,000 with a decrease in share of profit after tax of HK\$678,000 from Asia Standard International Group Limited ("Asia Standard") arising from conversion of the convertible notes of Asia Standard, and the weighted average number of 508,424,318 shares equalling to the weighted average number of 502,314,630 shares in issue during the period with an increase of 6,056,022 shares and 53,666 shares arising from potential exercise of the Company's share options and warrants respectively. The outstanding share options and warrants of Asia Standard and Asia Standard Hotel Group Limited ("AS Hotel") did not have a dilutive effect on the earnings per share.

The calculation of diluted earnings per share for the six months ended 30th September 2006 was based on HK\$28,455,000 equalling to the profit attributable to shareholders of the Company of HK\$28,829,000 with a decrease in share of profit after tax of HK\$374,000 from Asia Standard arising from potential conversion of the convertible notes of Asia Standard, and the weighted average number of 420,296,571 (adjusted for the effects of rights issue in July 2007) shares in issue during the period.

## 11 Property, plant and equipment

	<b>Other equipment</b> <i>HK\$'000</i>
<b>Cost</b>	
At 31st March 2007	4,984
Additions	<u>19</u>
<b>At 30th September 2007</b>	5,003 -----
<b>Accumulated depreciation</b>	
At 31st March 2007	3,108
Charge for the period	<u>393</u>
<b>At 30th September 2007</b>	3,501 -----
<b>Net book value</b>	
<b>At 30th September 2007</b>	<u><u>1,502</u></u>
At 31st March 2007	<u><u>1,876</u></u>

## 12 Trade and other receivables

Trade and other receivables of the Group include trade receivables, utility and other deposits, interest and other receivables.

Trade receivables of the Group amounted to HK\$83,000 (31st March 2007: HK\$302,000). 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.

Aging analysis of trade receivables net of provision for impairment of doubtful debts is as follows:

	<b>30th September</b> <b>2007</b> <i>HK\$'000</i>	<b>31st March</b> <b>2007</b> <i>HK\$'000</i>
0 day to 60 days	79	226
61 days to 120 days	<u>4</u>	<u>76</u>
	<u><u>83</u></u>	<u><u>302</u></u>

13 **Assets held for sale**

On 27th August 2007, the Group entered into a sale and purchase agreement for disposal of 9.6% of the interest in an associated company which invested in a commercial property development in Beijing. The disposal will be completed in the second half of the financial year. Consequently, the corresponding investment in this associated company of HK\$101,155,000 was reclassified as assets held for sale as at 30th September 2007.

14 **Warrant assets**

On 7th September 2007, the Group received 617,469,000 bonus warrants from Asia Standard, a listed associated company. The warrants are exercisable at any time within one year from the date of issue. The initial subscription price was at HK\$0.29 per share, subject to adjustments and reset arrangements.

On the same day, the Group received 65,369,000 bonus warrants from AS Hotel, another listed associated company. The warrants are exercisable at any time within three years from the date of issue. The initial subscription price was at HK\$0.146 per share, subject to adjustments and reset arrangements.

Movement of the warrant assets during the period is as follows:

	<i>HK\$'000</i>
Fair value of warrants at date of issue	38,928
Net fair value gains credited to profit and loss account ( <i>note 5</i> )	<u>3,805</u>
At 30th September 2007	<u><u>42,733</u></u>

15 **Trade and other payables**

Trade and other payables of the Group include trade payables, rental and management fee deposits, interest and other payables and various accruals. Trade payables of the Group amounted to HK\$3,760,000 (31st March 2007: HK\$4,181,000).

Aging analysis of trade payables is as follows:

	<b>30th September 2007</b>	<b>31st March 2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	3,214	3,629
61 days to 120 days	30	28
More than 120 days	<u>516</u>	<u>524</u>
	<u><u>3,760</u></u>	<u><u>4,181</u></u>

## 16 Warrant liabilities

On 7th September 2007, the Company issued warrants to shareholders on the basis of one warrant for every five shares of the Company. The initial subscription price was at HK\$1.62 per share and the warrants are exercisable at any time within one year from the date of issue. Apart from the adjustments upon occurrence of the usual adjustment events, the subscription price is subject to the reset adjustment at the end of each six months period from the date of issue of the warrants and a final reset adjustment on the tenth business day before the date of expiration of the warrants.

Movement of the warrant liabilities during the period is as follows:

	<i>HK\$'000</i>
Fair value of warrant at date of issue	32,840
Fair value gains credited to profit and loss account ( <i>note 5</i> )	<u>(498)</u>
At 30th September 2007	<u><u>32,342</u></u>

## 17 Share capital

	Number of shares	Amount <i>HK\$'000</i>
Shares of HK\$ 0.1 each		
Authorised		
At 31st March 2007	750,000,000	75,000
Increase during the period ( <i>note (a)</i> )	<u>750,000,000</u>	<u>75,000</u>
At 30th September 2007	<u><u>1,500,000,000</u></u>	<u><u>150,000</u></u>
Issued and fully paid		
At 31st March 2007	385,717,565	38,572
Shares issued pursuant to rights issue ( <i>note (b)</i> )	192,858,782	19,286
Conversion of warrants	<u>733</u>	<u>—</u>
At 30th September 2007	<u><u>578,577,080</u></u>	<u><u>57,858</u></u>

*Notes:*

- (a) On 31st August 2007, an ordinary resolution was passed to increase the authorised share capital to HK\$150 million.
- (b) In July 2007, the Company issued 192.8 million shares at HK\$1.3 each for a gross consideration of HK\$250.7 million pursuant to a 1 for 2 rights issue. Net proceeds amounted to HK\$246 million.

## 18 Reserves

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Convertible notes and bonds <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Warrants reserve <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st March 2007	1,718,133	398,021	71,829	3,476	14,280	—	(231,715)	1,974,024
Profit for the period	—	—	—	—	—	—	73,130	73,130
2007 final dividend	—	—	—	—	—	—	(11,572)	(11,572)
Rights issue less expenses	226,866	—	—	—	—	—	—	226,866
Warrants	1	—	—	—	—	(32,840)	—	(32,839)
Share of reserves of associated companies	—	—	—	(3,476)	7,038	—	781	4,343
Currency translation differences	—	—	—	—	—	—	7,612	7,612
At 30th September 2007	<u>1,945,000</u>	<u>398,021</u>	<u>71,829</u>	<u>—</u>	<u>21,318</u>	<u>(32,840)</u>	<u>(161,764)</u>	<u>2,241,564</u>

## 19 Capital commitments

The Group did not have any capital commitments which were contracted but not provided for, nor authorised but not contracted for as at 30th September 2007 and 31st March 2007.

## 20 Contingent liabilities

There were no material contingent liabilities existing as at 30th September 2007 and 31st March 2007.

## 21 Comparative figures

Certain comparative figures have been restated to conform to the current period's presentation.

**4. INDEBTEDNESS**

As at the close of business on 31st December 2007, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the Group had outstanding unsecured amounts due to minority shareholders of HK\$8.3 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, as at the close of business on 31st December 2007, 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 or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

**5. WORKING CAPITAL**

Upon completion of the AS Rights Issue and after taking into account the Group's present internal resources, in the absence of unforeseen circumstances, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements for the 12 months from the date of the circular.

**6. FINANCIAL AND TRADING PROSPECT OF THE GROUP**

The Hong Kong real estate market is experiencing an extremely positive cycle which is characterized by sizable price rises and volume of transactions in residential sector, while office sector enjoys healthy rental increases and capital appreciation. The encouraging land sale results, rising salary expectations, falling unemployment rate, value hedging aspirations, all together mean increasing housing demand. The predicted low housing supply in 2008 could be a favourable factor for further price rises.

With 2008 Olympic Games, robust Mainland economy and Macau gaming attractions, the likely strong influx of business and leisure travelers into Hong Kong, the financial and business hub of the region, propel the hotel and tourism industry.

The Hong Kong and Mainland economies are both showing strong momentum, the Group will continue to support its investment in Asia Standard, while actively identifying opportunities in China, Macau and Hong Kong.



As mentioned in the Announcement, the Directors consider that the Transaction would enable the Company to maintain, support and enhance the value of its investment in Asia Standard since this will maintain its shareholding in Asia Standard. Accordingly, since 30th September 2007 (being the date to which the latest published unaudited financial statements of the Group were made up), there will be no material change in the financial position as well as the financial and trading prospect of the Group after the taking up its entitlement under Rights Issue.

#### **7. MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, there have not been any material adverse change in the trading or financial position of the Group since 31st March 2007, being the date to which the latest published audited accounts of the Group were made up.

## 1. SUMMARY OF CONSOLIDATED RESULTS

Set out below is the summary of the consolidated results of the AS Group for each of the three financial years ended 31st March 2005, 2006 and 2007 as extracted from the published annual reports of Asia Standard for the years ended 31st March 2006 and 2007.

For the year ended 31st March 2006, the AS Group adopted the new and revised Hong Kong Financial Reporting Standards (the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants which are effective for accounting periods commencing on or after 1st January 2005, resulting in changes to certain accounting policies of the Group.

For the years ended 31st March 2007 and 2006, the AS Group has adopted the new HKFRS and the figures for the year ended 31st March 2005 have been restated only as required under the new and revised HKFRS. These restated figures have been adopted for the purpose of this summary.

**Summary of results**

	<b>Year ended 31st March</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Turnover	1,374,113	744,390	706,602
Cost of sales	<u>(908,980)</u>	<u>(474,251)</u>	<u>(479,741)</u>
Gross profit	465,133	270,139	226,861
Selling and administrative expenses	(149,329)	(124,166)	(110,722)
Other income and charges	<u>126,031</u>	<u>141,809</u>	<u>91,127</u>
Operating profit	441,835	287,782	207,266
Finance costs	(111,727)	(116,963)	(96,008)
Share of profits less losses of			
Jointly controlled entries	562	(6,372)	163,870
Associated companies	<u>28,437</u>	<u>37,199</u>	<u>32,406</u>
Profit before income tax	359,107	201,646	307,534
Income tax expense	<u>(58,463)</u>	<u>(38,084)</u>	<u>(22,449)</u>
Profit for the year	<u><u>300,644</u></u>	<u><u>163,562</u></u>	<u><u>285,085</u></u>

	Year ended 31st March		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000 (Restated)
Attributable to:			
Shareholders of the Company	287,596	167,860	278,707
Minority interests	<u>13,048</u>	<u>(4,298)</u>	<u>6,378</u>
	<u>300,644</u>	<u>163,562</u>	<u>285,085</u>
Dividends	<u>49,095</u>	<u>30,462</u>	<u>28,526</u>
Earnings per Share			
Basic	<u>HK4.89 cents</u>	<u>HK3.21 cents</u>	<u>HK6.61 cents</u>
Diluted	<u>HK4.72 cents</u>	<u>HK3.21 cents</u>	<u>HK6.26 cents</u>

**Summary of financial position**

	As at 31 March		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000 (Restated)
Total assets	6,963,763	6,984,193	6,773,627
Total liabilities other than minority interests	<u>(2,228,130)</u>	<u>(2,889,282)</u>	<u>(3,099,848)</u>
	4,735,633	4,094,911	3,673,779
Minority interests	<u>(731,410)</u>	<u>(658,891)</u>	<u>(401,515)</u>
Equity attributable to Shareholders	<u>4,004,223</u>	<u>3,436,020</u>	<u>3,272,264</u>

## 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE AS GROUP

Set out below are the audited consolidated financial statements of the AS Group for the financial years ended 31st March 2006 and 2007 as exacted from the annual report of Asia Standard for the financial year ended 31st March 2007.

**Consolidated Profit and Loss Account**

*For the year ended 31st March 2007*

	<i>Note</i>	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Revenue	5, 7	1,374,113	744,390
Cost of sales	7	<u>(908,980)</u>	<u>(474,251)</u>
Gross profit		465,133	270,139
Selling expenses		(15,608)	(11,510)
Administrative expenses	7	(133,721)	(112,656)
Other income and charges	6	<u>126,031</u>	<u>141,809</u>
Operating profit		441,835	287,782
Finance costs	8	(111,727)	(116,963)
Share of profits less losses of			
Jointly controlled entities		562	(6,372)
Associated companies		<u>28,437</u>	<u>37,199</u>
Profit before income tax		359,107	201,646
Income tax expense	11	<u>(58,463)</u>	<u>(38,084)</u>
Profit for the year		<u>300,644</u>	<u>163,562</u>
Attributable to:			
Shareholders of the Company	12	287,596	167,860
Minority interests		<u>13,048</u>	<u>(4,298)</u>
		<u>300,644</u>	<u>163,562</u>
Dividends	13	<u>49,095</u>	<u>30,462</u>
Earnings per share			
Basic	14	<u>HK 4.89 cents</u>	<u>HK 3.21 cents</u>
Diluted	14	<u>HK 4.72 cents</u>	<u>HK 3.21 cents</u>

**APPENDIX II**
**FINANCIAL INFORMATION ON THE AS GROUP**
**Consolidated Balance Sheet**
*As at 31st March 2007*

	<i>Note</i>	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	15	868,125	856,586
Investment properties	16	1,776,150	2,046,470
Leasehold land	17	1,765,542	1,378,106
Jointly controlled entities	19	228,900	134,817
Associated companies	20	504,997	473,867
Goodwill	21	8,651	8,651
Mortgage loans receivable	22	10,647	9,800
Deferred income tax assets	34	64,517	98,820
		<u>5,227,529</u>	<u>5,007,117</u>
<b>Current assets</b>			
Properties held for/under development for sale	23	796,759	1,182,333
Completed properties held for sale	23	463,471	196,690
Mortgage loans receivable	22	339	420
Hotel and restaurant inventories		2,190	2,566
Trade and other receivables	24	178,148	156,460
Financial assets at fair value through profit or loss	25	67,318	84,458
Derivative financial instruments	26	6,156	5,716
Income tax recoverable		507	213
Bank balances and cash	27	221,346	348,220
		<u>1,736,234</u>	<u>1,977,076</u>
<b>Current liabilities</b>			
Trade and other payables	28	144,453	147,167
Amount due to an associated company	20	51,150	51,150
Deposits received on properties pre-sold		—	212,068
Short term bank loans and overdrafts, secured	33	186,000	50,000
Convertible bonds	31	—	218,265
Derivative financial instruments	26	2,717	459
Current portion of long term loans, secured	33	14,073	58,312
Amounts due to minority shareholders	35	109,964	105,509
Income tax payable		21,067	23,896
		<u>529,424</u>	<u>866,826</u>
Net current assets		<u>1,206,810</u>	<u>1,110,250</u>
Total assets less current liabilities		<u>6,434,339</u>	<u>6,117,367</u>

**APPENDIX II****FINANCIAL INFORMATION ON THE AS GROUP**

	<i>Note</i>	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Non-current liabilities			
Convertible notes	32	89,768	—
Long term loans, secured	33	1,441,175	1,880,954
Deferred income tax liabilities	34	<u>167,763</u>	<u>141,502</u>
		<u>1,698,706</u>	<u>2,022,456</u>
Net assets		<u>4,735,633</u>	<u>4,094,911</u>
Equity			
Share capital	29	69,173	50,769
Reserves	30	<u>3,935,050</u>	<u>3,385,251</u>
Equity attributable to shareholders of the Company		4,004,223	3,436,020
Minority interests		<u>731,410</u>	<u>658,891</u>
		<u>4,735,633</u>	<u>4,094,911</u>

**APPENDIX II****FINANCIAL INFORMATION ON THE AS GROUP****Balance Sheet***As at 31st March 2007*

	<i>Note</i>	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Non-current assets			
Subsidiaries	18	4,226,059	3,896,286
Deferred income tax assets	34	<u>110</u>	<u>110</u>
		<u>4,226,169</u>	<u>3,896,396</u>
Current assets			
Trade and other receivables		406	354
Financial assets at fair value through profit or loss	25	6,570	22,500
Derivative financial instruments	26	—	127
Bank balances and cash	27	545	52,636
		<u>7,521</u>	<u>75,617</u>
Current liabilities			
Trade and other payables		1,620	1,301
Short term bank loans and overdrafts, secured	33	—	20,000
Current portion of long term loans, secured	33	1,480	1,360
		<u>3,100</u>	<u>22,661</u>
Net current assets		<u>4,421</u>	<u>52,956</u>
Total assets less current liabilities		4,230,590	3,949,352
Non-current liabilities			
Long term loans, secured	33	<u>18,520</u>	<u>6,707</u>
Net assets		<u>4,212,070</u>	<u>3,942,645</u>
Equity			
Share capital	29	69,173	50,769
Reserves	30	<u>4,142,897</u>	<u>3,891,876</u>
		<u>4,212,070</u>	<u>3,942,645</u>

**Consolidated Cash Flow Statement***For the year ended 31st March 2007*

	<i>Note</i>	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
<b>Cash flows from operating activities</b>			
Cash generated from operations	39	202,101	305,137
Net income tax (paid)/refunded		(1,023)	11
Interest paid		<u>(112,212)</u>	<u>(129,733)</u>
Net cash from operating activities		----- 88,866	----- 175,415
<b>Cash flows from investing activities</b>			
Interest received		9,435	13,019
Dividends received from financial assets at fair value through profit or loss		671	1,976
Proceeds on disposal of financial assets at fair value through profit or loss		35,845	29,024
Purchases of financial assets at fair value through profit or loss		(35,791)	(11,550)
Additions to property, plant and equipment		(14,323)	(23,000)
Acquisition of additional interest in a listed subsidiary		—	(18,500)
(Increase)/decrease in advances to associated companies		(2,693)	6,470
(Increase)/decrease in advances to jointly controlled entities		<u>(93,520)</u>	<u>3,445</u>
Net cash (used in)/from investing activities		----- (100,376)	----- 884
Net cash (used in)/generated before financing activities		----- (11,510)	----- 176,299



**APPENDIX II****FINANCIAL INFORMATION ON THE AS GROUP**

	<i>Note</i>	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Net cash (used in)/generated before financing activities		(11,510)	176,299
<b>Cash flows from financing activities</b>			
Drawdown of long term bank loans		696,903	119,157
Repayments of long term bank loans		(1,188,464)	(566,144)
Issuance of convertible notes		94,000	—
Redemption of convertible bonds		(222,580)	(115,542)
Dividend paid		(26,620)	(19,951)
Increase in short term bank loans		136,000	50,000
Net proceeds from rights shares		295,491	—
Increase in loans from minority shareholders of subsidiaries		4,455	3,928
Subscription of rights shares by minority shareholders		120,217	—
Distribution of dividend on a listed subsidiary to minority shareholders		(19,377)	—
Exercise of share options of a listed subsidiary		—	53,382
Placement of new shares by a listed subsidiary		—	193,175
Net cash used in financing activities		(109,975)	(281,995)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		319,008	424,149
Changes in exchange rates		(697)	555
Cash and cash equivalents at the end of the year		196,826	319,008
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances (excluding restricted bank balances)	27	196,826	319,008

**Consolidated Statement of Changes in Equity***For the year ended 31st March 2007*

	<b>Shareholders of the Company</b> <i>HK\$'000</i>	<b>Minority interests</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1st April 2005	3,272,954	401,515	3,674,469
Currency translation differences and net income directly recognised in equity	5,182	1,060	6,242
Profit/(loss) for the year	<u>167,860</u>	<u>(4,298)</u>	<u>163,562</u>
Total recognised income/(loss) for the year	173,042	(3,238)	169,804
Scrip dividend	353	—	353
2005 final dividend	<u>(20,304)</u>	<u>—</u>	<u>(20,304)</u>
	<u>(19,951)</u>	<u>—</u>	<u>(19,951)</u>
Acquisition of additional interest in a listed subsidiary	<u>—</u>	<u>(12,144)</u>	<u>(12,144)</u>
Deemed disposal of interest in a listed subsidiary	<u>—</u>	<u>265,233</u>	<u>265,233</u>
Share options granted by a listed subsidiary	<u>9,975</u>	<u>7,525</u>	<u>17,500</u>
At 31st March 2006	<u>3,436,020</u>	<u>658,891</u>	<u>4,094,911</u>
At 1st April 2006	<u>3,436,020</u>	<u>658,891</u>	<u>4,094,911</u>
Currency translation differences and net income directly recognised in equity	1,109	658	1,767
Profit for the year	<u>287,596</u>	<u>13,048</u>	<u>300,644</u>
Total recognised income for the year	<u>288,705</u>	<u>13,706</u>	<u>302,411</u>

**APPENDIX II**
**FINANCIAL INFORMATION ON THE AS GROUP**

	<b>Shareholders of the Company</b> <i>HK\$'000</i>	<b>Minority interests</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Issuance of rights shares	295,491	—	295,491
Issuance of convertible notes	5,805	—	5,805
Scrip dividend	27,789	—	27,789
2006 final dividend	(30,462)	—	(30,462)
2007 interim dividend	(23,947)	—	(23,947)
	<u>274,676</u>	—	<u>274,676</u>
Distribution of 2006 final dividend of a listed subsidiary	—	(13,079)	(13,079)
Distribution of 2007 interim dividend of a listed subsidiary	—	(10,627)	(10,627)
Scrip dividend of a listed subsidiary	—	1,052	1,052
Issuance of rights shares of a listed subsidiary	—	120,217	120,217
Conversion of convertible bonds of a listed subsidiary	—	(41,608)	(41,608)
Share options granted by a listed subsidiary	4,822	2,858	7,680
	<u>4,822</u>	<u>58,813</u>	<u>63,635</u>
<b>At 31st March 2007</b>	<u><u>4,004,223</u></u>	<u><u>731,410</u></u>	<u><u>4,735,633</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

**1 BASIS OF PREPARATION**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, financial assets at fair value through profit or loss and derivative financial instruments, which are carried at fair value, and in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

**2 PRINCIPAL ACCOUNTING POLICIES****(a) The adoption of new/revised HKFRS**

During the year, the Group adopted the amendments and interpretation of HKFRS below, which are relevant to its operations.

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC) — Int 4	Determining whether an Arrangement contains a Lease

The Group has assessed the impact of the adoption of these amendments and interpretation and considered that there were no significant impact on the Group’s results and financial position and no substantial changes in the Group’s accounting policies.

*Standards, interpretations and amendments to existing standards that are not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published which are relevant to the Group’s operations and financial statements and are mandatory for the Group’s accounting periods beginning on or after 1st April 2007 or later periods as follows:

*Effective from 1st January 2007*

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK (IFRIC) — Int 8	Scope of HKFRS 2
HK (IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) — Int 10	Interim Reporting and Impairment
HK (IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HKFRS 7	Financial Instruments: Disclosures

*Effective from 1st January 2009*

HKFRS 8

Operating Segments

The Group has not early adopted the above standards, amendments and interpretations and it is not expected to have substantial changes to the Group's accounting policies and presentation of the financial statements.

(b) **Basis of consolidation**

The consolidated financial statements of the Group include the financial statements of the Company and all its subsidiaries made up to 31st March.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference, being negative goodwill is recognised directly in the profit and loss account.

The profit or loss on disposal of subsidiaries, jointly controlled entities or associated companies 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the profit and loss account. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) **Subsidiaries**

Subsidiaries are all entities (including special purpose entities) in which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

**(d) Jointly controlled entities**

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with other venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(e) Associated companies**

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(f) Goodwill**

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, jointly controlled entities and associated companies at the date of acquisition. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation and translated at closing rate.

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill on acquisitions of jointly controlled entities and associated companies is included in investments in jointly controlled entities and associated companies respectively. Goodwill is tested for impairment at least annually and whenever there is any impairment indication and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment losses recognised on goodwill are not reversed.

(g) **Financial assets**

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and financial assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are included in the profit and loss account in the period in which they arise.

The fair value of financial instruments traded in active markets is based on quoted market price at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long term debts. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of derivative instruments are recognised immediately in the profit and loss account.

(h) **Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Hotel and other buildings	Shorter of 50 years or the remaining lease period of the land on which the buildings are located
Other equipment	3½ to 10 years

Freehold land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(i) **Impairment of assets**

Assets that have an indefinite useful life and are not subject to depreciation/amortisation are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.



**(j) Investment properties**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment properties are measured initially at their costs, including related transaction costs. After initial recognition, investment properties are carried at fair value and are valued at least annually by independent valuers. The valuations are on an open market basis, related to individual properties, and separate values are not attributed to land and buildings. Investment property that is being redeveloped for continuing use as investment property continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Changes in fair values are recognised in the profit and loss account.

Subsequent expenditure is charged to the asset's carrying amount 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 costs are expensed in the profit and loss account during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

**(k) Properties held for/under development for sale**

Properties held for/under development for sale are included in current assets and comprise leasehold land at amortised cost, construction costs, interest and other direct costs attributable to such properties and allowances for any foreseeable losses.

**(l) Completed properties held for sale**

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises leasehold land at amortised cost, construction costs, interest and other direct expenses capitalised during the course of development. Net realisable value is determined by the Directors based on prevailing market conditions.

If an item of completed properties held for sale becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as profit or loss in the profit and loss account under HKAS 40.

**(m) Hotel and restaurant inventories**

Hotel and restaurant inventories comprise consumables and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

**(n) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade and other receivables in the balance sheet are stated net of such provision.

(o) **Trade and other payables**

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

(q) **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The fair value of the liability portion of a convertible bonds/notes is determined using a market interest rate for an equivalent non-convertible bonds/notes. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds/notes. The remainder of the proceeds is allocated to the conversion option. This is recognised in shareholders' equity, net of tax.

(r) **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 balance 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 several defined contribution retirement 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.

(iii) *Share-based compensation*

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(s) **Deferred income tax**

Deferred income tax 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 financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(t) **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(u) **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(v) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is recognised as follows:

(i) ***Properties***

Revenue from sales of properties is recognised upon the later of completion of the properties and the sale and purchase contracts.

(ii) ***Investment properties***

Rental income from investment properties is recognised on a straight line basis over the terms of the respective leases.

(iii) ***Hotel, travel agency and management services businesses***

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

Revenue from sale of air tickets and hotel reservation service is recognised when related services are rendered.

Management fee income is recognised when services are rendered.

(iv) ***Investment and others***

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

(w) **Foreign currency translation**

(i) ***Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which are the Company's functional and presentation currency.

(ii) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss.

(iii) ***Group companies***

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(x) **Borrowing costs**

Borrowing costs incurred on properties under development that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of the properties under development.

All other borrowing costs are recognised in the profit and loss account in the year in which they are incurred.

(y) **Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors), are charged in the profit and loss account on a straight line basis over the period of the leases.

(z) **Leasehold land**

The up-front prepayments made for leasehold land are amortised on a straight-line basis over the period of the lease and are charged to profit and loss account. Where there is impairment, impairment is expensed in the profit and loss account.

(aa) **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

(ab) **Related parties**

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, jointly controlled entities and associated companies and key management (including close members of their families), where the individual, company or group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

### 3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and interest rate risk. The Group's overall risk management 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.

(a) **Market risk**

(i) ***Foreign exchange risk***

The Group operates mainly in Hong Kong and has limited exposures to foreign exchange risk arising from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations in Canada and Mainland China, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations in Canada is managed primarily through borrowings denominated in the relevant foreign currency.

(ii) **Price risk**

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

(b) **Credit risk**

The Group has no significant concentrations of credit risk. Sales of properties are made to customers with appropriate mortgage arrangements. Other sales are either made in cash, via major credit cards or to customer with appropriate credit history. Cash transactions are limited to high-credit-quality financial institutions.

(c) **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group maintains flexibility in funding by keeping committed credit lines available.

(d) **Interest rate risk**

The Group's interest rate risk arises from mortgage loans receivable and long term borrowings issued at variable rates.

The Group manages certain of its interest rate risk from long term borrowings by limited use of floating-to-fixed interest-rate swaps. Such interest-rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

#### 4 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 equal the 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 investment properties, impairment of assets and income taxes.

(a) **Estimate of fair value of investment properties**

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the amount is determined within a range of reasonable fair value estimates. Information from a variety of sources are considered in making the judgement:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. Assumptions used are mainly based on market conditions existing at each balance sheet date.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(b) **Impairment of assets**

The Group tests at least annually whether goodwill has suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amounts of an asset or a cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

(c) **Income taxes**

The Group is subject to income taxes in Hong Kong and other jurisdictions. Judgement is required in certain provision for income taxes for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectations of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

**5 REVENUE AND SEGMENT INFORMATION**

The Company is a limited liability company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

The Group is principally engaged in property development and investment, hotel, travel agency and catering operations. Revenue comprises gross revenues from property sales, property leasing, hotel and travel agency, management services, investment and interest income.

**Primary reporting format — business segments**

The Group is organised into three main business segments, comprising property sales, property leasing and hotel and travel. There is no other significant identifiable separate business segments. Segment revenue from external customers is after elimination of inter-segment revenue. 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.

**APPENDIX II****FINANCIAL INFORMATION ON THE AS GROUP**

Segment assets consist primarily property, plant and equipment, leasehold land, investment properties, other non-current assets, hotel inventories, properties, trade and other receivables and investments. Segment liabilities comprise mainly trade and other payables, accruals, bank and other loans.

	<b>Property sales</b>	<b>Property leasing</b>	<b>Hotel and travel</b>	<b>Other operations</b>	<b>Group</b>
<b>2007 (in HK\$'000)</b>					
Segment revenue	<u>652,240</u>	<u>57,681</u>	<u>617,279</u>	<u>46,913</u>	<u>1,374,113</u>
Contribution to segment results	133,839	52,814	160,696	12,040	359,389
Other income/(charges)	(12,101)	191,365	(81,041)	27,808	126,031
Unallocated corporate expenses					<u>(43,585)</u>
Operating profit					441,835
Finance costs					(111,727)
Share of results of					
Jointly controlled entities	574	—	—	(12)	562
Associated companies	(5,936)	35,690	—	(1,317)	<u>28,437</u>
Profit before income tax					359,107
Income tax expense					<u>(58,463)</u>
Profit for the year					<u>300,644</u>
<b>2006 (in HK\$'000)</b>					
Segment revenue	<u>74,531</u>	<u>55,332</u>	<u>569,792</u>	<u>44,735</u>	<u>744,390</u>
Contribution to segment results	(8,200)	50,582	135,703	3,426	181,511
Other income/(charges)	(11,052)	257,535	(108,757)	4,083	141,809
Unallocated corporate expenses					<u>(35,538)</u>
Operating profit					287,782
Finance costs					(116,963)
Share of results of					
Jointly controlled entities	(6,361)	—	—	(11)	(6,372)
Associated companies	(7,633)	45,832	—	(1,000)	<u>37,199</u>
Profit before income tax					201,646
Income tax expense					<u>(38,084)</u>
Profit for the year					<u>163,562</u>



**APPENDIX II****FINANCIAL INFORMATION ON THE AS GROUP**

	<b>Property sales</b>	<b>Property leasing</b>	<b>Hotel and travel</b>	<b>Other operations</b>	<b>Group</b>
<b>2007 (in HK\$'000)</b>					
Segment assets	1,354,892	1,909,314	2,634,044	138,708	6,036,958
Jointly controlled entities and associated companies	380,046	352,637	—	1,214	733,897
Unallocated assets					<u>192,908</u>
					<u>6,963,763</u>
Segment liabilities	450,791	713,180	751,397	26,093	1,941,461
Unallocated liabilities					<u>286,669</u>
					<u>2,228,130</u>
Capital expenditure	—	—	13,927	396	14,323
Depreciation	—	—	52,273	667	52,940
Amortisation of leasehold land	9,321	—	21,088	316	30,725
<b>2006 (in HK\$'000)</b>					
Segment assets	1,277,064	2,316,675	2,250,307	158,297	6,002,343
Jointly controlled entities and associated companies	290,702	316,947	—	1,035	608,684
Unallocated assets					<u>373,166</u>
					<u>6,984,193</u>
Segment liabilities	754,788	911,835	940,679	26,027	2,633,329
Unallocated liabilities					<u>255,953</u>
					<u>2,889,282</u>
Capital expenditure	—	—	22,656	344	23,000
Depreciation	—	—	51,287	2,364	53,651
Amortisation of leasehold land	8,977	—	20,040	316	29,333

## Secondary reporting format — geographical segments

The activities of the Group are mainly based in Hong Kong. A summary of geographical segments is set out as follows:

	Segment revenue	Operating profit	Total assets	Capital expenditure
<b>2007 (in HK\$'000)</b>				
Hong Kong	1,272,026	423,171	6,597,170	11,627
Mainland China	9,296	2,455	56,533	44
Canada	<u>92,791</u>	<u>16,209</u>	<u>310,060</u>	<u>2,652</u>
	<u>1,374,113</u>	<u>441,835</u>	<u>6,963,763</u>	<u>14,323</u>
<b>2006 (in HK\$'000)</b>				
Hong Kong	657,403	276,936	6,620,027	20,216
Mainland China	9,412	2,327	56,190	57
Canada	<u>77,575</u>	<u>8,519</u>	<u>307,976</u>	<u>2,727</u>
	<u>744,390</u>	<u>287,782</u>	<u>6,984,193</u>	<u>23,000</u>

## 6 Other income and charges

	2007 HK\$'000	2006 HK\$'000
Surplus on revaluation of investment properties	184,125	252,540
Depreciation	(52,940)	(53,651)
Amortisation of leasehold land	(30,725)	(29,333)
Net fair value (losses)/gains on financial assets at fair value through profit or loss	(12,957)	9,380
Write-back of provision for diminution in value of properties held for/under development for sale	4,460	2,920
Provision for doubtful debts	(3,137)	(2,618)
Share option expense of a listed subsidiary	(7,680)	(17,500)
Negative goodwill/(loss) on acquiring additional/deemed disposal of interest in a listed subsidiary	<u>44,885</u>	<u>(19,929)</u>
	<u>126,031</u>	<u>141,809</u>

## 7 Income and expenses by nature

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Income</b>		
Net rental income ( <i>note (a)</i> )	52,814	50,654
Interest income	9,889	13,055
Dividends from listed financial assets at fair value through profit or loss	671	1,976
Net realised gains on financial assets at fair value through profit or loss	<u>972</u>	<u>—</u>
<b>Expenses</b>		
Operating lease rental expense for land and buildings	5,275	4,986
Employee benefit expense including Director's emoluments ( <i>note 10</i> )	115,330	113,222
Auditor's remuneration	4,119	3,437
Net realised losses on financial assets at fair value through profit or loss	<u>—</u>	<u>12,286</u>

*Note:*

## (a) Net rental income

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross rental income		
Investment properties	50,368	42,431
Properties held for sale	<u>7,313</u>	<u>12,901</u>
	57,681	55,332
Outgoings	<u>(4,867)</u>	<u>(4,678)</u>
	<u>52,814</u>	<u>50,654</u>

## 8 Finance costs

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense		
Long term bank loans	101,079	109,886
Convertible bonds	10,898	29,750
Convertible notes	4,880	—
Loans from minority shareholders of subsidiaries ( <i>note 35</i> )	4,454	3,928
Short term bank loans and overdrafts	1,103	1,576
Fair value loss/(gain) on interest rate swaps	<u>7,373</u>	<u>(5,257)</u>
	129,787	139,883
Capitalised as cost of properties under development		
Interest expense	<u>(18,060)</u>	<u>(22,920)</u>
	<u>111,727</u>	<u>116,963</u>

To the extent funds are borrowed generally and used for the purpose of financing certain properties under development, the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation as part of the costs of these properties under development is 5.9% (2006: 7.3%) per annum.

## 9 Directors' and senior management's emoluments

- (a) The aggregate amount of emoluments paid and payable to Directors of the Company for the year ended 31st March 2007 and 2006 is set out as follows:

Name of Director	Directors' fee	Salaries, allowances and benefits in kind <i>(note)</i>	Share options	Employer's contribution to retirement benefit scheme	Total emoluments
<b>2007 (in HK\$'000)</b>					
<i>Executive</i>					
Mr. Fung Siu To, Clement	—	4,174	2,560	42	6,776
Dr. Lim Yin Cheng	—	3,878	—	60	3,938
Mr. Poon Jing	—	12,815	—	12	12,827
Mr. Lun Pui Kan	—	2,420	—	95	2,515
Mr. Kwan Po Lam, Phileas	—	3,100	—	53	3,153
Mr. Loup, Nicholas James	100	—	—	—	100
	100	26,387	2,560	262	29,309
<i>Non-executive</i>					
Mr. Liang Shangli	140	—	—	—	140
Mr. Au Yat Chuen, Raymond	120	—	—	—	120
	260	—	—	—	260
<i>Independent Non-executive</i>					
Mr. Koon Bok Ming, Alan	120	—	—	—	120
Mr. Leung Wai Keung, Richard	200	—	—	—	200
Mr. Wong Chi Keung	100	—	—	—	100
	420	—	—	—	420
	780	26,387	2,560	262	29,989

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**FINANCIAL INFORMATION ON THE AS GROUP**

Name of Director	Directors' fee	Salaries, allowances and benefits in kind <i>(note)</i>	Share options	Employer's contribution to retirement benefit scheme	Total emoluments
<b>2006 (in HK\$'000)</b>					
<i>Executive</i>					
Mr. Fung Siu To, Clement	—	2,564	—	42	2,606
Dr. Lim Yin Cheng	—	1,832	3,500	60	5,392
Mr. Poon Jing	—	10,847	—	12	10,859
Mr. Lun Pui Kan	—	2,139	3,500	96	5,735
Mr. Kwan Po Lam, Phileas	—	2,942	3,500	53	6,495
Mr. Loup, Nicholas James	100	—	—	—	100
	100	20,324	10,500	263	31,187
<i>Non-executive</i>					
Mr. Liang Shangli	140	—	—	—	140
Mr. Au Yat Chuen, Raymond	120	—	—	—	120
	260	—	—	—	260
<i>Independent Non-executive</i>					
Mr. Koon Bok Ming, Alan	120	—	—	—	120
Mr. Leung Wai Keung, Richard	200	—	—	—	200
Mr. Wong Chi Keung	100	—	—	—	100
	420	—	—	—	420
	780	20,324	10,500	263	31,867

*Note:* Balance includes HK\$11,500,000 (2006: HK\$6,800,000) paid by subsidiaries of Asia Standard Hotel Group Limited ("Asia Standard Hotel"), a separately listed subsidiary of the Group.

- (b) The five highest paid individuals in the Group for the year include five (2006: five) Directors whose emoluments are already reflected in the analysis presented above.
- (c) During the year, no emolument was paid or is payable by the Group to any of the above Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10 Employee benefit expense

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages and salaries	106,134	93,486
Retirement benefits costs ( <i>note (a)</i> )	3,413	3,165
Share option expense of a listed subsidiary ( <i>note (b)</i> )	<u>7,680</u>	<u>17,500</u>
	117,227	114,151
Capitalised under properties under development	<u>(1,897)</u>	<u>(929)</u>
	<u><u>115,330</u></u>	<u><u>113,222</u></u>

Staff costs are stated inclusive of Directors' emoluments.

Share option expenses are included in other charges. The remaining staff costs are included in cost of sales and administrative expenses.

*Notes:*

## (a) Retirement benefits costs

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross contributions	3,454	3,203
Forfeitures utilised	<u>(41)</u>	<u>(38)</u>
Net contributions	<u><u>3,413</u></u>	<u><u>3,165</u></u>

The Group participates in various types of defined contribution schemes for employees, namely the Mandatory Provident Fund ("MPF") Scheme and Occupational Retirement Scheme Ordinance ("ORSO") Scheme in Hong Kong, Canada Pension Plan ("CPP") in Canada and retirement plans in Mainland China.

In Hong Kong, the Group participates in several defined contribution schemes under the ORSO which are available to employees joining before 1st December 2000. Under these schemes, contribution 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% and 4.95% (2006: 5% and 4.95%) respectively, of the employee's relevant income in accordance with the local legislative requirements.

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 and plans are expensed as incurred. The assets of all these retirement schemes and plans are held separately from those of the Group in independently administered funds.

As at 31st March 2007, no forfeiture (2006: nil) was available to reduce the Group's future contributions to the ORSO Scheme.

(b) **Share options**

The Company and Asia Standard Hotel, a listed subsidiary, operate share option schemes, whereby options may be granted to employees of the Group, including the Executive Directors, to subscribe for shares of the Company and Asia Standard Hotel respectively. The consideration to be paid on each grant of option is HK\$1 for the Company and Asia Standard Hotel respectively.

Details of share options held under the share option schemes as at 31st March 2007 are as follows:

<b>Grantee</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>2007 Number</b>	<b>2006 Number</b>
<b>Company</b>				
Directors	29th March 2015	HK\$0.315	108,264,245	105,000,000
Employees	29th March 2015	HK\$0.315	56,709,841	60,000,000

During the year, no share option was granted, exercised or cancelled (2006: nil). 5,000,000 (2006: nil) share options lapsed upon resignation of an employee. The exercise price was adjusted during the year from HK\$0.325 to HK\$0.315 subsequent to the rights issue of the Company, and the number of options is also adjusted accordingly.

**Asia Standard Hotel**

Directors	31st October 2015	HK\$0.19436	4,465,909	4,000,000
Directors	29th March 2017	HK\$0.12960	80,000,000	—
Employees	29th March 2017	HK\$0.12960	160,000,000	—

The exercise price of the share option has been adjusted from HK\$0.217 per share to HK\$0.19436 per share subsequent to the rights issue of Asia Standard Hotel, and the number of options is also adjusted accordingly.

During the year, 240,000,000 share options were granted, no share option was exercised, cancelled or lapsed. In year 2006, 250,000,000 and 246,000,000 share options were granted and exercised respectively, and no share options were cancelled or lapsed.

The fair value of the options granted and vested in the current year determined using the Binomial option pricing model is HK\$7,680,000 (2006: HK\$17,500,000) and is recognised in the profit and loss account.

In 2006, the weighted average closing price of the share immediately before the dates on which the options were exercised were HK\$0.228, HK\$0.235, HK\$0.232, HK\$0.222 and HK\$0.217.



The following assumptions were used to calculate the fair values of share options granted in March 2007 and October 2005 respectively:

	March 2007	October 2005
Closing share price at the date of grant (HK\$)	0.13	0.215
Exercise price (HK\$)	0.1296	0.217
Expected life of options (years)	1.6	0.8
Expected volatility (%) (note (i))	51.71	96.24
Risk free rate (%)	4.302	4.302

Notes:

- (i) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over one year immediately preceding the grant date.
- (ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares.

#### 11 Income tax expense

	2007	2006
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	587	3,980
Overprovisions in prior years	<u>(2,688)</u>	<u>—</u>
	(2,101)	3,980
Deferred income tax	<u>60,564</u>	<u>34,104</u>
	<u>58,463</u>	<u>38,084</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Income tax on overseas profits has been calculated on the estimated assessable profit for the year at the rates of tax prevailing in the countries in which the Group operates.

Shares of income tax of jointly controlled entities and associated companies for the year of HK\$1,000 (credit) (2006: HK\$17,000 (charge)) and HK\$7,593,000 (charge) (2006: HK\$9,861,000 (charge)) are included in the profit and loss account as share of profits less losses of jointly controlled entities and associated companies respectively.

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The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	359,107	201,646
Share of profits less losses of jointly controlled entities and associated companies	<u>(28,999)</u>	<u>(30,827)</u>
	<u>330,108</u>	<u>170,819</u>
Calculated at a tax rate of 17.5% (2006: 17.5%)	57,769	29,893
Overprovisions in prior years	(2,688)	—
Effect of different tax rates in other countries	(1,263)	(1,320)
Income not subject to income tax	(8,887)	(2,039)
Expenses not deductible for tax purposes	6,791	11,549
Tax losses not recognised	9,439	5,370
Utilisation of previously unrecognised temporary differences	—	(465)
Recognition of previously unrecognised temporary differences	—	90
Recognition of previously unrecognised tax losses	(11)	(2,041)
Others	<u>(2,687)</u>	<u>(2,953)</u>
Income tax expense	<u>58,463</u>	<u>38,084</u>

**12 Profit attributable to shareholders of the Company**

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK\$554,000 (2006: HK\$38,181,000).

**13 Dividends**

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, paid, of HK0.35 cent (2006: nil) per share	23,947	—
Final, proposed, of HK0.35 cent (2006: HK0.60 cent) per share	<u>25,148</u>	<u>30,462</u>
	<u>49,095</u>	<u>30,462</u>

*Note:* At a meeting held on 18th July 2007, the Board has proposed a final dividend of HK0.35 cent per share with a scrip option. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of revenue reserve in the year ending 31st March 2008.

**14 Earnings per share**

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$287,596,000 (2006: HK\$167,860,000) and divided by the weighted average of 5,883,550,830 (2006: 5,234,219,004 shares, adjusted for the effect of the rights issue in November 2006) shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31st March 2007 is based on HK\$291,622,000 equalling to the profit attributable to shareholders of the Company of HK\$287,596,000 plus after tax interest saving of HK\$4,026,000 and 6,177,875,683 shares equalling to the weighted average number of 5,883,550,830 shares in issue during the year plus 294,324,853 potential shares deemed to be in issue assuming the convertible notes had been converted. The Company's outstanding share options did not have a dilutive effect on the earnings per share.

In 2006, the exercise of subscription rights attached to the share options and the conversion of convertible bonds would not have a dilutive effect on the earnings per share. The diluted earnings per share were equal to the basic earnings per share in 2006.

## 15 Property, plant and equipment

Group	Freehold land	Hotel	Other	Other	Total
	of a hotel in Canada	buildings	buildings	equipment	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>					
At 31st March 2005	65,512	1,127,937	19,501	48,643	1,261,593
Currency translation difference	2,653	14,939	—	186	17,778
Cost adjustment	—	—	(501)	—	(501)
Additions	—	22,162	—	838	23,000
Disposals	—	(23,629)	—	(90)	(23,719)
At 31st March 2006	<u>68,165</u>	<u>1,141,409</u>	<u>19,000</u>	<u>49,577</u>	<u>1,278,151</u>
<b>Accumulated depreciation</b>					
At 31st March 2005	—	335,368	2,832	47,352	385,552
Currency translation difference	—	5,899	—	182	6,081
Charge for the year	—	50,493	2,182	976	53,651
Disposals	—	(23,629)	—	(90)	(23,719)
At 31st March 2006	<u>—</u>	<u>368,131</u>	<u>5,014</u>	<u>48,420</u>	<u>421,565</u>
<b>Net book value</b>					
At 31st March 2006	<u>68,165</u>	<u>773,278</u>	<u>13,986</u>	<u>1,157</u>	<u>856,586</u>
<b>Cost</b>					
At 31st March 2006	68,165	1,141,409	19,000	49,577	1,278,151
Currency translation difference	995	5,642	—	418	7,055
Transfer from investment properties	—	45,605	—	—	45,605
Additions	—	12,856	—	1,467	14,323
Disposals	—	(3,281)	—	(862)	(4,143)
At 31st March 2007	<u>69,160</u>	<u>1,202,231</u>	<u>19,000</u>	<u>50,600</u>	<u>1,340,991</u>
<b>Accumulated depreciation</b>					
At 31st March 2006	—	368,131	5,014	48,420	421,565
Currency translation difference	—	2,089	—	415	2,504
Charge for the year	—	51,632	376	932	52,940
Disposals	—	(3,281)	—	(862)	(4,143)
At 31st March 2007	<u>—</u>	<u>418,571</u>	<u>5,390</u>	<u>48,905</u>	<u>472,866</u>
<b>Net book value</b>					
At 31st March 2007	<u>69,160</u>	<u>783,660</u>	<u>13,610</u>	<u>1,695</u>	<u>868,125</u>

Notes:

(a) Total carrying values of hotel properties comprise the following:

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hotel properties		
Hotel buildings	783,660	773,278
Hotel freehold land	69,160	68,165
Hotel leasehold land ( <i>note 17</i> )	<u>1,688,681</u>	<u>1,300,929</u>
	<u>2,541,501</u>	<u>2,142,372</u>

Supplementary information with hotel properties at valuation:

The aggregate open market value of the hotel properties in Hong Kong and Canada based on valuation conducted respectively by Knight Frank and Grant Thornton Management Consultants, independent professional valuers, amounted to HK\$4,075,614,000 (2006: HK\$3,537,540,000).

The supplementary information with hotel properties at valuation is for readers' information only. It does not constitute a disclosure requirement under HKAS 16 and HKAS 17.

(b) The aggregate net book value of property, plant and equipment pledged as securities for loans amounts to HK\$860,537,000 (2006: HK\$853,057,000).

## 16 Investment properties

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	2,046,470	1,475,310
Transfer from completed properties held for sale	—	318,620
Transfer to hotel properties	(454,445)	—
Surplus on revaluation	<u>184,125</u>	<u>252,540</u>
At the end of the year	<u>1,776,150</u>	<u>2,046,470</u>

Investment properties were revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 31st March 2007. Investment properties are situated on long term leasehold land in Hong Kong.

The aggregate net book value of investment properties pledged as securities for loans amounted to HK\$1,776,150,000 (2006: HK\$2,046,470,000).

## 17 Leasehold land

Group	Hotel properties <i>HK\$'000</i>	Properties under development <i>HK\$'000</i>	Self-used properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>				
At 31st March 2005 and 2006	1,527,516	46,099	35,865	1,609,480
Transfer from investment properties	<u>408,840</u>	<u>—</u>	<u>—</u>	<u>408,840</u>
<b>At 31st March 2007</b>	<u><u>1,936,356</u></u>	<u><u>46,099</u></u>	<u><u>35,865</u></u>	<u><u>2,018,320</u></u>
<b>Accumulated amortisation</b>				
At 31st March 2005	206,547	544	3,927	211,018
Amortisation for the year	<u>20,040</u>	<u>54</u>	<u>262</u>	<u>20,356</u>
At 31st March 2006	226,587	598	4,189	231,374
Amortisation for the year	<u>21,088</u>	<u>54</u>	<u>262</u>	<u>21,404</u>
<b>At 31st March 2007</b>	<u><u>247,675</u></u>	<u><u>652</u></u>	<u><u>4,451</u></u>	<u><u>252,778</u></u>
<b>Net book value</b>				
<b>At 31st March 2007</b>	<u><u>1,688,681</u></u>	<u><u>45,447</u></u>	<u><u>31,414</u></u>	<u><u>1,765,542</u></u>
At 31st March 2006	<u><u>1,300,929</u></u>	<u><u>45,501</u></u>	<u><u>31,676</u></u>	<u><u>1,378,106</u></u>

The Group's prepaid lease payments comprise:

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Leasehold land in Hong Kong		
Long term lease	1,175,803	773,623
Medium term lease	<u>589,739</u>	<u>604,483</u>
	<u><u>1,765,542</u></u>	<u><u>1,378,106</u></u>

The aggregate net book value of leasehold land pledged as securities for loans amounted to HK\$1,765,542,000 (2006: HK\$1,378,106,000).

## 18 Subsidiaries

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	1,229,076	1,229,076
Amounts due by subsidiaries less provisions	<u>2,996,983</u>	<u>2,667,210</u>
	<u><u>4,226,059</u></u>	<u><u>3,896,286</u></u>

The shares in a subsidiary are pledged to secure loan facilities granted to the Group.

Details of the principal subsidiaries are set out in note 42.

The amounts receivable are unsecured, interest free and have no fixed terms of repayment.

## 19 Jointly controlled entities

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net liabilities	(172,576)	(173,139)
Advances to jointly controlled entities	436,359	342,839
Provisions on advances to jointly controlled entities	<u>(34,883)</u>	<u>(34,883)</u>
	<u><u>228,900</u></u>	<u><u>134,817</u></u>

The shares in certain jointly controlled entities are pledged to secure loan facilities granted to those entities. Advances to jointly controlled entities amounting to HK\$192,172,000 (2006: HK\$98,865,000) are subordinated to the repayment of the loans of those jointly controlled entities.

Advances to jointly controlled entities are made to finance property development projects. The amounts are unsecured, interest free and have no fixed terms of repayment.

Details of the principal jointly controlled entities are set out in note 42.

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The Group's share of assets and liabilities and results of jointly controlled entities

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets		
Non-current assets	471,966	284,378
Current assets	<u>25,735</u>	<u>31,193</u>
	497,701	315,571
	-----	-----
Liabilities		
Non-current liabilities	205,324	104,053
Current liabilities	<u>464,953</u>	<u>384,657</u>
	670,277	488,710
	-----	-----
Net liabilities	<u>(172,576)</u>	<u>(173,139)</u>
Income	987	1,550
Expenses	<u>(426)</u>	<u>(7,905)</u>
Profit/(loss) before income tax	561	(6,355)
Income tax credit/(expense)	<u>1</u>	<u>(17)</u>
Profit/(loss) for the year	<u>562</u>	<u>(6,372)</u>
	-----	-----
<b>20 Associated companies</b>		
		<b>Group</b>
		<b>2006</b>
		<i>HK\$'000</i>
Share of net liabilities	(144,341)	(172,778)
Advances to associated companies	653,444	650,751
Provisions for advances to associated companies	<u>(4,106)</u>	<u>(4,106)</u>
	504,997	473,867
Amount due to an associated company included in current liabilities	<u>(51,150)</u>	<u>(51,150)</u>
Total carrying amounts of associated companies	<u>453,847</u>	<u>422,717</u>
	-----	-----



The shares in certain associated companies are pledged to secure the loan facilities granted to those companies.

Advances to associated companies are made to finance property development projects. Except for an amount of HK\$908,000 (2006: HK\$905,000) due from an associated company which is interest bearing at prime rate, the remaining amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment.

Details of the principal associated companies are set out in note 42.

The Group's share of assets and liabilities and results of associated companies

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets	626,459	580,623
Liabilities	<u>(770,800)</u>	<u>(753,401)</u>
Net liabilities	<u>(144,341)</u>	<u>(172,778)</u>
Revenue	13,934	12,319
Profit for the year	<u>28,437</u>	<u>37,199</u>

21 **Goodwill**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net carrying value, at the beginning of year	8,651	3,548
Addition	—	6,356
Partial disposal of interest in a listed subsidiary	<u>—</u>	<u>(1,253)</u>
Net carrying value, at the end of year	<u>8,651</u>	<u>8,651</u>

22 **Mortgage loans receivable**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mortgage loans receivable	10,986	10,220
Less: current portion included in current assets	<u>(339)</u>	<u>(420)</u>
	<u>10,647</u>	<u>9,800</u>

The mortgage loans receivable carry interest at rates ranged from prime rate plus 1.5% to 2% (2006: prime rate plus 1.5% to 2%) per annum. The effective interest rate at 31st March 2007 was 7.9% (2006: 7.9%) per annum. The carrying amounts of the mortgage loans receivable approximate their fair values.

23 **Properties held for/under development for sale and completed properties held for sale**

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held for/under development for sale		
Leasehold land	445,289	903,187
Development costs	<u>351,470</u>	<u>279,146</u>
	<u>796,759</u>	<u>1,182,333</u>
Completed properties held for sale		
Leasehold land	261,422	99,264
Development costs	<u>202,049</u>	<u>97,426</u>
	<u>463,471</u>	<u>196,690</u>

At 31st March 2007, properties amounting to HK\$941,672,000 (2006: HK\$1,267,742,000) were pledged to banks to secure certain banking facilities of the Group.

24 **Trade and other receivables**

Trade and other receivables of the Group include trade receivables, utility and other deposits, stakeholders' accounts, interest and other receivables.

Trade receivables of the Group amounted to HK\$44,847,000 (2006: HK\$43,779,000). 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.

Aging analysis of trade receivables net of provision for impairment of doubtful debts is as follows:

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	42,126	41,656
61 days to 120 days	2,071	2,001
More than 120 days	<u>650</u>	<u>122</u>
	<u>44,847</u>	<u>43,779</u>

The carrying amounts of trade and other receivables approximate their fair values.

## 25 Financial assets at fair value through profit or loss

	Group		Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities listed in Hong Kong	32,796	84,458	6,570	22,500
Pledged United States treasury bills	<u>34,522</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>67,318</u>	<u>84,458</u>	<u>6,570</u>	<u>22,500</u>

## 26 Derivative financial instruments

	Group			
	2007		2006	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Forward foreign exchange contracts	5,556	—	—	—
Interest rate swaps	<u>600</u>	<u>2,717</u>	<u>5,716</u>	<u>459</u>
	<u>6,156</u>	<u>2,717</u>	<u>5,716</u>	<u>459</u>

The notional principal amounts of the outstanding foreign exchange forward contracts at 31st March 2007 were US\$100,000,000 (2006: Nil).

The notional principal amounts of the outstanding interest rate swaps contracts at 31st March 2007 were HK\$650,000,000 (2006: HK\$760,000,000) for the Group and nil (2006: HK\$50,000,000) for the Company.

	Company	
	2007	2006
	HK\$'000	HK\$'000
Assets		
Interest rate swaps	<u>—</u>	<u>127</u>

## 27 Bank balances and cash

	Group		Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand	109,263	49,025	545	997
Restricted bank balances	24,520	29,212	—	—
Short-term bank deposits	87,563	269,983	—	51,639
	<u>221,346</u>	<u>348,220</u>	<u>545</u>	<u>52,636</u>

The effective interest rate on restricted bank balances is 3.5% (2006: 2.8%) per annum. These balances are pledged to banks to secure certain banking facilities of the Group or required to be utilised for specific purposes.

The effective interest rate on short-term bank deposits was 3.2% (2006: 3.0%) per annum for the Group and 3.9% per annum (2006) for the Company. These deposits have an average maturity of 72 days (2006: 45 days) for the Group and 8 days (2006) for the Company.

## 28 Trade and other payables

Trade and other payables of the Group include trade payables, rental and management fee deposits, interest and other payables, retentions payable of construction costs and various accruals. Trade payables of the Group amounted to HK\$30,360,000 (2006: HK\$18,407,000).

Aging analysis of trade payables is as follows:

	2007	2006
	HK\$'000	HK\$'000
0 day to 60 days	29,656	17,309
61 days to 120 days	406	32
More than 120 days	<u>298</u>	<u>1,066</u>
	<u>30,360</u>	<u>18,407</u>

The carrying amounts of trade and other payables approximate their fair values.

## 29 Share capital

Shares of HK\$0.01 each	Number of shares	Amount HK\$'000
<i>Authorised:</i>		
At 31st March 2006 and 2007	<u>400,000,000,000</u>	<u>4,000,000</u>

	Number of shares		Amount	
	2007	2006	2007 HK\$'000	2006 HK\$'000
Issued and fully paid:				
At the beginning of the year	5,076,925,957	5,075,999,990	50,769	50,760
Issue of rights shares ( <i>note (a)</i> )	1,710,518,044	—	17,105	—
Scrip dividend ( <i>notes (b) &amp; (c)</i> )	<u>129,844,794</u>	<u>925,967</u>	<u>1,299</u>	<u>9</u>
At the end of the year	<u>6,917,288,795</u>	<u>5,076,925,957</u>	<u>69,173</u>	<u>50,769</u>

*Notes:*

- (a) In November 2006, the Company issued 1,710,518,044 rights shares at the issue price of HK\$0.175 each on the basis of one rights share for every existing three shares held. Net proceeds were approximately HK\$295,000,000 and were used for repayment of convertible bonds and bank loans of the Group.
- (b) In October 2006, 54,628,177 new shares were allotted and issued at HK\$0.2446 per share in lieu of final dividend for the year ended 31st March 2006.
- (c) In February 2007, 75,216,617 new shares were allotted and issued at HK\$0.1918 per share in lieu of interim dividend for the year ended 31st March 2007.

**APPENDIX II**
**FINANCIAL INFORMATION ON THE AS GROUP**
**30 Reserves**

	Share Convertible premium	note	Capital redemption	Share Contributed option	surplus	Revenue reserve	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Group</b>							
At 31st March 2005	884,110	—	43,868	—	2,670,292	(376,076)	3,222,194
Currency translation differences	—	—	—	—	—	5,182	5,182
Profit for the year	—	—	—	—	—	167,860	167,860
Final dividend (with a scrip option)	344	—	—	—	—	(20,304)	(19,960)
Issue of share options by a listed subsidiary	—	—	—	9,975	—	—	9,975
Exercise of share options of a listed subsidiary	—	—	—	(9,815)	—	9,815	—
<b>At 31st March 2006</b>	<b>884,454</b>	<b>—</b>	<b>43,868</b>	<b>160</b>	<b>2,670,292</b>	<b>(213,523)</b>	<b>3,385,251</b>
Representing:							
2006 final dividend proposed	—	—	—	—	—	30,462	30,462
Others	884,454	—	43,868	160	2,670,292	(243,985)	3,354,789
<b>At 31st March 2006</b>	<b>884,454</b>	<b>—</b>	<b>43,868</b>	<b>160</b>	<b>2,670,292</b>	<b>(213,523)</b>	<b>3,385,251</b>
At 31st March 2006	884,454	—	43,868	160	2,670,292	(213,523)	3,385,251
Currency translation differences	—	—	—	—	—	1,109	1,109
Profit for the year	—	—	—	—	—	287,596	287,596
2006 final dividend (with a scrip option)	12,816	—	—	—	—	(30,462)	(17,646)
2007 interim dividend (with a scrip option)	13,674	—	—	—	—	(23,947)	(10,273)
Equity component	—	5,805	—	—	—	—	5,805
Issue of rights shares (net of expenses)	278,386	—	—	—	—	—	278,386
Issue of share options by a listed subsidiary	—	—	—	4,822	—	—	4,822
<b>At 31st March 2007</b>	<b>1,189,330</b>	<b>5,805</b>	<b>43,868</b>	<b>4,982</b>	<b>2,670,292</b>	<b>20,773</b>	<b>3,935,050</b>
Representing:							
2007 final dividend proposed	—	—	—	—	—	25,148	25,148
Others	1,189,330	5,805	43,868	4,982	2,670,292	(4,375)	3,909,902
<b>At 31st March 2007</b>	<b>1,189,330</b>	<b>5,805</b>	<b>43,868</b>	<b>4,982</b>	<b>2,670,292</b>	<b>20,773</b>	<b>3,935,050</b>

**APPENDIX II**
**FINANCIAL INFORMATION ON THE AS GROUP**

	Share premium <i>HK\$'000</i>	Convertible note <i>HK\$'000</i>	Capital redemption <i>HK\$'000</i>	Share option <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Company</b>							
At 31st March 2005	882,959	—	43,868	—	2,684,451	262,377	3,873,655
Final dividend (with a scrip option)	344	—	—	—	—	(20,304)	(19,960)
Profit for the year	—	—	—	—	—	38,181	38,181
<b>At 31st March 2006</b>	<b>883,303</b>	<b>—</b>	<b>43,868</b>	<b>—</b>	<b>2,684,451</b>	<b>280,254</b>	<b>3,891,876</b>
Representing:							
2006 final dividend proposed	—	—	—	—	—	30,462	30,462
Others	883,303	—	43,868	—	2,684,451	249,792	3,861,414
<b>At 31st March 2006</b>	<b>883,303</b>	<b>—</b>	<b>43,868</b>	<b>—</b>	<b>2,684,451</b>	<b>280,254</b>	<b>3,891,876</b>
At 31st March 2006	883,303	—	43,868	—	2,684,451	280,254	3,891,876
2006 final dividend (with a scrip option)	12,816	—	—	—	—	(30,462)	(17,646)
2007 interim dividend (with a scrip option)	13,674	—	—	—	—	(23,947)	(10,273)
Profit for the year	—	—	—	—	—	554	554
Issue of rights shares (net of expenses)	278,386	—	—	—	—	—	278,386
<b>At 31st March 2007</b>	<b>1,188,179</b>	<b>—</b>	<b>43,868</b>	<b>—</b>	<b>2,684,451</b>	<b>226,399</b>	<b>4,142,897</b>
Representing:							
2007 final dividend proposed	—	—	—	—	—	25,148	25,148
Others	1,188,179	—	43,868	—	2,684,451	201,251	4,117,749
<b>At 31st March 2007</b>	<b>1,188,179</b>	<b>—</b>	<b>43,868</b>	<b>—</b>	<b>2,684,451</b>	<b>226,399</b>	<b>4,142,897</b>

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus and the capital redemption reserve are also distributable. Accordingly, total distributable reserves of the Company amounted to HK\$2,954,718,000 (2006: HK\$3,008,573,000) as at 31st March 2007.

## 31 Convertible bonds

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Convertible bonds	—	190,000
Provision for premium payable	—	28,265
	<u>—</u>	<u>218,265</u>

On 7th January 2002, Asia Standard International Capital Limited (“ASICL”), a wholly owned subsidiary of the Company, issued HK\$290,000,000 convertible bonds to Westrata Investment Limited (“Westrata”), a substantial shareholder of the Company. The bonds bore interest at 7% per annum payable semi-annually in arrears and were guaranteed by the Company. In March 2003, the bonds had been transferred from Westrata to Grosvenor Limited (“Grosvenor”), an indirect subsidiary of Grosvenor Group Limited.

The bondholder had the option to convert the bonds into fully paid shares of HK\$0.01 each of the Company at a conversion price of HK\$0.44 per share, subject to adjustment, at any time between 7th January 2002 and 7th January 2007. ASICL might purchase all or part of the bonds at any time on or after 7th January 2002, subject to certain conditions, together with accrued interest. Unless previously converted or purchased, the bonds would be redeemed on 7th January 2007 at a redemption price equal to 118.3% of the principal amount together with accrued interest.

The fair value of the liability component and the equity conversion component were determined at issuance of the bonds. The fair value of the liability component, included in long term borrowing, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component was determined to be immaterial.

During the year, ASICL repurchased all the remaining convertible bonds having a principle amount of HK\$190,000,000 (2006: HK\$100,000,000) with accrued interest.

## 32 Convertible notes

On 15th May 2006, the Group issued convertible notes of the principal amount of HK\$94,000,000, which bear interest at 4% per annum payable semi-annually in arrears. Each holder of the notes has the option to convert the notes into shares at an initial conversion price of HK\$0.305 (adjusted to HK\$0.28 pursuant to the rights issue in November 2006) per share, subject to adjustment. The Company may purchase/redeem all or part of the notes at any time on or after 15th May 2007, at par together with accrued interest.

The fair value of the liability component and the equity conversion component were determined at issuance of the notes. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The residual amount represents the value of the equity conversion component.

Subsequent to 31st March 2007, a total principal amount of HK\$75,000,000 was converted into ordinary shares of the Company and the remaining principal amount of HK\$19,000,000 was repurchased with accrued interest.



## 33 Borrowings

	Group		Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short term bank loans and overdrafts, secured	186,000	50,000	—	20,000
Long term bank loans, secured	<u>1,455,248</u>	<u>1,939,266</u>	<u>20,000</u>	<u>8,067</u>
	<u>1,641,248</u>	<u>1,989,266</u>	<u>20,000</u>	<u>28,067</u>

The maturity of the long term loans is as follows:

Bank loans, secured				
Repayable within one year	14,073	58,312	1,480	1,360
Repayable between one and two years	254,778	291,011	2,960	1,360
Repayable between two and five years	<u>336,735</u>	<u>470,916</u>	<u>8,880</u>	<u>4,080</u>
Wholly repayable within five years	605,586	820,239	13,320	6,800
Repayable after five years	<u>849,662</u>	<u>1,119,027</u>	<u>6,680</u>	<u>1,267</u>
	1,455,248	1,939,266	20,000	8,067
Current portion included in current liabilities	<u>(14,073)</u>	<u>(58,312)</u>	<u>(1,480)</u>	<u>(1,360)</u>
	<u>1,441,175</u>	<u>1,880,954</u>	<u>18,520</u>	<u>6,707</u>

The effective interest rates of the borrowing at the balance sheet date range from 4.5% to 7.0% (2006: 5.0% to 6.5%) per annum. The interest rates of the borrowings are not subject to contractual repricing.

The carrying amount of the short term and long term borrowings approximate their fair values.

## 34 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes related to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred income tax assets	64,517	98,820	110	110
Deferred income tax liabilities	<u>(167,763)</u>	<u>(141,502)</u>	<u>—</u>	<u>—</u>
	<u>(103,246)</u>	<u>(42,682)</u>	<u>110</u>	<u>110</u>

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The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdictions is as follows:

*Group*

Deferred income tax liabilities

	Accelerated tax depreciation		Revaluation of properties		Fair value adjustments		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	(49,479)	(44,328)	(139,011)	(94,817)	(92,197)	(98,052)	(280,687)	(237,197)
Recognised in the profit and loss account	(2,315)	(5,151)	(27,847)	(44,194)	7,811	5,855	(22,351)	(43,490)
At the end of the year	<u>(51,794)</u>	<u>(49,479)</u>	<u>(166,858)</u>	<u>(139,011)</u>	<u>(84,386)</u>	<u>(92,197)</u>	<u>(303,038)</u>	<u>(280,687)</u>

Deferred income tax assets

	Decelerated tax depreciation		Provisions		Tax losses		Difference in cost base of properties		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	392	406	181	185	143,004	147,596	94,428	80,433	238,005	228,620
Recognised in the profit and loss account	(392)	(14)	(181)	(4)	(24,980)	(4,592)	(12,660)	13,995	(38,213)	9,385
At the end of the year	<u>—</u>	<u>392</u>	<u>—</u>	<u>181</u>	<u>118,024</u>	<u>143,004</u>	<u>81,768</u>	<u>94,428</u>	<u>199,792</u>	<u>238,005</u>

*Company*

## Deferred income tax assets

	Tax losses	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	110	1,637
Recognised in the profit and loss account	<u>—</u>	<u>(1,527)</u>
At the end of the year	<u>110</u>	<u>110</u>

Deferred income 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 did not recognise deferred tax assets of HK\$100 million (2006: HK\$81 million) in respect of losses amounting to HK\$517 million (2006: HK\$409 million) that can be carried forward against future taxable income. Except for tax losses of HK\$462 million (2006: HK\$347 million) which have no expiry date, the balance will expire at various dates up to and including 2026 (2006: 2026).

35 **Amounts due to minority shareholders**

Loans from minority shareholders are to finance property projects of subsidiaries and have no specific terms of repayment. Loans of HK\$98,043,000 (2006: HK\$93,589,000) bear interest at 1.5% (2006: 1.5%) per annum above prime rate and the remaining balance is interest free.

36 **Capital commitments**

Capital commitments at the balance sheet date are as follows:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment		
Contracted but not provided for	1,300	—
Authorised but not contracted for	<u>96,700</u>	<u>—</u>
	<u>98,000</u>	<u>—</u>

## 37 Operating lease arrangements

## (a) Lessor

The Group leases out certain properties under operating leases which typically run for lease terms between 1 and 6 years.

At 31st March 2007, the future aggregate minimum rental receivables under non-cancellable operating leases were as follows:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
In respect of land and buildings:		
Within one year	69,672	62,147
In the second to fifth year inclusive	78,527	74,892
After the fifth year	<u>—</u>	<u>2,895</u>
	<u>148,199</u>	<u>139,934</u>

Included in the above were the future aggregate minimum rental receivables under non-cancellable operating leases of Asia Standard Hotel, as follows:

	<b>Asia Standard Hotel</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
In respect of land and buildings:		
Within one year	11,173	10,578
In the second to fifth year inclusive	19,129	24,726
After the fifth year	<u>—</u>	<u>2,895</u>
	<u>30,302</u>	<u>38,199</u>

(b) *Lessee*

At 31st March 2007, the future aggregate minimum lease payables under non-cancellable operating leases were as follows:

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
In respect of land and buildings:		
Within one year	5,418	5,457
In the second to fifth year inclusive	<u>7,650</u>	<u>3,400</u>
	<u><u>13,068</u></u>	<u><u>8,857</u></u>

38 **Contingent liabilities**

	Group		Company	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees for the banking and loan facilities of:				
Subsidiaries	—	—	927,225	1,099,988
Jointly controlled entities	168,340	68,150	168,340	68,150
Associated companies	65,010	71,610	65,010	71,610
Third parties	1,229	1,306	—	—
Guarantees for the convertible notes/bonds issued by a subsidiary	<u>—</u>	<u>—</u>	<u>94,000</u>	<u>190,000</u>
	<u><u>234,579</u></u>	<u><u>141,066</u></u>	<u><u>1,254,575</u></u>	<u><u>1,429,748</u></u>

## 39 Notes to consolidated cash flow statement

Reconciliation of profit before income tax to cash generated from operations

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	359,107	201,646
Share of profits less losses of		
Jointly controlled entities	(562)	6,372
Associated companies	(28,437)	(37,199)
Depreciation	52,940	53,651
Amortisation of leasehold land	30,725	29,333
Net realised and unrealised fair value losses on financial assets at fair value through profit or loss	11,985	2,906
Surplus on revaluation of investment properties	(184,125)	(252,540)
Negative goodwill on acquiring additional interest in a listed subsidiary	(44,885)	—
Loss on deemed disposal of interest in a listed subsidiary	—	19,929
Share option expense of a listed subsidiary	7,680	17,500
Write-back of provision for diminution in value of properties held for/under development for sale	(4,460)	(2,920)
Dividends from listed financial assets at fair value through profit or loss	(671)	(1,976)
Interest income	(9,889)	(13,055)
Interest expense	<u>111,727</u>	<u>116,963</u>
Operating profit before working capital changes	301,135	140,610
(Increase)/decrease in mortgage loans receivable	(766)	2,914
Decrease/(increase) in properties held for/under development for sale (excluding interest expense capitalised)	131,128	(26,400)
Decrease in hotel and restaurant inventories	376	124
Increase in trade and other receivables	(21,688)	(52,937)
Decrease/(increase) in restricted bank balances	4,692	(396)
(Decrease)/increase in deposit received on properties pre-sold	(212,068)	212,068
(Decrease)/increase in trade and other payables	<u>(708)</u>	<u>29,154</u>
Cash generated from operations	<u><u>202,101</u></u>	<u><u>305,137</u></u>

40 **Related party transactions**

The major shareholder of the Group is Asia Orient Holdings Limited (“Asia Orient”), a company incorporated in Bermuda and listed in Hong Kong and Grosvenor International S.A. (“Grosvenor”), a company incorporated in Luxemburg which owns 42.90% and 14.62% of the Company’s shares respectively. The remaining 42.48% shares are widely held.

In addition to the related party information shown elsewhere in the financial statements, the following transactions were carried out with related parties:

<b>Sales and purchases of goods and services</b>	<b>2007</b>	<b>2006</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Income from/(expense to) subsidiaries of Asia Orient		
Rental income ( <i>note(a)</i> )	269	259
Management fee expense ( <i>note(b)</i> )	(1,044)	(1,011)
Cleaning expense ( <i>note(c)</i> )	(881)	(728)
Rental income from associated companies of Asia Orient ( <i>note(a)</i> )	—	664
Interest income from a jointly controlled entity	—	282
Interest income from an associated company	3	3
Interest expense to a minority shareholder	<u>(4,455)</u>	<u>(3,928)</u>

*Notes:*

- (a) Rental income is subject to terms agreed by the parties involved, which are at a fixed monthly fee.
- (b) Management fee expense is charged for management services rendered at a mutually agreed fee.
- (c) Cleaning expense is subject to terms agreed by the parties involved, which are at a fixed monthly fee.

41 **Subsequent events**

- (a) In April 2007, certain subsidiaries of the Company converted HK\$150,000,000 convertible bonds of Asia Standard Hotel Group Limited (“Asia Standard Hotel”), a total of 1,428,574,427 shares were issued. The Group’s interest in Asia Standard Hotel increased from 62.78% to 67.03% and an estimated gain of approximately HK\$33,000,000 arising from the conversion was resulted.
- (b) In May and June 2007, a total of HK\$75,000,000 convertible notes issued by Asia Standard International Capital Limited, a subsidiary of the Company, were exercised and converted into 267,857,140 shares of the Company. The remaining HK\$19,000,000 was repurchased with accrued interest.

## 42 Principal subsidiaries, jointly controlled entities and associated companies

Listed below are the principal subsidiaries, jointly controlled entities and associated companies which, in the opinion of the Directors, principally affect the results and/or net assets of the Group.

*Subsidiaries*

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

<b>Name</b>	<b>Principal activity</b>	<b>Issued and fully paid ordinary share capital</b>
<i>Incorporated in Hong Kong</i>		
Asia Standard (Beijing) Company Limited	Investment holding	HK\$2
Asia Standard Development (Holdings) Limited	Investment holding	HK\$10 and non-voting deferred share capital of HK\$362,892,949
Asia Standard Development (Real Estate Agencies) Limited	Real estate agency services	HK\$2
Asia Standard Finance Company Limited	Financing services	HK\$1,000,000
Asia Standard International Limited *	Investment holding	HK\$1,214,916,441
Asia Standard Management Services Limited	Management services	HK\$2
Asia Standard Project Management Company Limited	Project management	HK\$2
Full Union Development Limited	Property development	HK\$2
Get Rich Enterprises Limited (80% owned)	Property development	HK\$2
Glory Ocean Limited	Property development	HK\$2
Grace Profit Enterprises Limited (62.8% owned)	Restaurant operation	HK\$2
Hoi Chak Properties Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$2
Honest Engineering Limited (80% owned)	Construction	HK\$100
JBC Travel Company Limited (62.8% owned)	Travel agency	HK\$2,500,000
Kelpoint Limited	Property development	HK\$2
Mark Honour Limited (90% owned)	Property development	HK\$100
Master Asia Enterprises Limited (62.8% owned)	Hotel holding	HK\$10,000
Mega Royal Limited	Property development	HK\$2
Perfect Wave Limited (62.8% owned)	Restaurant operation	HK\$2
Stone Pole Limited (62.8% owned)	Hotel holding	HK\$10
Tilpifa Company Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$10,000
Tonlok Limited	Property development	HK\$1,000
Trade Hope Limited	Property development	HK\$2
Union Rich Resources Limited (80% owned)	Property development	HK\$2
Vinstar Development Limited (62.8% owned)	Hotel holding	HK\$2
Waliway Limited	Property holding	HK\$100
Way Link Holdings Limited (90% owned)	Property trading	HK\$2
Winfast Engineering Limited	Construction	HK\$2



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<b>Name</b>	<b>Principal activity</b>	<b>Issued and fully paid ordinary share capital</b>
<i>Incorporated in Bermuda</i>		
Asia Standard Hotel Group Limited (62.8% owned)	Investment holding	HK\$126,162,000
<i>Incorporated in British Virgin Islands</i>		
Enrich Enterprises Ltd (62.8% owned)**	Hotel holding	US\$1
Global Gateway Corp. (62.8% owned)**	Hotel operation	US\$1
Glory Ventures Enterprises Inc. (62.8% owned)**	Hotel holding	US\$1
Greatime Limited (62.8% owned)	Securities investment	US\$1
<i>Incorporated in Cayman Islands</i>		
Asia Standard International Capital Limited *	Financing services	US\$2

\* Direct subsidiary of the Company

\*\* Operates in Canada

*Associated companies*

(Unless indicated otherwise, they are all incorporated and operated in Hong Kong.)

<b>Name</b>	<b>Principal activity</b>	<b>Issued and fully paid ordinary share capital</b>	<b>Group equity interest</b>
Gallop Worldwide Limited (incorporated in British Virgin Islands)	Investment holding	US\$2	50%
Perfect Pearl Company Limited	Property investment	HK\$11,000	33%
Sheen Finance Limited	Financing services	HK\$2	50%

*Jointly controlled entities*

(Unless indicated otherwise, they are all incorporated and operated in Hong Kong.)

<b>Name</b>	<b>Principal activity</b>	<b>Issued and fully paid ordinary share capital</b>	<b>Group equity interest</b>
Goldmax International Limited (incorporated in British Virgin Islands)	Investment holding	US\$1,000	50.1%
Grosvenor Asia Standard (China) Limited (incorporated in British Virgin Islands)	Property development in the People's Republic of China (the "PRC")	US\$1,500	50%
Lucky New Investment Limited	Property development	HK\$1	50%
Ocean Champion Development Limited	Property development	HK\$10,000	50%
Paramount Shine Limited	Property development	HK\$2	50%
Sheenity Enterprises Limited	Property development	HK\$10,000	50%
Weststar Enterprises Limited	Property development	HK\$2	50.1%
漁陽房地產開發(深圳)有限公司# (incorporated in the PRC)	Property development	RMB40,000,000	41.32%

# Wholly owned Foreign Enterprise operates in the PRC

#### 43 Approval of financial statements

The financial statements were approved by the board of Directors on 18th July 2007.

## 3. UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Set out below is the unaudited financial statement of the AS Group for the six months ended 30th September 2006 and 2007 as extracted from the interim report of Asia Standard for the six months ended 30th September 2007.

**Consolidated Profit and Loss Account — Unaudited**

	<i>Note</i>	<b>Six months ended</b>	
		<b>30th September</b>	
		<b>2007</b>	<b>2006</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4, 6	642,079	399,635
Cost of sales	6	<u>(406,935)</u>	<u>(235,391)</u>
Gross profit		235,144	164,244
Selling expenses		(8,116)	(536)
Administrative expenses	6	(73,899)	(64,397)
Other income and charges	5	<u>34,967</u>	<u>32,573</u>
Operating profit		188,096	131,884
Finance costs	7	(34,288)	(63,641)
Share of profits less losses of			
Jointly controlled entities		30	1,404
Associated companies		<u>51,007</u>	<u>12,845</u>
Profit before income tax		204,845	82,492
Income tax expense	8	<u>(28,906)</u>	<u>(20,316)</u>
Profit for the period		<u>175,939</u>	<u>62,176</u>
Attributable to:			
Shareholders of the Company		160,319	54,637
Minority interests		<u>15,620</u>	<u>7,539</u>
		<u>175,939</u>	<u>62,176</u>
Dividend	9	<u>25,377</u>	<u>23,947</u>
Earnings per share (HK cents)			
Basic	10	2.26	1.04
Diluted	10	<u>2.23</u>	<u>1.03</u>

## Consolidated Balance Sheet — Unaudited

	<i>Note</i>	<b>30th September 2007 HK\$'000</b>	<b>31st March 2007 HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	892,692	868,125
Investment properties	12	1,812,500	1,776,150
Leasehold land		1,754,316	1,765,542
Jointly controlled entities		234,088	228,900
Associated companies		556,098	504,997
Goodwill		8,651	8,651
Mortgage loans receivable		13,642	10,647
Deferred income tax assets		51,549	64,517
		<u>5,323,536</u>	<u>5,227,529</u>
<b>Current assets</b>			
Property held for/under development for sale		834,993	796,759
Completed properties held for sale		264,525	463,471
Mortgage loans receivable		1,838	339
Hotel and restaurant inventories		2,382	2,190
Trade and other receivables	13	239,763	178,148
Financial assets at fair value through profit or loss		136,498	67,318
Derivative financial instruments		3,484	6,156
Income tax recoverable		3	507
Bank balances and cash		204,622	221,346
		<u>1,688,108</u>	<u>1,736,234</u>
<b>Current liabilities</b>			
Trade and other payables	14	124,552	144,453
Dividend payable		35,871	—
Amount due to an associated company		51,150	51,150
Derivative financial instruments		2,107	2,717
Warrant liabilities	15(a)	92,545	—
Short term bank loans and overdrafts, secured		83,713	186,000
Current portion of long term bank loans, secured	19	17,970	14,073
Amounts due to minority shareholders		112,161	109,964
Income tax payable		29,907	21,067
		<u>549,976</u>	<u>529,424</u>
Net current assets		<u>1,138,132</u>	<u>1,206,810</u>
Total assets less current liabilities		<u>6,461,668</u>	<u>6,434,339</u>

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	<i>Note</i>	<b>30th September 2007 HK\$'000</b>	<b>31st March 2007 HK\$'000</b>
Non-current liabilities			
Convertible notes	18	—	89,768
Warrant liabilities	15(b)	37,616	—
Long term bank loans, secured	19	1,410,031	1,441,175
Deferred income tax liabilities		<u>174,378</u>	<u>167,763</u>
		<u>1,622,025</u>	<u>1,698,706</u>
Net assets		<u>4,839,643</u>	<u>4,735,633</u>
Equity			
Share capital	16	71,851	69,173
Reserves	17	<u>4,086,324</u>	<u>3,935,050</u>
Equity attributable to shareholders of the Company		4,158,175	4,004,223
Minority interests		<u>681,468</u>	<u>731,410</u>
		<u>4,839,643</u>	<u>4,735,633</u>

## Condensed Consolidated Cash Flow Statement — Unaudited

	Six months ended	
	30th September	
	2007	2006
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	190,308	(36,822)
Net cash used in investing activities	(43,052)	(63,037)
Net cash used in financing activities	<u>(169,121)</u>	<u>(89,533)</u>
Net decrease in cash and cash equivalents	(21,865)	(189,392)
Cash and cash equivalents at the beginning of the period	196,825	319,009
Changes in exchange rates	<u>3,327</u>	<u>73</u>
Cash and cash equivalents at the end of the period	<u>178,287</u>	<u>129,690</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash (excluding restricted bank balances)	178,287	139,690
Bank overdrafts	<u>—</u>	<u>(10,000)</u>
	<u>178,287</u>	<u>129,690</u>

## Consolidated Statement of Changes in Equity — Unaudited

	Shareholders of the Company <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st March 2006	3,436,020	658,891	4,094,911
Currency translation differences	3,891	2,948	6,839
Profit for the period	54,637	7,539	62,176
Total recognised income for the period	58,528	10,487	69,015
Issue of convertible notes	5,805	—	5,805
Issue of rights shares by a listed subsidiary	—	120,217	120,217
Distribution of 2006 final dividend of a listed subsidiary	—	(13,079)	(13,079)
	5,805	107,138	112,943
At 30th September 2006	3,500,353	776,516	4,276,869
At 31st March 2007	4,004,223	731,410	4,735,633
Currency translation differences	16,244	7,989	24,233
Profit for the period	160,319	15,620	175,939
Total recognised income for the period	176,563	23,609	200,172
Issue of warrants	(83,491)	—	(83,491)
Redemption and conversion of convertible notes	71,013	—	71,013
2007 final dividend	(25,148)	—	(25,148)
Conversion of convertible bonds of a listed subsidiary	—	(31,688)	(31,688)
2007 final dividend payable by a listed subsidiary	—	(10,725)	(10,725)
Issue of warrants by a listed subsidiary	—	(38,523)	(38,523)
Share options granted by a listed subsidiary	15,015	7,385	22,400
	(22,611)	(73,551)	(96,162)
At 30th September 2007	4,158,175	681,468	4,839,643

## Notes to the Interim Financial Information

### 1 Basis of preparation

The unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and should be read in conjunction with the annual financial statements for the year ended 31st March 2007.

The accounting policies and methods of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st March 2007. In addition, the following accounting policy is adopted:

Warrant liabilities are initially recognised at fair value on the date of grant and are subsequently remeasured at fair value at each balance sheet date. Changes in the fair value of warrant liabilities are recognised immediately in the profit and loss account.

The following new standards, amendments and interpretations to existing standards have been published which are relevant to the Group’s operations and are mandatory for the Group’s accounting periods beginning on or after 1st April 2007 as follows:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK (IFRIC) — Int 8	Scope of HKFRS 2
HK (IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) — Int 10	Interim Reporting and Impairment
HK (IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HKFRS 7	Financial Instruments: Disclosures

The adoption of the above standards, amendments and interpretations does not have substantial changes to the Group’s accounting policies and presentation of the financial statements, except that additional disclosures required under HKAS 1 (Amendment) and HKFRS 7 will be made in the 2008 annual financial statements.

### 2 Financial risk management

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group’s overall risk management 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.

### 3 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 equal the 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 investment properties, impairment of assets, income taxes and fair value of warrant liabilities.

### 4 Revenue and segment information

The Company is a limited liability company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited. The address of its principal office is 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.



The Group is principally engaged in property development and investment, hotel, travel agency and catering operations. Revenue comprises gross revenues from property sales, property leasing, hotel and travel agency, management services and interest income.

**Primary reporting format — business segments**

The Group is organised into three main business segments, comprising property sales, property leasing, hotel and travel. There is no other significant identifiable separate business segment. Segment revenue from external customers is after elimination of inter-segment revenue. 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.

	<b>Property sales</b> <i>HK\$'000</i>	<b>Property leasing</b> <i>HK\$'000</i>	<b>Hotel and travel</b> <i>HK\$'000</i>	<b>Other operations</b> <i>HK\$'000</i>	<b>Group</b> <i>HK\$'000</i>
<b>Six months ended</b>					
<b>30th September 2007</b>					
Segment revenue	<u>284,565</u>	<u>30,510</u>	<u>322,330</u>	<u>4,674</u>	<u>642,079</u>
Contribution to segment results	60,370	28,378	83,430	4,674	176,852
Other income and charges	(4,661)	40,207	(56,678)	56,099	34,967
Unallocated corporate expenses					<u>(23,723)</u>
Operating profit					188,096
Finance costs					(34,288)
Share of results of					
Jointly controlled entities	36	—	—	(6)	30
Associated companies	<u>(4,308)</u>	<u>55,716</u>	<u>—</u>	<u>(401)</u>	<u>51,007</u>
Profit before income tax					204,845
Income tax expense					<u>(28,906)</u>
Profit for the period					<u>175,939</u>
<b>Six months ended</b>					
<b>30th September 2006</b>					
Segment revenue	<u>55,984</u>	<u>27,019</u>	<u>310,795</u>	<u>5,837</u>	<u>399,635</u>
Contribution to segment results	3,356	24,770	87,272	5,837	121,235
Other income and charges	(4,661)	94,280	(34,186)	(22,860)	32,573
Unallocated corporate expenses					<u>(21,924)</u>
Operating profit					131,884
Finance costs					(63,641)
Share of results of					
Jointly controlled entities	1,412	—	—	(8)	1,404
Associated companies	<u>(1,667)</u>	<u>15,176</u>	<u>—</u>	<u>(664)</u>	<u>12,845</u>
Profit before income tax					82,492
Income tax expense					<u>(20,316)</u>
Profit for the period					<u>62,176</u>

## Secondary reporting format — geographical segments

The activities of the Group are mainly based in Hong Kong. A summary of geographical segments is set out as follows:

	Six months ended 30th September			
	Segment revenue		Operating profit	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	573,673	335,262	166,189	111,226
Mainland China	4,436	4,897	1,055	1,329
Canada	63,970	59,476	20,852	19,329
	<u>642,079</u>	<u>399,635</u>	<u>188,096</u>	<u>131,884</u>

## 5 Other income and charges

	Six months ended 30th September	
	2007	2006
	HK\$'000	HK\$'000
Surplus on revaluation of investment properties	36,350	94,280
Depreciation	(23,557)	(24,489)
Amortisation of leasehold land	(15,887)	(14,838)
Net fair value gains/(losses) on financial assets at fair value through profit or loss	33,062	(22,380)
Net fair value loss on warrant liabilities	(8,146)	—
Write back of provision for diminution in value of completed properties held for sale	3,857	—
Negative goodwill on acquiring additional interest in a listed subsidiary (note 22)	31,688	—
Share option expense of a listed subsidiary	<u>(22,400)</u>	<u>—</u>
	<u>34,967</u>	<u>32,573</u>

## 6 Income and expenses by nature

	Six months ended 30th September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Income</b>		
Net rental income ( <i>note (a)</i> )	28,378	24,660
Interest income	4,461	5,404
Dividends from listed financial assets at fair value through profit or loss	<u>212</u>	<u>103</u>
<b>Expenses</b>		
Employee benefit expenses, including Directors' emoluments ( <i>note (b)</i> )	80,114	51,289
Operating lease rental expenses for properties	3,209	2,594
Cost of properties and inventories sold	<u>213,930</u>	<u>72,265</u>
<b>Note:</b>		
<b>(a) Net rental income</b>		
Gross rental income		
Investment properties	28,008	22,957
Completed properties held for sale	<u>2,502</u>	<u>4,062</u>
	30,510	27,019
Outgoings	<u>(2,132)</u>	<u>(2,359)</u>
	<u>28,378</u>	<u>24,660</u>
<b>(b) Employee benefit expenses</b>		
Wages and salaries	56,762	51,022
Share option expense of a listed subsidiary ( <i>note</i> )	22,400	—
Retirement benefits costs	<u>1,245</u>	<u>1,202</u>
	80,407	52,224
Capitalised under properties under development	<u>(293)</u>	<u>(935)</u>
	<u>80,114</u>	<u>51,289</u>

*Note:*

Options to subscribe for a total of 700,000,000 shares of the Company's listed subsidiary were granted under the share option scheme of the listed subsidiary adopted on 28th August 2006 ("Share Option Scheme") on 2nd April 2007. No option was exercised during the period.

The fair value of options granted during the period determined using the Binomial option pricing model was HK\$22,400,000. The significant inputs into the model was share price of HK\$0.13 at the date of grant, exercise price of HK\$0.13, implied life of options of 1.6 years, annual risk-free interest rate of 4.30% and 1 year annualised daily volatility rate.

The volatility rate is based on statistical analysis of daily share prices over one year immediately preceding the grant date. The calculation of fair values of share options granted is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares.

7 **Finance costs**

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense		
Long term bank loans	38,999	46,884
Convertible bonds	—	8,833
Convertible notes	842	2,104
Amount due to minority shareholder of a subsidiary	2,197	2,257
Short term bank loans and overdrafts	3,193	3,591
Fair value (gains)/losses on interest rate swaps	<u>(1,558)</u>	<u>8,313</u>
	43,673	71,982
Capitalised as cost of properties under development		
Interest expense	<u>(9,385)</u>	<u>(8,341)</u>
	<u>34,288</u>	<u>63,641</u>

8 **Income tax expense**

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
Hong Kong profits tax	4,404	—
Under/(over) provisions in prior years	<u>4,464</u>	<u>(2,688)</u>
	8,868	(2,688)
Deferred income tax	<u>20,038</u>	<u>23,004</u>
	<u>28,906</u>	<u>20,316</u>

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the period. No Hong Kong profits tax was provided in the prior period as the Group had no assessable profit in that period. No overseas income tax has been made as the Group has no assessable profit for the period (2006: nil).

Share of income tax of jointly controlled entities and associated companies for the six months ended 30th September 2007 of HK\$7,000 (2006: HK\$6,000) and HK\$11,851,000 (2006: HK\$3,219,000) are included in the profit and loss account as share of profits less losses of jointly controlled entities and associated companies respectively.

#### 9 Dividend

	Six months ended 30th September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend of HK0.35 cent (2006: HK0.35 cent) per share	<u>25,377</u>	<u>23,947</u>

At a meeting held on 21st December 2007, the Board of Directors has declared to pay an interim dividend of HK0.35 cent per share. The interim dividend is not reflected in the interim financial information, but will be reflected as an appropriation of revenue reserve in the year ending 31st March 2008.

The amount HK\$25,377,000 is based on 7,250,458,355 issued shares as at 21st December 2007.

#### 10 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$160,319,000 (2006: HK\$54,637,000) and divided by the weighted average of 7,101,071,001 (2006: 5,234,757,852 shares, adjusted for the effect of the rights issue in November 2006) shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30th September 2007 is based on HK\$161,014,000 equalling to the profit attributable to shareholders of the Company of HK\$160,319,000 plus after tax interest saving of HK\$695,000 and 7,207,101,447 shares equalling to the weighted average number of 7,101,071,001 shares in issue during the period plus 106,030,446 potential shares deemed to be in issue assuming the outstanding convertible notes had been converted throughout the period. The outstanding share options and warrants of the Company and its listed subsidiary, Asia Standard Hotel Group Limited, did not have a dilutive effect on the earnings per share.

The calculation of diluted earnings per share for the six months ended 30th September 2006 was based on HK\$56,373,000 equalling to profit attributable to shareholders of the Company of HK\$54,637,000 plus after tax interest saving of HK\$1,736,000 and 5,487,919,445 shares equalling to the weighted average number of 5,234,757,852 (adjusted for the effect of the rights issue in November 2006) shares in issue during the period plus 253,161,593 potential shares deemed to be in issue assuming the convertible notes had been converted.

## 11 Property, plant and equipment

	<b>Freehold land of a hotel in Canada</b>	<b>Hotel buildings</b>	<b>Other buildings</b>	<b>Other equipment</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost</b>					
At 31st March 2007	69,160	1,202,231	19,000	50,600	1,340,991
Currency translation differences	10,417	59,468	—	231	70,116
Additions	—	1,639	—	4,319	5,958
Disposals	—	—	—	(709)	(709)
At 30th September 2007	<u>79,577</u>	<u>1,263,338</u>	<u>19,000</u>	<u>54,441</u>	<u>1,416,356</u>
<b>Accumulated depreciation</b>					
At 31st March 2007	—	418,571	5,390	48,905	472,866
Currency translation differences	—	27,679	—	264	27,943
Charge for the period	—	22,927	188	442	23,557
Disposals	—	—	—	(702)	(702)
At 30th September 2007	<u>—</u>	<u>469,177</u>	<u>5,578</u>	<u>48,909</u>	<u>523,664</u>
<b>Net book value</b>					
At 30th September 2007	<u>79,577</u>	<u>794,161</u>	<u>13,422</u>	<u>5,532</u>	<u>892,692</u>
At 31st March 2007	<u>69,160</u>	<u>783,660</u>	<u>13,610</u>	<u>1,695</u>	<u>868,125</u>

## 12 Investment properties

Investment properties were revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 30th September 2007.

## 13 Trade and other receivables

Trade and other receivables of the Group include trade receivables, utility and other deposits, stakeholders' accounts, interest and other receivables.

Trade receivables of the Group amounted to HK\$129,389,000 (31st March 2007: HK\$121,552,000). 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.

Aging analysis of trade receivables net of provision for impairment of doubtful debts at the balance sheet date is as follows:

	<b>30th September 2007</b>	<b>31st March 2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	124,398	118,831
61 days to 120 days	1,132	2,071
More than 120 days	<u>3,859</u>	<u>650</u>
	<u>129,389</u>	<u>121,552</u>

#### 14 Trade and other payables

Trade and other payables of the Group include trade payables, rental and management fee deposits, interest and other payables, retentions payable in respect of construction costs and various accruals. Trade payables amounted to HK\$25,152,000 (31st March 2007: HK\$34,318,000).

Aging analysis of trade payables at the balance sheet date is as follows:

	<b>30th September 2007</b>	<b>31st March 2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	24,734	33,614
61 days to 120 days	37	406
More than 120 days	<u>381</u>	<u>298</u>
	<u>25,152</u>	<u>34,318</u>

## 15 Warrant liabilities

(a) *The Company*

On 7th September 2007, the Company issued warrants to shareholders on the basis of one warrant for every five shares of the Company. The initial subscription price was at HK\$0.29 per share and the warrants are exercisable at any time within one year from the date of issue. Apart from the adjustments upon occurrence of the usual adjustment events, the subscription price is subject to the reset adjustment at the end of each six months period from the date of issue of the warrants and a final reset adjustment on the tenth business day before the date of expiration of the warrants.

Movement of the warrant liabilities during the period is as follows:

	<i>HK\$'000</i>
Fair value of warrants at date of issue	83,492
Fair value loss debited to profit and loss account	<u>9,053</u>
At 30th September 2007	<u><u>92,545</u></u>

(b) *Listed subsidiary*

Warrants were issued by the listed subsidiary on 7th September 2007 with similar terms and conditions to that of the Company except that the initial subscription price was HK\$0.146 per share and three years maturity.

Movement of the warrant liabilities during the period is as follows:

	<i>HK\$'000</i>
Fair value of warrants at date of issue	38,523
Fair value gain credited to profit and loss account	<u>(907)</u>
At 30th September 2007	<u><u>37,616</u></u>



**APPENDIX II**
**FINANCIAL INFORMATION ON THE AS GROUP**
**16 Share capital**

Shares of HK\$0.01 each	Number of shares	Amount HK\$'000
Authorised		
At 31st March 2007 and 30th September 2007	<u>400,000,000,000</u>	<u>4,000,000</u>
Issued and fully paid:		
At 31st March 2007	6,917,288,795	69,173
Conversion of convertible notes ( <i>note 18</i> )	267,857,140	2,678
Exercise of warrants	<u>642</u>	<u>—</u>
At 30th September 2007	<u>7,185,146,577</u>	<u>71,851</u>

**17 Reserves**

	Share premium HK\$'000	Capital redemption HK\$'000	Convertible notes HK\$'000	Share option HK\$'000	Warrants reserve HK\$'000	Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31st March 2007	1,189,330	43,868	5,805	4,982	—	2,670,292	20,773	3,935,050
Currency translation differences	—	—	—	—	—	—	16,244	16,244
Redemption of convertible notes	—	—	(5,805)	—	—	—	1,818	(3,987)
Conversion of convertible notes	72,322	—	—	—	—	—	—	72,322
Profit for the period	—	—	—	—	—	—	160,319	160,319
Issue of warrants	—	—	—	—	(83,491)	—	—	(83,491)
2007 final dividend	—	—	—	—	—	—	(25,148)	(25,148)
Share options granted by a listed subsidiary	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,015</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,015</u>
At 30th September 2007	<u>1,261,652</u>	<u>43,868</u>	<u>—</u>	<u>19,997</u>	<u>(83,491)</u>	<u>2,670,292</u>	<u>174,006</u>	<u>4,086,324</u>

**18 Convertible notes**

On 15th May 2006, the Group issued convertible notes of the principal amount of HK\$94,000,000, which bear interest at 4% per annum payable semi-annually in arrears. Each holder of the notes had the option to convert the notes into shares at an initial conversion price of HK\$0.305 (adjusted to HK\$0.28 pursuant to the rights issue in November 2006) per share, subject to adjustment. During the period, the convertible notes of principal amount of HK\$75,000,000 was converted into 267,857,140 ordinary shares, with the remaining principal amount of HK\$19,000,000 redeemed by the Company with accrued interest.

## 19 Long term bank loans

	<b>30th September 2007</b>	<b>31st March 2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The maturity of the long term bank loans is as follows:		
Bank loans, secured		
Repayable within one year	17,970	14,073
Repayable between one and two years	299,795	254,778
Repayable between two and five years	154,180	336,735
Repayable after five years	<u>956,056</u>	<u>849,662</u>
	1,428,001	1,455,248
Current portion included in current liabilities	<u>(17,970)</u>	<u>(14,073)</u>
	<u><u>1,410,031</u></u>	<u><u>1,441,175</u></u>

## 20 Capital commitments

Capital commitments at the balance sheet date are as follows:

	<b>30th September 2007</b>	<b>31st March 2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment		
Contracted but not yet provided for	—	1,300
Authorised but not contracted for	<u>135,500</u>	<u>96,700</u>
	<u><u>135,500</u></u>	<u><u>98,000</u></u>

## 21 Contingent liabilities

	<b>30th September 2007</b>	<b>31st March 2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees for the banking and loan facilities of:		
Jointly controlled entities	180,190	168,340
Associated companies	66,132	65,010
Third parties	<u>1,229</u>	<u>1,229</u>
	<u><u>247,551</u></u>	<u><u>234,579</u></u>

**22 Related party transaction**

In April 2007, certain subsidiaries of the Company converted HK\$150,000,000 convertible bonds of Asia Standard Hotel Group Limited (“AS Hotel”) into 1,428,574,427 shares. Consequently, the Group’s interest in AS Hotel increased from 62.78% to 67.03% and a gain of HK\$31,688,000 arising from the conversion was recorded (note 5).

**23 Comparative figures**

Certain comparative figures have been restated to conform to current period’s presentation.

**24 Subsequent event**

On 8th October 2007, the Group entered into an agreement to acquire a 44% effective indirect interest in a development site in Beijing, PRC for a consideration of HK\$153.3 million. The land will be developed into a large residential and commercial complex of approximate 188,000 square meters gross floor area. Consideration payments are by installments with completion of the acquisition not later than 120 days from date of the agreement upon fulfillment of certain conditions.

#### 4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE AS GROUP

*For the year ended 31st March 2007*

##### **Properties Sales, Leasing and Development**

Property sales revenue for the year increased to HK\$652 million from last year's HK\$75 million. The increase is mainly due to recognition of HK\$573 million revenue for two residential developments completed during the year. Sale for these developments is continuing after the financial year end.

Rental income attributable to the AS Group for the year was approximately HK\$71 million, an increase of 6% from previous year. During the year, the AS Group has sold an office tower out of investment portfolios.

The AS Group has paid a land premium of HK\$190 million for the Aberdeen residential development, which is now engaged in superstructure construction and had applied for pre-sale consent. The AS Group has also awarded a superstructure contract in the sum of HK\$329 million for a residential development in Ting Kau with expected completion in year 2009.

Looking ahead in the coming year, sales prospect for the Aberdeen development is planned in the latter half of year 2007.

The AS Group was continuing its premium negotiation for residential developments in the New Territories with the prospect of some 670,000 sq. ft. residential development potential. Currently the AS Group holds approximately 1 million sq.ft. GFA of properties under development.

##### **Hotel**

The AS Group has increased shareholdings in the hotel subsidiary from 56.9% to 62.8% during the year.

Revenue for Hong Kong based hotels increased to HK\$219 million from HK\$193 million, and that of Empire Landmark Hotel in Vancouver increased by 20%, taking into account effects of exchange rate appreciation. Total revenue for the hotel subsidiary was HK\$617 million and gross operating profit increased by 18% to HK\$161 million.

The hotel group reduced its borrowings by 10% to HK\$792 million, finance cost was reduced by 18% as compared to last year, reporting net profit of HK\$28 million compared to last year's loss of HK\$21 million.

The hotel group has begun its conversion progress on a new acquisition situated in Causeway Bay, Hong Kong into a 280-keys hotel to be completed in year 2008.

##### **Financial Review**

At 31st March 2007, the AS Group's total assets stood at HK\$7.0 billion. Net assets increased to HK\$4.7 billion from last year's HK\$4.1 billion. Taking into account the market value of hotel properties, the revalued net assets of the AS Group would be increased by HK\$0.8 billion to HK\$6.2 billion (2006: HK\$5.4 billion).

The AS Group redeemed all the outstanding convertible bonds issued in 2002. Another convertible notes of HK\$94 million were issued in May 2006, and subsequent to financial year end, HK\$75 million was converted with the balance redeemed by the AS Group.

Net borrowing was reduced to HK\$1.5 billion (2006: HK\$1.9 billion) of which HK\$0.7 billion (2006: HK\$0.8 billion) belonged to the separately listed hotel group. Net debt to revalued net asset value was reduced to 24% (2006: 34%), partly by the increase in capital through a rights issue of HK\$295 million during the year.

The AS Group's borrowings were in Hong Kong dollar except that of the Empire Landmark Hotel in Vancouver which was Canadian dollar denominated. All the debts, except the convertible notes, were at floating rates. Interest rate swaps totaling HK\$650 million had been contracted as at 31st March 2007. The maturity of the debts spread over a period of up to eleven years, and approximately 49% were repayable after five years.

Assets with an aggregated net book value of HK\$5,351 million (2006: HK\$5,550 million) were pledged to secure banking facilities of the AS Group. The guarantees provided to financial institutions for jointly controlled entities, associated companies and third parties were HK\$235 million (2006: HK\$141 million) as at 31st March 2007.

*For the six month period ended 30th September 2007*

**Results**

The AS Group recorded a profit attributable to shareholders of HK\$160 million, compared to HK\$55 million profit of last interim period. Turnover amounted to HK\$642 million while last period was HK\$400 million, increasing 191% and 61% respectively.

The board of AS Directors declared an interim dividend of HK 0.35 cent (2006: HK 0.35 cent) per share.

**Properties sales, development and leasing**

Turnover from property sales amounted to HK\$285 million, mainly from the continuing sale of Canaryside residential development, 28 Marble Road office and other residential inventory. Contribution to operating profit increased to HK\$60 million compared with HK\$3 million of last interim period.

Construction for the residential development projects in Aberdeen and Castle Peak Road was well underway, providing a combined GFA of approximately 350,000 square feet. Presale consent for the Aberdeen project was under progress and estimated revenue would be about HK\$1 billion. Presale consent for Castle Peak Road joint venture project was also under progress and estimated revenue would be approximately HK\$2 billion.

Currently the AS Group holds nearly 1 million square feet GFA of properties under development in Hong Kong. The AS Group has also invested in an approximately 2 million square feet residential/commercial development project in Beijing. This is a rare waterfront project with potential revenue of about 2.2 billion Yuan.

Rental income attributable to the AS Group was approximately HK\$37 million with average occupancy of 93%. The AS Group leasing income increases comparing to last interim period despite that the AS Group has sold an office tower out of our investment portfolio late last financial year. Rental income of Asia Standard Tower increased by 90% and that of Asia Orient Tower increased by 25% compared to last interim period, resulting from increased unit rent upon tenancy renewals.

### **Hotel**

The AS Group has converted all the convertible bonds of the hotel subsidiary, thereby increased the shareholdings from 62.8% to 67% during the six months interim period. Overall, the hotel group increased its six months profit by 1.5 times to HK\$42 million compared to HK\$17 million of last interim period.

The new hotel in Causeway Bay was undergoing a conversion program and will evolve into a 280 rooms boutique style hotel with estimated completion towards end 2008. Another expansion program for adding 21 rooms to Empire Kowloon Hotel is also on the way. Renovation plan is also under consideration for Vancouver Empire Landmark Hotel.

### **Financial review**

At 30th September 2007 and 31st March 2007, the AS Group's total assets stood at HK\$7 billion and the net assets amounted to HK\$4.8 billion. Adopting market value of hotel properties, the revalued net assets of the AS Group would be HK\$6.4 billion at 30th September 2007 and HK\$6.2 billion at 31st March 2007.

Net borrowings decreased by HK\$0.2 billion to HK\$1.3 billion from 31st March 2007. The net borrowings include HK\$0.6 billion which belonged to the separately listed hotel group. Net debt to revalued net asset value was approximately 20% (31st March 2007: 24%).

During the six months, the group's equity was increased by HK\$75 million upon conversion of its convertible notes, with the remaining HK\$19 million fully redeemed.

About 89% of the AS Group's borrowings were in Hong Kong dollar, with the rest mainly in Canadian dollar which is borrowed by the Empire Landmark Hotel in Vancouver. All the debts were at floating rates. Interest rate risk was mitigated through the entering into of interest rate swaps. As at 30th September 2007, about 40% of the total bank loans were hedged by these swaps. The maturity of the debts spread over a long period of up to fifteen years, and approximately 63% were repayable after five years.

As at 30th September 2007, assets with an aggregated net book value of HK\$5,306 million (31st March 2007: HK\$5,351 million) were pledged to secure banking facilities of the AS Group. The guarantees provided to financial institutions for jointly controlled entities, associated companies and third parties were HK\$248 million (31st March 2007: HK\$235 million).

**Future prospects**

The prospects of Hong Kong property market look extremely bright. Land sale results were encouraging, value hedging aspirations, falling unemployment rate, rising salary expectation, all these means increasing the housing demand. 2008 will be another year of relatively low supply of housing and could be very favorable for price rises.

Tourism looks favorable for Olympic Games, robust Mainland economy and Macau gaming attractions. The hotel group should perform well from these benefits.

The AS Group holds the view that Mainland economy is in a very long term very positive and we are therefore actively identifying opportunities in China, Macau and Hong Kong.

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**APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE GROUP**

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**1. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP**

The following is an illustrative and pro forma statement of assets and liabilities of the Group which has been prepared based on the unaudited consolidated balance sheet of the Group as set out in the unaudited published interim report for the six months ended 30th September 2007 of the Group after making pro forma adjustments as set out in the notes below. This unaudited pro forma statement of assets and liabilities of the Group has been prepared to illustrate the effects of the Transaction. It has been presented in a manner consistent with both the format and accounting policies adopted by the Group. The unaudited pro forma statement has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Transaction completed as at 30th September 2007.

	<b>Unaudited consolidated balance sheet of the Group as at 30th September 2007 HK\$'000 (Note i)</b>	<b>Pro forma adjustment HK\$'000 (Note ii)</b>	<b>Unaudited consolidated balance sheet of the Group after pro forma adjustment HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	1,502	—	1,502
Jointly controlled entities	7,272	—	7,272
Associated companies	1,850,481	293,304	2,143,785
Deferred income tax assets	<u>3,885</u>	<u>—</u>	<u>3,885</u>
	<u>1,863,140</u>	<u>293,304</u>	<u>2,156,444</u>
<b>Current assets</b>			
Trade and other receivables	87,992	—	87,992
Assets held for sale	101,155	—	101,155
Financial assets at fair value through profit or loss	29,604	—	29,604
Warrant assets	42,733	—	42,733
Derivative financial instruments	3,227	—	3,227
Bank balances and cash	<u>351,295</u>	<u>(293,304)</u>	<u>57,991</u>
	<u>616,006</u>	<u>(293,304)</u>	<u>322,702</u>



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**APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE GROUP**

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	<b>Unaudited consolidated balance sheet of the Group as at 30th September 2007 HK\$'000 (Note i)</b>	<b>Pro forma adjustment HK\$'000 (Note ii)</b>	<b>Unaudited consolidated balance sheet of the Group after pro forma adjustment HK\$'000</b>
Current liabilities			
Trade and other payables	41,966	—	41,966
Deposits received	10,000	—	10,000
Dividend payable	11,572	—	11,572
Warrant liabilities	32,342	—	32,342
Amounts due to minority shareholders	8,311	—	8,311
Short-term bank loan and overdrafts	75,467	—	75,467
Income tax payable	57	—	57
	<u>179,715</u>	<u>—</u>	<u>179,715</u>
Net current assets	<u>436,291</u>	<u>(293,304)</u>	<u>142,987</u>
Total assets less current liabilities	2,299,431	—	2,299,431
Non-current liabilities			
Deferred income tax liabilities	<u>9</u>	<u>—</u>	<u>9</u>
Net assets	<u>2,299,422</u>	<u>—</u>	<u>2,299,422</u>

**Notes to the unaudited pro forma statement of assets and liabilities of the Group**

- (i) The balances are extracted from the unaudited consolidated balance sheet of the Group as at 30th September 2007 as set out in the unaudited published interim report.
- (ii) The pro forma adjustment represents the subscription of 1,629,467,008 AS Rights Shares by the Group at HK\$0.18 per AS Rights Share using internal funds.
- (iii) No adjustments have been made to reflect any results or other transactions of the Group entered into subsequent to 30th September 2007, including the interim dividend of approximately HK\$12,463,000 declared for the six months ended 30th September 2007 and to be paid on or about 4th February 2008.

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## APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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### 2.    REPORT OF THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



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羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22nd Floor Prince's Building  
Central Hong Kong

### REPORT FROM THE ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF ASIA ORIENT HOLDINGS LIMITED

We report on the unaudited pro forma financial information set out on pages 150 to 151 under the heading of “Unaudited Pro Forma Financial Information of the Group” (the “Unaudited Pro Forma Financial Information”) in Appendix III of the circular dated 25th January 2008 (the “Circular”) of Asia Orient Holdings Limited (the “Company”), in connection with the acceptance by the Group of 1,629,467,008 rights shares of Asia Standard International Group Limited at HK\$0.18 per rights share to be provisionally allotted to the Group (the “Transaction”) 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 Transaction might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 150 of the Circular.

#### **Respective Responsibilities of Directors of the Company and Reporting Accountant**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 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 rule 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.

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**APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE GROUP**

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**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 unaudited consolidated balance sheet as at 30th September 2007 with the unaudited published interim report of the Company for the six months ended 30th September 2007, 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 rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, 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 as at 30th September 2007 or 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 rule 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong, 25th January 2008

**1. RESPONSIBILITY STATEMENT**

This circular 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 this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

**2. DISCLOSURE OF INTERESTS BY DIRECTORS**

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares (within the meaning of Part XV of the SFO) or debentures of the Company and 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 provisions of 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 Part XV 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:

**Long positions in the shares of the Company and its associated corporations***(a) The Company*

Name of Director	Number of Shares held			Total	Percentage of Shares in issue
	Personal interest	Interest in controlled corporations	Family interest		
Mr. Poon	123,457,694	107,619,384	3,953,852	235,030,930	37.71
Fung Siu To, Clement ("Mr. Fung")	11,260,763	—	—	11,260,763	1.81

(b) *Associated corporations*

Name of Director	Associated corporation	Number of shares held		Total	Percentage of shares in issue
		Personal interest	Interest in controlled corporations		
Mr. Poon	Asia Standard	9,397,533 (Note 2)	4,888,401,046 (Notes 1 and 3)	4,897,798,579	45.03 (Note 6)
Mr. Poon	Asia Standard Hotel Group Limited (“AS Hotel”)	392,178	8,950,792,913 (Note 1)	8,951,185,091	70.30
Mr. Poon and Mr. Fung	Centop Investment Limited (“Centop”)	—	20	20 (Note 4)	20
Mr. Poon	Centop		80	80 (Note 5)	80
Mr. Fung	Mark Honour Limited	9	—	9	9

*Notes:*

- By virtue of his controlling interest in the Company, Mr. Poon is deemed to be interested in the shares of Asia Standard and AS Hotel held by the Company’s subsidiaries.
- These AS Shares represent the sum of (a) 6,265,022 AS Shares currently held by Mr. Poon and/or his nominee(s) and (b) 3,132,511 AS Rights Shares to be provisionally allotted to Mr. Poon and/or his nominee(s) in respect of such 6,265,022 AS Shares and undertaken to be taken up by Mr. Poon and/or his nominee(s) pursuant to the Irrevocable Undertaking given by him.
- These AS Shares represent the sum of (a) 3,258,934,038 AS Shares held by the Group and/or its nominee(s), (b) 1,629,467,008 AS Rights Shares to be provisionally allotted to the Group and/or its nominee(s) in respect of 3,258,934,038 AS Shares and undertaken to be taken up by them pursuant to the Irrevocable Undertaking given by Asia Orient. Mr. Poon is deemed to be interested in these AS Shares by virtue of his controlling interest in the Company.
- Centop is owned as to 80% by Asia Standard and 20% by Kingscore Investment Limited (“Kingscore”). Each of Mr. Poon and Mr. Fung holds 50% interest in Kingscore. By virtue of their interest in Kingscore, each of Mr. Poon and Mr. Fung is deemed to have interest in the 20 shares held by Kingscore and duplicate the interest of the other.
- By virtue of his controlling interest in the Company, Mr. Poon is deemed to have interest in the 80 shares of Centop held by Asia Standard.
- The percentage holding in Asia Standard is calculated on the basis of 10,875,808,675 AS Shares as enlarged by the AS Rights Issue.

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

## Long positions in the underlying shares of the Company and its associated corporations

(a) *The Company*

Name of Director	Number of underlying Shares held			Total	Percentage of Shares in issue
	Personal interest	Interest in controlled corporations	Family interest		
Mr. Fung	2,126,301 (Note)	—	—	2,126,301	0.34
Lim Yin Cheng	2,126,301 (Note)	—	—	2,126,301	0.34
Lun Pui Kan	2,126,301 (Note)	—	—	2,126,301	0.34
Kwan Po Lam, Phileas	2,126,301 (Note)	—	—	2,126,301	0.34

*Note: These Shares represent the long positions in the Shares falling to be issued to the relevant Directors upon the exercise of the outstanding share options of the Company granted to the Directors under the share option scheme adopted by the Company on 11th November 2002. The share options were granted on 29th March 2007 and are exercisable from 29th March 2007 to 28th March 2017 at the exercise price of HK\$1.4315 per Share (as adjusted).*

(b) *Associated corporations*(i) *Asia Standard*

Name of Director	Number of underlying shares held			Total	Percentage of shares in issue (Note 4)
	Personal interest	Interest in controlled corporations			
Mr. Poon	4,452,270 (Note 1) 5,155,440 (Notes 1 and 3)	965,503,713 (Note 2)		975,111,423	8.97
Mr. Fung	20,621,761 (Note 3)	—		20,621,761	0.19
Lim Yin Cheng	20,621,761 (Note 3)	—		20,621,761	0.19
Lun Pui Kan	20,621,761 (Note 3)	—		20,621,761	0.19
Kwan Po Lam, Phileas	20,621,761 (Note 3)	—		20,621,761	0.19

*Notes:*

1. These AS Shares represent the sum of (a) 1,249,700 AS Shares falling to be issued to Mr. Poon and/or his nominee(s) upon the exercise of any of the conversion rights attaching to the AS Warrants currently held by him; (b) 5,155,440 AS Shares falling to be issued to Mr. Poon and/or his nominee(s) upon the exercise of any of the subscription rights attaching to the AS Share Options held by him; (c) 3,202,570 AS Rights Shares undertaken to be taken up by Mr. Poon and/or his nominee(s) pursuant to the Irrevocable Undertaking given by him which will be provisionally allotted to him and/or his nominee(s) if he and/or his nominee(s) exercises any of the conversion rights attaching to the AS Warrants and/or the subscription rights attaching to the AS Share Options to subscribe for 1,249,700 and 5,155,440 AS Shares, respectively, and such additional AS Shares have been issued to him and/or his nominee(s) on or before the Record Date.
2. These AS Shares represent the sum of (a) 643,669,142 AS Shares falling to be issued to the Group and/or its nominee(s) upon the exercise of any of the conversion rights attaching to the AS Warrants held by the Group and/or its nominee(s); and (b) 321,834,571 AS Rights Shares undertaken to be taken up by the Group and/or its nominee(s) pursuant to the Irrevocable Undertaking given by Asia Orient which will be provisionally allotted to the Group and/or its nominee(s) if it and/or its nominee(s) exercises any of the conversion rights attaching to the AS Warrants to subscribe for 643,669,142 AS Shares and such additional AS Shares have been issued to it and/or its nominee(s) on or before the Record Date. Mr. Poon is deemed to be interested in these underlying AS Shares by virtue of his controlling interest in the Company.
3. These AS Shares represent the long positions in the AS Shares falling to be issued to the relevant Directors upon the exercise of the AS Share Options granted to the Directors. The AS Share Options were granted on 30th March 2005 and are exercisable from 30th March 2005 to 29th March 2015 at the exercise price of HK\$0.315 per AS Share (as adjusted).
4. For the purpose of this section, the percentage shareholding in Asia Standard is calculated on the basis of 10,875,808,675 AS Shares as enlarged by the AS Rights Issue.

## (ii) AS Hotel

Name of Director	Number of underlying shares held			Percentage of shares in issue
	Personal interest	Interest in controlled corporations	Total	
Mr. Fung	80,000,000 (Note 1)	—	80,000,000	0.63
Lim Yin Cheng	80,000,000 (Note 2)	—	80,000,000	0.63
Lun Pui Kan	80,000,000 (Note 2)	—	80,000,000	0.63
Kwan Po Lam, Phileas	80,000,000 (Note 2)	—	80,000,000	0.63
Mr. Poon	76,686 (Note 3)	1,742,211,916 (Note 4)	1,742,288,602	13.68

*Notes:*

1. These shares of AS Hotel (the “AS Hotel Shares”) represent the long positions in the AS Hotel Shares falling to be issued to Mr. Fung upon the exercise of the outstanding share options of AS Hotel (the “AS Hotel Share Options”) granted to him under the share option scheme adopted by AS Hotel on 28th August 2006. The AS Hotel Share Options were granted on 29th March 2007 and exercisable from 29th March 2007 to 28th March 2017 at the exercise price of HK\$0.1296 per AS Hotel Share.
2. These AS Hotel Shares represent the long positions in the AS Hotel Shares falling to be issued to the relevant Directors upon the exercise of the AS Hotel Share Options granted to the Directors . These AS Hotel Share Options were granted on 2nd April 2007 and exercisable from 2nd April 2007 to 1st April 2017 at the exercise price of HK\$0.13 per AS Hotel Share.
3. These represent the long positions in the AS Hotel Shares falling to be issued to Mr. Poon upon the exercise of the conversion rights attaching to the outstanding bonus warrants (the “AS Hotel Warrants”) issued by AS Hotel as stated in the announcement of AS Hotel on 19th July 2007 and granted to him and/or his nominee(s). The AS Hotel Warrants entitle the holders thereof to exercise, at any time up to 6 September 2010, to subscribe for the AS Hotel Shares at an initial subscription price of HK\$0.146 per AS Hotel Share, subject to adjustment(s) and reset arrangements.
4. These represent the long positions in the AS Hotel Shares falling to be issued to the Group and the companies controlled by the Group and/or their respective nominee(s) upon the exercise of the conversion rights attaching to the AS Hotel Warrants granted to them. Mr. Poon is deemed to be interested in these underlying AS Hotel Shares by virtue of his controlling interest in the Company.

As at the Latest Practicable Date, save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or 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 provisions of 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 Part XV 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.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31st March 2007 (being the date to which the latest published audited accounts of the Group were made up) been 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.

None of the Directors were materially interested in any contracts or arrangements subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.



### 3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had the following interests or short positions in the Shares or/and underlying Shares 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 member of the Group:

#### Long positions in the Shares and underlying Shares

Name of the Shareholder	Capacity	Number of Shares and underlying Shares held			Percentage of Shares in issue
		Number of Shares held	Number of underlying Shares held	Total	
Teddington Holdings Limited ("Teddington") (Note 1)	Beneficial owner	44,893,437 (Note 3)	—	44,893,437	7.20
Heston Holdings Limited ("Heston") (Note 1)	Beneficial owner	37,399,588	—	37,399,588	6.00
Dalton Investments LLC. ("Dalton") (Note 2)	Investment manager	83,589,910	16,717,979 (Note 3)	100,307,889	16.10
Clearwater Insurance Company ("Clearwater Insurance") (Note 2)	Trustee	39,693,519	7,938,703 (Note 3)	47,632,222	7.64
Dalton Greater China (Master) Fund ("Dalton Greater China") (Note 2)	Investment manager	28,980,541	5,718,308	34,698,849	5.57
Daswani Rajkumar Murlidhar	Beneficial owner	36,021,971	—	36,021,971	5.78

#### Notes:

1. Teddington and Heston are companies wholly-owned by Mr. Poon. As such, Mr. Poon is deemed to be interested in the Shares held by Teddington and Heston and such interests duplicate with the interests of Mr. Poon as set out in the sub-section headed "Disclosure of Interests by Directors" above.
2. Dalton is the investment manager for Clearwater Insurance and Dalton Greater China. The interests of Clearwater Insurance and Dalton Greater China in the Shares and the underlying Shares therefore duplicate with the interest of Dalton.
3. These represent the long positions in the Shares falling to be issued to Dalton and Clearwater Insurance upon the exercise of the conversion rights attaching to the outstanding bonus warrants (the "AO Warrants") issued by the Company as stated in the announcement of the Company on 19th July 2007 and granted to them. The AO Warrants entitle the holders thereof to exercise, at any time up to 6 September 2008, to subscribe for the Shares at an initial subscription price of HK\$1.62 per Share, subject to adjustment(s) and reset arrangements.

**Interest in the members of the Group**

<b>Name of non-wholly owned subsidiary of the Company</b>	<b>Name of shareholder</b>	<b>Number of shares held</b>	<b>Percentage of shares in issue (%)</b>
United Resources Associates Limited	Great Oriental Developments Limited	One ordinary share of US\$1	16.66
Blissful Enterprises Limited	Join Win Resources Limited	Two ordinary shares of US\$1 each	33.33

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors and chief executive of the Company, no other person (other than the Directors and chief executive of the Company) had, or was deemed or taken to have an interest or short position in the Shares or/and underlying Shares 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.

**4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with any members of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

**5. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

**6. COMPETING INTERESTS**

To the best of the Directors' knowledge, none of the Directors and their respective associates are considered to have any interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

**7. MATERIAL CONTRACTS**

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

1. the underwriting agreement dated 8th February 2006 entered into between the Company and Mr. Poon and Taifook Securities (formerly known as Tai Fook Securities Company Limited) in relation to the rights issue as announced by the Company on 10th February 2006 (as supplemented by a letter dated 10th February 2006 entered into by the same parties amending certain definitions and the expected timetable of the rights issue);
2. the subscription agreement dated 2nd May 2006 entered into between (a) Asia Standard, (b) Grosvenor Asset Management Limited ("Grosvenor") and (c) Asia Orient Company Limited ("AOCL"), a wholly-owned subsidiary of the Company in relation to the subscription for the convertible notes issued by Asia Standard International Capital Limited, a wholly-owned subsidiary of Asia Standard, by Grosvenor and AOCL in the principal amount of HK\$41 million and HK\$140 million respectively;
3. the irrevocable undertaking dated 25th September 2006 given by the Company pursuant to which the Company undertook, inter alia, to take up the assured entitlement under the rights issue as announced by Asia Standard on 26th September 2006;
4. the underwriting agreement dated 13th June 2007 entered into between the Company and Taifook Securities in relation to the rights issue as announced by the Company on 13th June 2007; and
5. the Irrevocable Undertaking.

Save as disclosed, none of the members of the Group has entered into any contracts (not being contracts entered into in the ordinary course of business) within two years immediately preceding the Latest Practicable Date that are or may be material.

**8. EXPERTS AND CONSENTS**

The following is the qualifications of the expert who has been named in this circular or has given opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualifications</b>
PricewaterhouseCoopers (“PwC”)	Certified Public Accountants

PwC has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, PwC was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, PwC did not have any direct or indirect interests in any assets which have been, since 31st March 2007 (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 which are proposed to be acquired or disposed of by or leased to any member of the Group.

**9. GENERAL**

- (a) The company secretary of the Company is Ms. Chiu Yuk Ching, an associate member of The Hong Kong Institute of Chartered Secretaries.
- (b) The qualified accountant of the Company is Mr. Lun Pui Kan, an associate member of Hong Kong Institute of Certified Public Accountants.
- (c) The principal share registrar and transfer office of the Company is Butterfield Fund Services (Bermuda) Limited of Rosebank Centre, 11 Bermudiana Road, Pembroke HM08, Bermuda and the Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (d) The head office and principal place of business of the Company in Hong Kong is at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (e) The English text of this circular prevails over the Chinese text.

**10. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturday(s) and public holidays) at the principal place of business of the Company in Hong Kong at 30th Floor, Asia Orient Tower, Town Plaza, 33 Lockhart Road, Wanchai, Hong Kong from the date of this circular up to and including 16th February 2008:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the material contracts referred to in the section headed “Material Contracts” in this appendix;
- (c) the annual reports of the Company for the two years ended 31st March 2006 and 31st March 2007;
- (d) the interim report of the Company for the six months ended 30th September 2007;
- (e) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this circular;
- (f) the consent referred to in the paragraph headed “Expert and Consent” in this appendix; and
- (g) the circulars despatched by the Company dated 9th August 2007, 6th September 2007, 13th September 2007 and 25th January 2008.

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## NOTICE OF THE SGM

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### Asia Orient Holdings Limited (滙漢控股有限公司)\*

*(incorporated in Bermuda with limited liability)*

(Stock Code: 214)

#### NOTICE OF THE SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting of the shareholders (the “Shareholders”) of Asia Orient Holdings Limited (the “Company”) will be held at Basement 1, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong at 10:00 a.m. on Tuesday, 12th February 2008 for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT**”

1. “the acceptance by the Company and its subsidiaries or their respective nominee(s) of, and payment for, (a) 1,629,467,008 new shares of HK\$0.01 each (the “**AS Shares**”) in the share capital of Asia Standard International Group Limited (“**Asia Standard**”) to be provisionally allotted to the Company and its subsidiaries or their respective nominee(s) at a subscription price of HK\$0.18 each (the “**Rights Shares**”) pursuant to the rights issue (the “**Rights Issue**”) as announced by Asia Standard on 9th January 2008; and (b) all the additional Rights Shares to be provisionally allotted to the Company and its subsidiaries or their respective nominee(s) in the event that additional AS Shares are (i) issued and allotted to the Company and its subsidiaries or their respective nominee(s) on or before 13th February 2008 (or such other date as determined by Asia Standard to be the record date (the “**Record Date**”) for the purpose of determining the entitlements of its shareholders to participate in the Rights Issue) upon the exercise of any of the conversion rights attaching to the bonus warrants issued by Asia Standard as stated in the announcement of Asia Standard dated 19th July 2007 and held by the Company and its subsidiaries or their respective nominee(s); and/or (ii) otherwise acquired by the Company and its subsidiaries or their respective nominee(s) on or before the Record Date (the “**Transaction**”), be and is hereby approved and the directors of the Company be and are hereby authorised to take such actions as are necessary or expedient to give effect to the Transaction.”

By order of the Board  
**Chiu Yuk Ching**  
*Secretary*

Hong Kong, 25th January 2008

\* For identification purposes only

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## NOTICE OF THE SGM

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*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

**Notes:**

1. Any Shareholder entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a Shareholder.
2. Where there are joint holders of any shares, any one of such joint holders may vote at the meeting, personally or by proxy or by a duly authorized corporate representative (as defined in the bye-laws of the Company), in respect of such shares as if he was solely entitled thereto provided that if more than one of such joint holders be present at the meeting personally or by proxy or by a duly authorized corporate representative, the joint holder whose name stands first on the register of Shareholders in respect of such shares shall alone be entitled to vote in respect thereof.
3. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the head office and principal place of business of the Company in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting (or any adjournment thereof).
4. Members are recommended to read the circular of the Company containing information concerning the Resolution proposed in this notice.