



ASIA ORIENT HOLDINGS LIMITED

Stock Code: 214

Interim
Report
2008

We seize Opportunities



Corporate Information

Directors

Executive

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

Mr. Chan Sze Hung

Independent non-executive

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

Audit committee

Mr. Hung Yat Ming (*Chairman*)
Mr. Cheung Kwok Wah, Ken
Mr. Wong Chi Keung

Remuneration committee

Mr. Fung Siu To, Clement (*Chairman*)
Mr. Wong Chi Keung
Mr. Hung Yat Ming

Authorised representatives

Mr. Fung Siu To, Clement
Mr. Lun Pui Kan

Company secretary

Mr. Lun Pui Kan

Registered office

Canon's Court,
22 Victoria Street,
Hamilton HM12,
Bermuda

Principal office in Hong Kong

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

Telephone 2866 3336
Facsimile 2866 3772
Website <http://www.asiaorient.com.hk>

Principal bankers

Bank of China (Hong Kong) Limited
Bank of Communications Company Limited
Chiyu Banking Corporation Limited
Chong Hing Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

Legal advisers

Stephenson Harwood & Lo
35th Floor, Bank of China Tower,
1 Garden Road, Central,
Hong Kong

Appleby
8th Floor, Bank of America Tower,
12 Harcourt Road, Central,
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building,
Central, Hong Kong

Share registrar in Bermuda

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre,
11 Bermudiana Road,
Pembroke HM08,
Bermuda

Hong Kong branch share registrar and transfer office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wan Chai,
Hong Kong

Financial Highlights

	Six months ended		Change (%)
	30th September 2008	2007	
(in HK\$ million, except otherwise indicated)			
Consolidated profit and loss account			
Turnover	9	16	-44%
Share of profits of associated companies	45	70	-36%
Profit attributable to shareholders of the Company	40	73	-45%
Earnings per share – basic (HK cents)	6.4	14.6	-56%

	30th	31st	Change (%)
	September 2008	March 2008	
Consolidated balance sheet			
Total assets	2,753	2,644	4%
Net assets	2,634	2,591	2%
Net assets per share (HK\$)	4.11	4.16	-1%
Bank balances and cash	123	124	-1%
Gearing (net debt to equity)	Nil	Nil	n/a

Management Discussion and Analysis



Asia Orient Tower

Jadewater at Aberdeen



Results

Profit attributable to shareholders for the period amounted to HK\$40 million compared to HK\$73 million of last interim period, mainly due to lesser profit contribution from Asia Standard International Group Limited ("Asia Standard"), its major associated company.

Asia Standard

The 45% owned Asia Standard achieved HK\$100 million (2007: HK\$160 million) profit attributable to shareholders for the period at a revenue of HK\$462 million (2007: HK\$653 million).

Property sales and leasing

Property sales turnover amounted to HK\$82 million compared to HK\$285 million of last interim period. Development profit was HK\$32 million compared to HK\$60 million last period. Jadewater, the newly completed residential development at Aberdeen, was launched in the latter half of the interim period and started to contribute profit upon continuous recognition throughout the year.

Construction of the joint venture residential development at Castle Peak Road are progressing and application of presale consent for the 200,000 sq. ft. development is under progress.

Overall, Asia Standard has approximately 0.8 million sq. ft. attributable gross floor area of properties under development in Hong Kong. Its 2 million sq. ft. gross floor area waterfront residential/commercial development project in Beijing is under planning application phase.

Attributable rental income from its investment portfolio increased by 19%, a result of increased unit rent upon tenancy renewal.

Management Discussion and Analysis



Empire Hotel Kowloon



Hotel

The hotel group reported a profit of HK\$2 million for the period. Although it achieved similar revenue and operating profit level with last interim period, its result was diluted by the fair value loss it sustained from financial assets investment.

Asia Standard holds 67.7% stake in its hotel subsidiary.

Financial review

At 30th September 2008 and 31st March 2008, the Group's net asset value stood at HK\$2.6 billion. The Group had bank balances of HK\$123 million at 30th September 2008 (31st March 2008: HK\$124 million) with no bank borrowings

(31st March 2008: Nil). During the period, the Group issued a HK\$80 million convertible bonds maturing August 2010 with a 4% coupon.

At 30th September 2008, the Group had investment in Hong Kong listed securities amounting to HK\$89 million, a HK\$5 million loss was recognised in the profit and loss account for these listed securities investment while another HK\$3 million decrease in value was charged to reserve.

During the period, the Group recorded a HK\$21 million gain resulting from increase in shareholdings in Asia Standard.

Certain listed securities were pledged to secure general banking facilities of the Group. The Group did not provide any guarantees to banks and financial institutions on credit facilities to jointly controlled entities, associated companies and third parties.

Net assets



Employees and remuneration policies

At 30th September 2008, the Group employed 190 full time employees with most of them working for building management and related logistics services. Their remuneration packages, which commensurate with job nature and experience level, include basic salary, annual bonus, share options, retirement and other benefits.

Future outlook

We are in the midst of unprecedented slowdown in worldwide economies caused by a series of financial melt downs.

However, management is confident that the Group will be able to tread the rough current ahead.

Independent Report on Review of Interim Financial Information

To the board of directors of Asia Orient Holdings Limited

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 5 to 20, which comprises the condensed consolidated balance sheet of Asia Orient Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th September 2008 and the related condensed consolidated profit and loss account, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on Interim Financial Information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 11th December 2008

Condensed Consolidated Profit and Loss Account – Unaudited

	Note	Six months ended 30th September	
		2008 HK\$'000	2007 HK\$'000
Turnover	4	8,596	15,961
Revenue	4	8,596	12,599
Cost of sales	5	(4,318)	(5,256)
Gross profit		4,278	7,343
Administrative expenses	5	(9,892)	(7,029)
Other income and charges	6	1,459	3,112
Operating (loss)/profit		(4,155)	3,426
Finance costs	7	(881)	(194)
Share of profits of associated companies		44,921	69,955
Profit before income tax		39,885	73,187
Income tax expense	8	–	(57)
Profit for the period attributable to shareholders of the Company		39,885	73,130
Dividend	9	–	12,463
Earnings per share (HK cents)			
Basic	10	6.4	14.6
Diluted	10	6.4	14.3

Condensed Consolidated Balance Sheet – Unaudited

	Note	30th September 2008 HK\$'000	31st March 2008 HK\$'000
Non-current assets			
Property, plant and equipment	11	797	1,172
Jointly controlled entities		7,272	7,272
Associated companies		2,450,890	2,400,136
Available-for-sale investments		87,209	88,760
Deferred income tax assets		3,371	3,047
		2,549,539	2,500,387
Current assets			
Trade and other receivables	12	1,348	2,771
Financial assets at fair value through profit or loss		1,916	7,136
Warrant assets	13	4,635	10,163
Equity linked notes		72,096	–
Bank balances and cash		123,212	123,999
		203,207	144,069
Current liabilities			
Trade and other payables	14	32,783	35,633
Warrant liabilities	15	–	7,341
Amounts due to associated companies		208	1,925
Amounts due to minority shareholders		8,311	8,311
		41,302	53,210
Net current assets		161,905	90,859
Total assets less current liabilities		2,711,444	2,591,246
Non-current liabilities			
Convertible bonds	16	74,858	–
Derivative financial instruments	16	2,166	–
Deferred income tax liabilities		–	508
		77,024	508
Net assets		2,634,420	2,590,738
Equity			
Share capital	17	64,035	62,332
Reserves	18	2,570,385	2,528,406
		2,634,420	2,590,738

Condensed Consolidated Cash Flow Statement – Unaudited

	Six months ended 30th September	
	2008 HK\$'000	2007 HK\$'000
Net cash (used in)/generated from		
Operating activities	(7,278)	(68,169)
Investing activities	(85,654)	(21,009)
Financing activities	94,462	321,607
Net increase in cash and cash equivalents	1,530	232,429
Cash and cash equivalents at the beginning of period	93,756	81,779
Cash and cash equivalents at the end of period	95,286	314,208
Analysis of the balances of cash and cash equivalents		
Bank balances and cash (excluding restricted bank balance)	95,286	314,221
Bank overdrafts	-	(13)
	95,286	314,208

Condensed Consolidated Statement of Changes in Equity – Unaudited

	HK\$'000
At 31st March 2007	2,012,596
Currency translation differences	7,612
Profit for the period	73,130
Total recognised income for the period	80,742
Net proceeds pursuant to rights issue	246,152
Conversion of warrants	1
2007 final dividend	(11,572)
Issue of warrants	(32,840)
Share options granted by a listed associated company	7,038
Convertible notes and bonds of listed associated companies	(2,695)
	206,084
At 30th September 2007	2,299,422
At 31st March 2008	2,590,738
Fair value losses on available-for-sale investments	
Company and subsidiaries	(2,766)
Listed associated companies	(9,186)
Currency translation differences	(1,973)
Profit for the period	39,885
Total recognised income for the period	25,960
Grant of share options	1,260
Conversion of warrants	16,462
	17,722
At 30th September 2008	2,634,420

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 2008.

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 2008. In addition, the following policies are adopted:

(a) Equity linked notes

Equity linked notes are initially recognised at fair value on trade-date and are subsequently remeasured at fair value. Changes in the fair value of equity linked notes are recognised in the profit and loss account.

(b) Convertible bonds

Convertible bonds are accounted for as hybrid instruments consisting of an embedded derivative and a host debt contract.

At initial recognition, the embedded derivative of the convertible bonds is accounted for as derivative financial instruments and is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability under the contract. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability under the contract.

The derivative component is subsequently carried at fair value and changes in fair value are recognised in the profit and loss account. The liability under the contract is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

When the bond is converted, the carrying amount of the liability under the contract together with the fair value of the relevant derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the bond is redeemed, any difference between the redemption amount and the carrying amounts of both components is recognised in the profit or loss account.

The following new interpretations are mandatory for the Group’s accounting periods beginning on or after 1st April 2008:

HK (IFRIC) – Int 12	Service Concession Arrangements
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has assessed the impact of the adoption of these interpretations and considered that there was no significant impact on the Group’s results and no substantial changes to the Group’s accounting policies.

Certain new standards, amendments and interpretations have been issued but not effective for the Group’s financial year beginning 1st April 2008 and have not been early adopted.

Notes to the Interim Financial Information

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 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, 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 and income taxes and fair values of warrant assets and liabilities, equity linked notes and derivative financial instruments.

4 Turnover 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, Wanchai, Hong Kong.

The Group, its jointly controlled entities and its associated companies are principally engaged in property management, development and investment, hotel, catering services and travel agency, and investment. Turnover comprises revenue from property management, dividend and interest income, together with gross proceeds from securities investments. Revenue includes revenue from property management, dividend and interest income, and net realised gains/(losses) on sale of financial assets at fair value through profit or loss.

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. Additional segment information of associated companies was set out in supplementary notes.

Net gains/(losses) on financial assets at fair value through profit or loss are included in contribution to segment results of investment.

Notes to the Interim Financial Information

4 Turnover and segment information (Continued)

Primary reporting format – business segment (Continued)

An analysis of turnover, revenue and results of the Group by business segments and geographical segments is set out below:

	Property management HK\$'000	Investment HK\$'000	Other operations HK\$'000	Group HK\$'000
Six months ended 30th September 2008				
Turnover	5,750	2,008	838	8,596
Segment revenue	5,750	2,008	838	8,596
Contribution to segment results	1,432	2,008	838	4,278
Other income and charges	–	(7,177)	8,636	1,459
Unallocated corporate expenses				(9,892)
Operating loss				(4,155)
Finance costs				(881)
Share of results of associated companies (note (i))				44,921
Profit before income tax				39,885
Income tax expense				–
Profit for the period				39,885

Six months ended 30th September 2007

Turnover	7,182	4,413	4,366	15,961
Segment revenue	7,182	1,051	4,366	12,599
Contribution to segment results	1,926	1,051	4,366	7,343
Other income and charges	–	2,614	498	3,112
Unallocated corporate expenses				(7,029)
Operating profit				3,426
Finance costs				(194)
Share of results of associated companies (note (i))				69,955
Profit before income tax				73,187
Income tax expense				(57)
Profit for the period				73,130

Notes to the Interim Financial Information

4 Turnover and segment information (Continued)

Primary reporting format – business segment (Continued)

Note (i): Share of results of associated companies

	Six months ended 30th September	
	2008 HK\$'000	2007 HK\$'000
Property sales	12,994	21,349
Property leasing	43,337	53,385
Hotel and travel	16,023	4,246
Investment	(28,503)	9,177
Other operations	19,903	14,237
Finance costs	(5,358)	(12,157)
Unallocated corporate expenses	(10,629)	(8,677)
Income tax expense	(2,846)	(11,605)
	44,921	69,955

Secondary reporting format – geographical segments

For the six months ended 30th September 2008 and 2007, the activities of the Group are mainly based in Hong Kong. The Group incurred its capital expenditure, derived most of its revenue and operating profit from Hong Kong. Over 90% of its total assets are located in Hong Kong.

Notes to the Interim Financial Information

5 Costs and expenses by nature

	Six months ended 30th September	
	2008 HK\$'000	2007 HK\$'000
Included in administrative expenses:		
Depreciation	401	393
Employee benefit expense, including Director's emoluments (note (a))	8,491	6,777
(a) Employee benefit expense		
Wages and salaries	7,083	6,624
Share option expense (note 17(c))	1,260	–
Retirement benefits costs	148	153
	8,491	6,777

6 Other income and charges

	Six months ended 30th September	
	2008 HK\$'000	2007 HK\$'000
Net unrealised losses on financial assets at fair value through profit or loss	(5,220)	(110)
Unrealised gains on derivative financial instruments (note 16)	1,295	374
Unrealised losses on equity linked notes	(5,452)	–
Net fair value (losses)/gains on warrant assets (note 13)	(17,260)	3,805
Fair value gains on warrant liabilities (note 15)	7,341	498
Net gains/(losses) on acquisition/dilution of interest in listed associated companies	21,155	(655)
Provision for advances to a jointly controlled entity	(400)	(800)
	1,459	3,112

Notes to the Interim Financial Information

7 Finance costs

	Six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
Interest expenses and finance charges on		
convertible bonds	704	–
short term bank loans and overdrafts	177	194
	881	194

8 Income tax expense

	Six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
Current income tax	–	57

In 2008, the Hong Kong government enacted a change in profits tax rate from 17.5% to 16.5% for the fiscal year of 2008/2009.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the current period. In prior period, Hong Kong profits tax was provided at the rate of 17.5% on the estimated assessable profit for the period.

Share of income tax of associated companies for the six months ended 30th September 2008 of HK\$2,846,000 (2007: HK\$11,605,000) is included in the profit and loss account as share of profits of associated companies. There is no income tax for jointly controlled entities for the period (2007: Nil).

9 Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th September 2008 (2007: HK2 cents per share).

Notes to the Interim Financial Information

10 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$39,885,000 (2007: HK\$73,130,000) and on the weighted average number of 625,740,613 (2007: 502,314,630) shares in issue during the period.

The basic and diluted earnings per share are the same for the six months ended 30th September 2008 as the Company's outstanding convertible bonds, share options and warrants and the outstanding share options and warrants of Asia Standard International Group Limited ("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 2007 was 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 arising from conversion of the convertible notes of Asia Standard, and divided by 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 potential shares and 53,666 potential shares deemed to be in issue assuming the Company's share options and warrants had been converted. The outstanding share options and warrants of Asia Standard and AS Hotel did not have a dilutive effect on the earnings per share.

11 Property, plant and equipment

	Other equipment HK\$'000
Cost	
At 31st March 2008	5,066
Additions	26
At 30th September 2008	5,092
Accumulated depreciation	
At 31st March 2008	3,894
Charge for the period	401
At 30th September 2008	4,295
Net book value	
At 30th September 2008	797
At 31st March 2008	1,172

Notes to the Interim Financial Information

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\$44,000 (31st March 2008: HK\$227,000).

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 receivables, credit evaluations of customers are performed periodically. The carrying values of trade receivables at the balance sheet date are due on presentation of invoices.

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

	30th September 2008 HK\$'000	31st March 2008 HK\$'000
0 day to 60 days	44	227

13 Warrant assets

On 6th September 2008, all outstanding bonus warrants granted from Asia Standard in prior year were expired.

On 8th September 2008, the Group received 977,680,000 bonus warrants from Asia Standard. The warrants are exercisable at any time within one year from the date of issue. The initial subscription price was at HK\$0.1 per share, subject to adjustments and reset arrangements.

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

	HK\$'000
At 31st March 2008	10,163
Fair value of warrants granted	11,732
Fair value loss charged to profit and loss account (note 6)	(17,260)
At 30th September 2008	4,635

Notes to the Interim Financial Information

14 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\$3,357,000 (31st March 2008: HK\$3,170,000).

Aging analysis of trade payables is as follows:

	30th September 2008 HK\$'000	31st March 2008 HK\$'000
0 day to 60 days	2,907	2,984
61 days to 120 days	86	75
More than 120 days	364	111
	3,357	3,170

15 Warrant liabilities

During the period, the Company allotted and issued 17,023,637 new shares for a gross consideration of HK\$16,462,000 upon conversion of warrants issued in prior year. All remaining outstanding warrants expired on 6th September 2008.

On 8th September 2008, the Company issued another warrants to shareholders on the basis of one warrant for every five shares of the Company. The initial subscription price was at HK\$1.029 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 not subject to any other reset adjustment. Therefore, no liabilities are recognised in the Interim Financial Information.

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

	HK\$'000
At 31st March 2008	7,341
Fair value gains credited to profit and loss account (note 6)	(7,341)
At 30th September 2008	–

Notes to the Interim Financial Information

16 Convertible bonds

On 18th August 2008, the Company issued convertible bonds with principal amount of HK\$80 million which bears interest at 4% per annum payable semi-annually in arrears. The bondholder has the option to convert the bonds into fully paid shares at HK\$1.3 per share at any time within two years 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 on the date falling on the first anniversary of the date of issue of the bonds.

The Company and its subsidiaries may purchase or early redeem the bonds at a redemption price equal to 100% of the principal amount together with accrued interest at any time on or before 18th July 2010. Unless previously purchased, redeemed or converted, the bonds will be redeemed on 18th August 2010 at a redemption price equal to 100% of the principal amount.

The convertible bonds were recognised as follows:

	Liability component HK\$'000	Derivative component HK\$'000
At date of issue	74,539	3,461
Finance costs	319	–
Fair value gain credited to profit and loss account (note 6)	–	(1,295)
At 30th September 2008	74,858	2,166

Notes to the Interim Financial Information

17 Share capital

	Number of shares	Amount HK\$'000
Shares of HK\$ 0.1 each		
Authorised		
At 31st March 2008	1,500,000,000	150,000
Increase during the period (note (a))	1,500,000,000	150,000
At 30th September 2008	3,000,000,000	300,000
Issued and fully paid		
At 31st March 2008	623,321,940	62,332
Conversion of warrants (note (b))	17,023,637	1,703
At 30th September 2008	640,345,577	64,035

Notes:

- (a) On 27th August 2008, an ordinary resolution was passed to increase the authorised share capital to HK\$300 million.
- (b) During the period, the Company allotted and issued 17,023,637 new shares for a gross consideration of HK\$16,462,000 upon conversion of warrants.
- (c) Options to subscribe for a total of 5,780,000 shares of the Company were granted on 15th August 2008 under the share option scheme of the Company adopted on 11th November 2002 ("Share Option Scheme"). No option was exercised during the period.

The fair value of options granted during the period determined using the Trinomial option pricing model was HK\$1,260,000. The significant inputs into the model was share price of HK\$1.01 at the date of grant, exercise price of HK\$1.07, implied life of options of 4 years, annual risk-free interest rate of 2.795% and 1 year annualised daily volatility rate.

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 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.

Notes to the Interim Financial Information

18 Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Available- for-sale investment reserve HK\$'000	Share option reserve HK\$'000	Warrants reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31st March 2008	2,011,971	398,021	60,257	8,160	19,459	(21,748)	52,286	2,528,406
Fair value losses on investments	-	-	-	(2,766)	-	-	-	(2,766)
Currency translation differences	-	-	-	-	-	-	(1,973)	(1,973)
Profit for the period	-	-	-	-	-	-	39,885	39,885
Grant of share option	-	-	-	-	1,260	-	-	1,260
Conversion of warrants	14,759	-	-	-	-	4,831	(4,831)	14,759
Expiry of warrants	-	-	-	-	-	16,917	(16,917)	-
Share of reserve of associated companies	-	-	-	(9,186)	-	-	-	(9,186)
At 30th September 2008	2,026,730	398,021	60,257	(3,792)	20,719	-	68,450	2,570,385

19 Capital commitments

Neither the Group nor the Company had any capital commitments which were contracted but not provided for, nor authorised but not contracted for as at 30th September 2008 and 31st March 2008.

20 Contingent liabilities

The Group and the Company did not have any material contingent liabilities as at 30th September 2008 and 31st March 2008.

21 Comparative figures

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

Other Information

Directors and chief executive's interests and short positions in shares, underlying shares and debentures

As at 30th September 2008, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Hong Kong Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(I) Long positions in shares

(a) The Company

Director	Number of shares held				Percentage of shares in issue (%)
	Personal interest	Corporate interest	Family interest	Total	
Poon Jing	136,349,694	107,619,384	3,953,852	247,922,930	38.72
Fung Siu To, Clement	11,260,763	–	–	11,260,763	1.76

Other Information

Directors and chief executive's interests and short positions in shares, underlying shares and debentures

(Continued)

(I) Long positions in shares (Continued)

(b) Associated companies

Director	Associated company	Number of shares held			Percentage of shares in issue (%)
		Personal interest	Corporate interest	Total	
Poon Jing	Asia Standard International Group Limited ("Asia Standard")	9,397,533	4,979,427,048 (Note 1)	4,988,824,581	45.43
Poon Jing	Asia Standard Hotel Group Limited ("AS Hotel")	403,383	9,121,284,139 (Note 1)	9,121,687,522	70.67
Poon Jing and Fung Siu To, Clement	Centop Investment Limited ("Centop")	–	20 (Note 2)	20	20
Poon Jing	Centop	–	80 (Note 3)	80	80
Fung Siu To, Clement	Mark Honour Limited	9	–	9	9

Notes:

- By virtue of his controlling interest in the Company, Mr. Poon Jing is deemed to be interested in the shares of Asia Standard and AS Hotel held by the Company and its subsidiaries.
- Centop is owned as to 80% by Asia Standard and 20% by Kingscore Investment Limited ("Kingscore"). Each of Mr. Poon Jing and Mr. Fung Siu To, Clement holds 50% interest in Kingscore. By virtue of their interest in Kingscore, each of Mr. Poon Jing and Mr. Fung Siu To, Clement 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 Jing is deemed to have interest in the 80 shares of Centop held by Asia Standard.

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

Other Information

Directors and chief executive's interests and short positions in shares, underlying shares and debentures

(Continued)

(II) Long positions in underlying shares

Interest in share options

As at 30th September 2008, details of the share options granted to Directors under the share option schemes are as follows:

a) *The Company*

Name of Director	Outstanding as at 1st April 2008 and 30th September 2008
Fung Siu To, Clement	2,126,301
Lim Yin Cheng	2,126,301
Lun Pui Kan	2,126,301
Kwan Po Lam, Phileas	2,126,301

Notes:

1. The share options were granted on 29th March 2007 and exercisable from 29th March 2007 to 28th March 2017 at the exercise price of HK\$1.4315 (as adjusted) per share.
2. During the period, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

Other Information

Directors and chief executive's interests and short positions in shares, underlying shares and debentures

(Continued)

(II) Long positions in underlying shares (Continued)

Interest in share options (Continued)

b) Associated corporations

– Asia Standard

Name of Director	Outstanding as at 1st April 2008 and 30th September 2008
Fung Siu To, Clement	20,621,761
Poon Jing	5,155,440
Lim Yin Cheng	20,621,761
Lun Pui Kan	20,621,761
Kwan Po Lam, Phileas	20,621,761

Notes :

1. The share options were granted on 30th March 2005 and exercisable from 30th March 2005 to 29th March 2015 at exercise price of HK\$0.315 (as adjusted) per share.
2. During the period, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

Other Information

Directors and chief executive's interests and short positions in shares, underlying shares and debentures

(Continued)

(II) Long positions in underlying shares (Continued)*Interest in share options (Continued)**b) Associated corporations (Continued)**– AS Hotel*

Name of Director	Date of Grant	Exercise price (HK\$)	Exercise period	Outstanding as at 1st April 2008 and 30th September 2008
Fung Siu To, Clement	29th March 2007	0.1296	29th March 2007 to 28th March 2017	80,000,000
Lim Yin Cheng	2nd April 2007	0.130	2nd April 2007 to 1st April 2017	80,000,000
Lun Pui Kan	2nd April 2007	0.130	2nd April 2007 to 1st April 2017	80,000,000
Kwan Po Lam, Phileas	2nd April 2007	0.130	2nd April 2007 to 1st April 2017	80,000,000

Note : During the period, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

Other Information

Directors and chief executive's interests and short positions in shares, underlying shares and debentures

(Continued)

(II) Long positions in underlying shares (Continued)

Interest in warrants

(a) The Company

Name of Director	Number of warrants held			Total
	Personal interest	Corporate interest	Family interest	
Poon Jing	24,774,737	21,523,873	790,770	47,089,380
Fung Siu To, Clement	2,252,151	–	–	2,252,151

Note: The warrants of the Company are exercisable from 8th September 2008 to 7th September 2009 at an initial subscription price of HK\$1.029 per share, subject to adjustments and reset arrangements.

(b) Associated corporations

Name of Director	Associated corporation	Number of warrants held			Total
		Personal interest	Corporate interest		
Poon Jing	Asia Standard	1,879,506	977,680,196	979,559,702	
				(Note 1)	
Poon Jing	AS Hotel	76,686	1,742,211,916	1,742,288,602	
				(Note 2)	

Notes:

- The warrants of Asia Standard are exercisable from 8th September 2008 to 7th September 2009 at an initial subscription price of HK\$0.1 per share, subject to adjustments and reset arrangements.
- The warrants of AS Hotel are exercisable from 7th September 2007 to 6th September 2010 at the subscription price of HK\$0.084 (as adjusted) per share, subject to adjustments and reset arrangements.

Save as disclosed above, as at 30th September 2008, none of the Directors or Chief Executive (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Other Information

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

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30th September 2008, the Company had been notified of the following shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

Long positions in shares and underlying shares of the Company

Name of 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	8,978,686	53,872,123	8.41
Heston Holdings Limited ("Heston") (Note 1)	Beneficial owner	37,399,588	7,479,918	44,879,506	7.01
Dalton Investments LLC ("Dalton") (Note 2)	Investment Manager	84,264,629	16,717,979	100,982,608	15.77
Clearwater Insurance Company ("Clearwater Insurance") (Note 2)	Trustee	39,693,519	7,938,703	47,632,222	7.44
Dalton Greater China (Master) Fund ("Dalton Greater China") (Note 2)	Investment Manager	28,591,541	5,718,308	34,309,849	5.36
Daswani Rajkumar Murlidhar	Beneficial owner	36,021,971	–	36,021,971	5.63
Capital Estate Limited ("Capital Estate") (Note 3)	Interests in controlled corporation	12,225,103	38,221,810	50,446,913	7.88

Other Information

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

(Continued)

Notes:

1. Teddington and Heston are companies wholly-owned by Mr. Poon Jing. As such, Mr. Poon Jing is deemed to be interested in the shares held by Teddington and Heston and such interests duplicate with the interests of Mr. Poon Jing as set out in the heading "Directors and chief executive's interests and short positions in shares, underlying shares and debentures".
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. The interests of Capital Estate in the Company are held through its wholly-owned subsidiary Top Mount Limited. As such, Capital Estate is deemed to be interested in the Shares held by Top Mount Limited.

Save as disclosed above, as at 30th September 2008, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under Section 336 of the SFO.

Other Information

Share option scheme

Company

Pursuant to the Share Option Scheme, the Board of Directors of the Company may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiary or any invested entity, their discretionary trust or the companies owned by them. There are no changes in any terms of the Share Option Scheme during the six month ended 30th September 2008. The detailed terms of the Share Option Scheme were disclosed in the 2008 annual report.

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

Grantee	Outstanding as at 1st April 2008 (Note 1)	Granted during the period (Note 2)	Outstanding as at 30th September 2008
Directors	8,505,204	–	8,505,204
Director of associated corporations	3,469,228	–	3,469,228
Employees of associated corporations	26,746,627	5,780,000	32,526,627
	38,721,059	5,780,000	44,501,059

Notes:

1. These share options were granted on 29th March 2007 and exercisable from 29th March 2007 to 28th March 2017 at the exercise price of HK\$1.4315 (as adjusted) per share. During the period, no such option was exercised, cancelled or lapsed.
2. These share options were granted on 15th August 2008 and exercisable from 15th August 2008 to 14th August 2018 at the exercise price of HK\$1.07 per share. During the period, no such option was exercised, cancelled or lapsed.

Interim dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th September 2008 (2007: HK2 cents per share).

Purchase, sale or redemption of listed securities

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

Other Information

Code of Conduct regarding Securities Transactions by Directors

The Company has adopted its own Code of Conduct for Securities Transactions by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10) of the Listing Rules. The Company has also made specific enquiry to the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its Code of Conduct for Securities Transactions by Directors.

Code on Corporate Governance Practices

During the period, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except for the deviation from code provision A.4.1 which stated that non-executive directors should be appointed for a specific term, subject to re-election. All non-executive director and independent non-executive directors of the Company are not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with the Bye-Laws of the Company.

Audit committee

The Audit Committee members are Mr. Hung Yat Ming, Mr. Cheung Kwok Wah, Ken and Mr. Wong Chi Keung. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The unaudited interim financial report of the Group for the six months ended 30th September 2008 has been reviewed by the Audit Committee.

On behalf of the Board

Fung Siu To, Clement

Chairman

Hong Kong, 11th December 2008