



# ASIA ORIENT HOLDINGS LIMITED

Stock Code: 214

Annual Report **2008**



## **Asia Orient Holdings Limited**

(Incorporated in Bermuda with limited liability)

Annual Report

For the year ended

31st March 2008

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# 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

Ms. Chiu Yuk Ching

## 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

Fascimile 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 Fund Services (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,  
 Hong Kong

# Financial Highlights

<b>For the year ended 31st March</b>	<b>2008</b>	<b>2007</b>	<b>Change</b>
<i>(in HK\$ million, except otherwise indicated)</i>			
<b>Consolidated profit and loss account</b>			
Turnover	35	119	-70%
Operating profit	78	45	+73%
Share of profits of associated companies	211	123	+72%
Profit attributable to shareholders of the Company	287	168	+71%
Earnings per share (HK\$)			
Basic	0.52	0.40	+30%
Diluted	0.51	0.39	+31%
<b>Consolidated balance sheet</b>			
Total assets	2,644	2,062	+28%
Net assets	2,591	2,013	+29%
Net assets per share (HK\$)	4.16	5.22	-20%
Net cash	124	115	+8%
Gearing	Nil	Nil	

# Chairman's Statement

I am pleased to report that the Group has recorded profit for the year of HK\$287 million, increased by 71% compared to last year.

The Group's major investment, 45% stake in Asia Standard International Group Ltd ("Asia standard"), achieved a 64% increase in profit attributable to shareholders of HK\$471 million, with profit from development sales and investment properties appreciation gain. The hotel subsidiary of Asia Standard also reports a HK\$96 million net profit.

We expect the trend of strong influx of visitors to be continued in the coming year, with 2008 Olympic Games and Hong Kong positioned as the financial and business centre of the region, in particular for the whole of China. Exhibition business together with Macau gaming facilities are all attracting traveling demand.

We believe the coming year will be full of challenge for the property market for a number of external uncertainties such as concern for rising interest rate worldwide to combat inflation, escalating material costs, falling property prices in developed countries and credit tightening measures on Mainland China, are all but to stem down demand for properties. Nonetheless, we remain cautiously optimistic for the Group to face this adversity.

By Order of the Board  
**Fung Siu To, Clement**  
*Chairman*

Hong Kong, 10th July 2008



# Management Discussion and Analysis



Jadewater

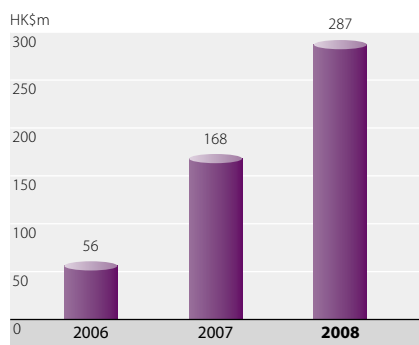


Castle Peak Road

## Results

Profit attributable to shareholders increased by HK\$119 million (71%) to HK\$287 million compared to HK\$168 million of last year. The increase is directly the result of improved performance of Asia Standard International Group Limited ("Asia standard"), its major associated company.

### Profit attributable to shareholders



## Asia Standard

Asia Standard remains the Group's core investment. It achieved HK\$471 million (2007: HK\$288 million) profit attributable to shareholders for the year at a turnover of HK\$1,555 million (2007: HK\$1,374 million).

### Property sales and leasing

Property sales turnover amounted to HK\$379 million compared to HK\$652 million of last year. Development profit this year amounted to HK\$80 million compared to HK\$134 million of last year. Inventory sale of Canaryside, a residential development in Lei Yue Mun completed in March 2007, makes up the majority of sales.

Construction of residential development projects at Aberdeen and Castle Peak Road are progressing. Sale of Jadewater, the 150,000 sq.ft. GFA Aberdeen project, has commenced in June.

Application of presale consent for the 200,000 sq.ft. Castle Peak Road joint venture development project is also under progress. Overall, Asia Standard has nearly 1 million sq.ft. gross floor area of properties under development in Hong Kong.

Asia Standard recently increased its presence in the mainland by investing in a 2 million square feet gross floor area waterfront residential/commercial development project in Beijing.

# Management Discussion and Analysis

Attributable rental income from its investment portfolio increased by 10%, the increment is the result of increased unit rent upon tenancy renewal.

## Hotel

Hotel group reported a HK\$96 million profit for the year.

Asia Standard has increased its stake in the Hotel group from 62.8% to 67.7% during the year.

## Financial review

The Group had net cash position of HK\$124 million at 31st March 2008 (2007: HK\$115 million).

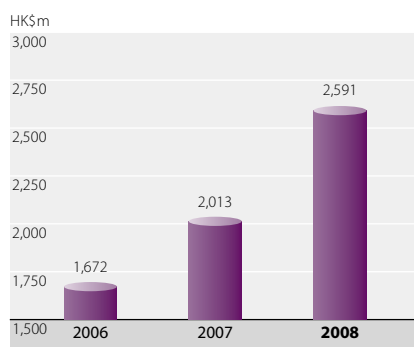
At 31st March 2008, the Group's net asset value rose to HK\$2.6 billion from HK\$2.0 billion at 31st March 2007. The increase is attributable to retained profit and new capital raised in the year.

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.



*Empire Hotel Causeway Bay*

## Net assets



## Employees and remuneration policies

At 31st March 2008, the Group employed 200 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, retirement and other benefits.



# Five-year Financial Summary

Year ended 31st March	2008 HK\$M	2007 HK\$M	2006 HK\$M	2005 HK\$M (restated)	2004 HK\$M (restated)
<b>RESULTS</b>					
Turnover	35	119	45	553	767
Profit/(loss) attributable to shareholders of the Company	287	168	56	(52)	(259)
<b>ASSETS AND LIABILITIES</b>					
Total assets	2,644	2,062	1,726	1,679	6,629
Total liabilities	(53)	(49)	(54)	(110)	(3,409)
Minority interests	–	–	–	–	(1,597)
Total equity	2,591	2,013	1,672	1,569	1,623

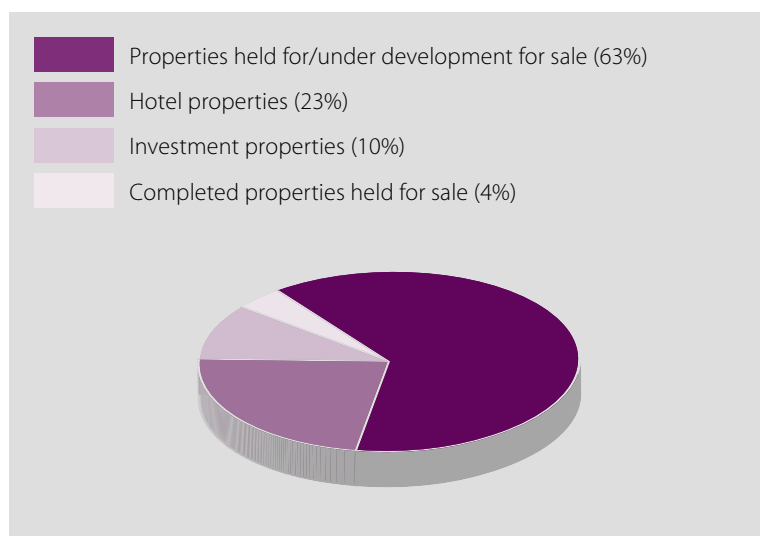
## Notes:

- Subsequent to the reduction of interests in Asia Standard International Group Limited to below 50% in January 2005, Asia Standard changed from a subsidiary to an associated company and accordingly its results and assets and liabilities were consolidated up to December 2004 and equity accounted for thereafter.
- Over the past five years, the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standard ("HKFRS") which are effective for accounting periods commencing on or after 1st January 2005. HKFRS was adopted in 2006 with 2004 and 2005 figures restated in accordance with the relevant requirements of new/revised HKFRS.

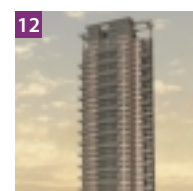
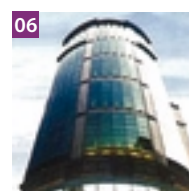
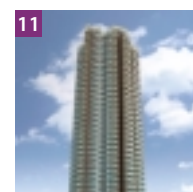
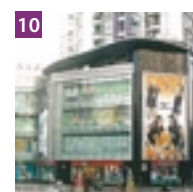
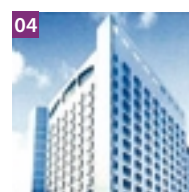
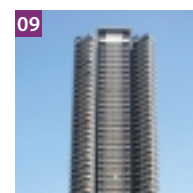
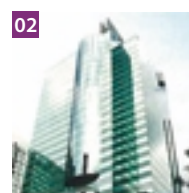
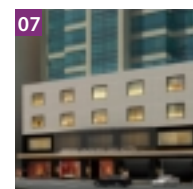
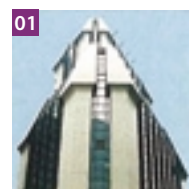
# Principal Properties

As at 31st March 2008

The principal properties are held through the subsidiaries, jointly controlled entities and associated companies of Asia Standard, the Group's listed associated companies.

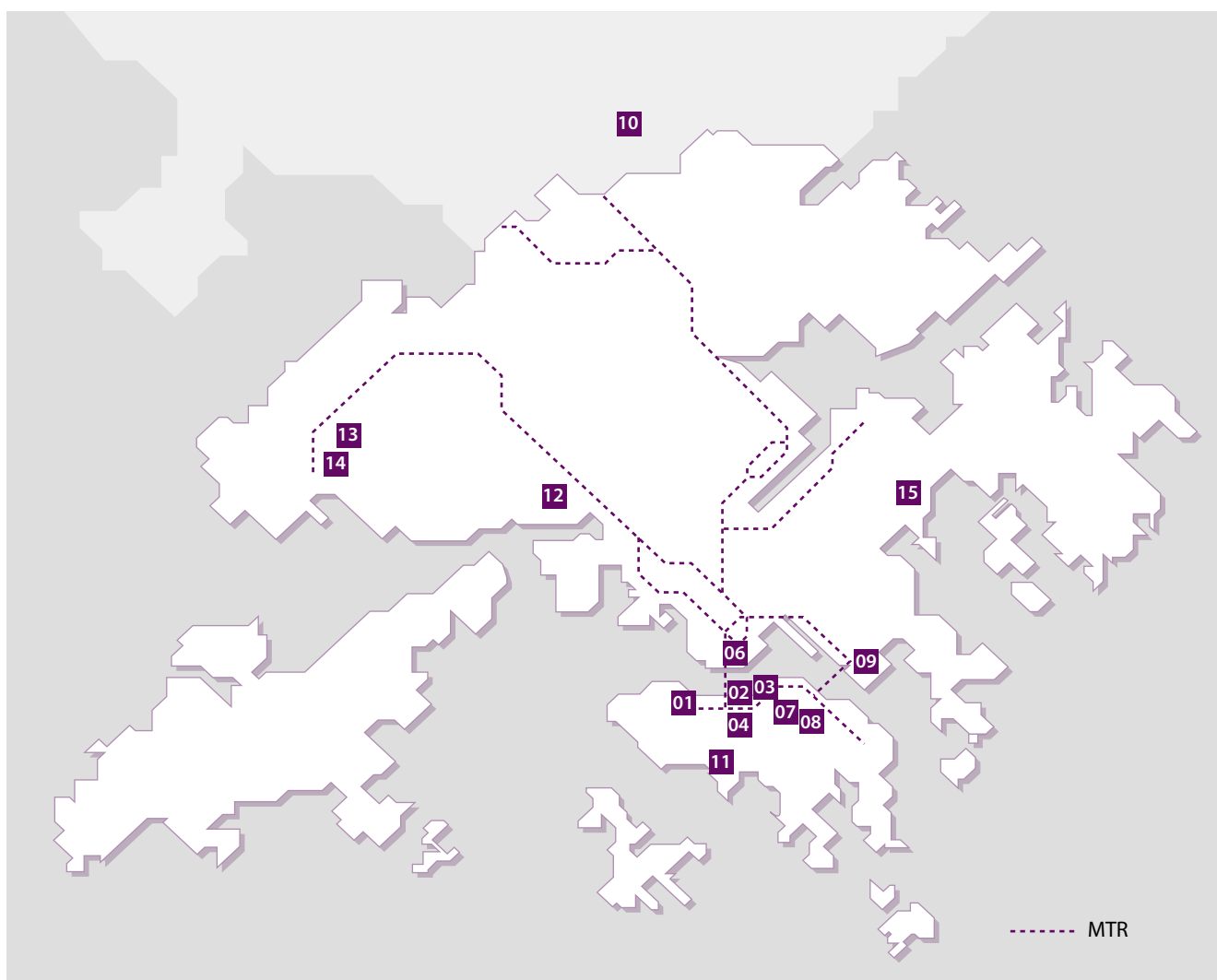


Attributed GFA to Asia Standard (sq. ft.)	
Properties held for/under development for sale	1,770,000
Hotel properties	631,000
Investment properties	282,000
Completed properties held for sale	123,000
<b>Total</b>	<b>2,806,000</b>



## Principal Properties

As at 31st March 2008



## Our properties

- |                                            |                                     |                             |
|--------------------------------------------|-------------------------------------|-----------------------------|
| <b>01</b> Asia Standard Tower              | <b>07</b> Empire Hotel Causeway Bay | <b>13</b> Hung Shui Kiu     |
| <b>02</b> Asia Orient Tower                | <b>08</b> 28 Marble Road            | <b>14</b> Lam Tei           |
| <b>03</b> Goldmark                         | <b>09</b> Canaryside                | <b>15</b> Sha Ha            |
| <b>04</b> Empire Hotel Hong Kong           | <b>10</b> Oriental Garden           | <b>16</b> Tongzhou, Beijing |
| <b>05</b> Empire Landmark Hotel, Vancouver | <b>11</b> Jadewater                 |                             |
| <b>06</b> Empire Hotel Kowloon             | <b>12</b> Castle Peak Road          |                             |

# Principal Properties

As at 31st March 2008

Properties	Group's interest	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type
<b>I Investment properties</b>				
01 Asia Standard Tower 59-65 Queen's Road Central, Hong Kong.	44.9%	7,800	133,000	Commercial
02 Asia Orient Tower Town Place, 33 Lockhart Road, Wanchai, Hong Kong.	44.9%	7,300	114,000	Commercial
03 Goldmark 502 Hennessy Road, Causeway Bay, Hong Kong.	14.8%	6,300	106,000	Commercial
<b>II Hotel properties</b>				
04 Empire Hotel Hong Kong 33 Hennessy Road, Wanchai, Hong Kong.	33.4%	10,600	184,000 (362 rooms)	Hotel
05 Empire Landmark Hotel 1400 Robson Street, Vancouver B.C., Canada.	33.4%	41,000	420,000 (358 rooms)	Hotel
06 Empire Hotel Kowloon 62 Kimberley Road, Tsimshatsui, Kowloon.	33.4%	11,400	220,000 (315 rooms)	Hotel
07 Empire Hotel Causeway Bay (coming soon) 8 Wing Hing Street, Causeway Bay, Hong Kong.	33.4%	6,200	108,000 (280 rooms)	Hotel

## Principal Properties

As at 31st March 2008

Properties	Group's interest	Approx. gross floor area (sq. ft.)	Type
<b>III Completed properties held for sale</b>			
<b>Hong Kong</b>			
08 Portion of office floors at 28 Marble Road, North Point, Hong Kong.	36.0%	20,000	Commercial
09 Canaryside 8 Shung Shun Street, Lei Yue Mun, Kowloon.	44.9%	43,000	Commercial/ Residential
<b>PRC</b>			
10 Oriental Garden Nos. H212-28 Dong Feng Fang, Luo Hu District, Shenzhen, PRC.	18.6%	154,000	Commercial/ Residential

# Principal Properties

As at 31st March 2008

Properties	Group's interest	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type	Stage and estimated date of completion
<b>IV Properties held for/under development for sale</b>					
11 Jadewater Aberdeen, Hong Kong.	44.9%	16,200	150,000	Commercial/ Residential	Superstructure (2008)
12 Castle Peak Road Yau Kam Tau, New Territories.	22.5%	83,600	200,000	Residential	Superstructure (2009)
13 Hung Shui Kiu Yuen Long, New Territories.	36.0%	101,000	595,000	Commercial/ Residential	Planning (2011)
14 Lam Tei Tuen Mun, New Territories.	44.9%	19,000	79,000	Commercial/ Residential	Planning (2011)
15 Sha Ha Sai Kung, New Territories.	3.4%	630,000	1,133,000	Residential	Planning (2011)
16 72 Yong Shun Street West Tongzhou District, Beijing PRC	19.8%	560,000	2,000,000	Commercial/ Residential	Planning (2011)

# Corporate Governance Report

## Corporate Governance Practices

The Company is committed to raise its corporate governance standards by emphasising transparency, independence, accountability, responsibility and fairness. The Company exercises corporate governance through the Board of Directors ("Board") and various Committees.

## Board of Directors

The Board consists of five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The posts of Chairman and Chief Executive are separate and are not held by the same individual. The Chairman, Mr. Fung Siu To, Clement, is responsible for overseeing the functioning of the Board and the strategies and policies of the Group. The Chief Executive and Managing Director, Mr. Poon Jing is responsible for managing the Group's business. The biographical details and relationship of the Directors are disclosed in the biography of directors set out in the Directors' Profile.

According to the Bye-laws of the Company, at every annual general meeting of the Company one-third of the Directors (other than the Chairman and the Managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding one-third, shall retire from office by rotation. The Chairman and the Managing Director shall retire voluntarily at the annual general meeting every three years in accordance with the Code on Corporate Governance Practices. A retiring Director shall be eligible for re-election at the meeting. The Non-executive Director and Independent Non-executive Directors are not appointed for a specific term but are subject to rotation in accordance with the Bye-laws of the Company and the Code on Corporate Governance Practices.

The Board meets quarterly and is responsible for the formulation and reviewing of long-term business directions and strategies, to monitor the operating and financial performance of the Group. It also considers and approves future strategic plans and budgets for the Group. The management is delegated with the authority to make decisions and responsible for daily operations of the Group under the leadership of the Chief Executive. The management provides explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Chief Executive, working with the other Executive Directors and the head of each division, is responsible for managing the business of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for operation of the Group. All Executive Directors have made full and active contributions to the affairs of the Board.

## Corporate Governance Report

The Directors are responsible for selecting and consistently applying appropriate accounting policies and preparing financial statements which give a true and fair view. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis.

The Board acknowledges that it is its responsibility to prepare the financial statements and to present a balanced, clear and comprehensive assessment to annual and interim reports, other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

During the year, the Board held four meetings. The Directors of the Board and the attendance of each Director are as follows:–

<b>Name of director</b>	<b>Title</b>	<b>Attendance at Board Meetings/ Number of Board Meeting held</b>
Mr. Fung Siu To, Clement	Chairman	4/4
Dr. Lim Yin Cheng	Deputy Chairman	4/4
Mr. Poon Jing	Managing Director and Chief Executive	2/4
Mr. Lun Pui Kan	Executive Director	4/4
Mr. Kwan Po Lam, Phileas	Executive Director	4/4
Mr. Chan Sze Hung	Non-executive director	0/4
Mr. Cheung Kwok Wah, Ken	Independent Non-executive director	1/4
Mr. Hung Yat Ming	Independent Non-executive director	4/4
Mr. Wong Chi Keung	Independent Non-executive director	3/4

During the year, no new director was appointed. If new directors are required to be appointed to the Board, the Board will elect the appropriate candidates by considering qualification, ability, working experience, and professional ethics of the candidates.



## Corporate Governance Report

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### Remuneration Committee

The Remuneration Committee currently comprises the Chairman, Mr Fung Siu To, Clement, and two Independent Non-executive Directors, Mr. Wong Chi Keung and Mr. Hung Yat Ming. The Chairman also acts as the chairman of the Remuneration Committee. The duties of the Committee include making recommendations to the Board on the remuneration policy and structure of the Directors and senior management, approving the remuneration, determining the remuneration packages of all Executive Directors and senior management and approving the compensation to Directors and senior management on termination or dismissal. The remuneration packages including basic salary, annual bonus, retirement and other benefit such as share options are commensurate with their job nature and experience level. No director may be involved in any decisions as to his own remuneration or other benefit. The Group's remuneration policy seeks to provide a fair market remuneration so as to attract, retain and motivate high quality staff. His remuneration is determined with reference to his duties and responsibility, remuneration benchmark in the industry and prevailing market conditions.

During the year, the Committee held one meeting, which all members had attended, to review, discuss and approve the remuneration package of the Directors.

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### Audit Committee

The Audit Committee currently comprises all the Independent Non-executive Directors, Mr. Hung Yat Ming (as Chairman), Mr. Cheung Kwok Wah, Ken and Mr. Wong Chi Keung. The terms of reference adopted by the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee meets at least twice a year for review of the annual financial statements and the interim financial statements. During the year, the Audit Committee met twice to review the Company's financial reporting and the recommendation by the auditor on the issues of internal control. All the members had attended the meetings. The Audit Committee has reviewed the annual financial statements for the year ended 31st March 2008.

# Corporate Governance Report

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## Code of Conduct regarding Securities Transactions by Directors

The Group 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.

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## Code on Corporate Governance Practices

During the year, 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.

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## Internal Control

It is the responsibility of the Board to ensure that the Group maintains sound and effective internal controls to safeguard the shareholders' investments and the Group's assets. During the year, the Board reviewed the effectiveness of the internal control system of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions of the Group.

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## Auditors' Remuneration

PricewaterhouseCoopers has been appointed as the auditor of the Company by the shareholders at the annual general meeting. The services provided by PricewaterhouseCoopers include audit, taxation related and other services. A statement by PricewaterhouseCoopers about their reporting responsibilities as the auditor of the Group is included in the Independent Auditor's Report on pages 31 of this annual report.

An amount of HK\$1,097,000 (2007: HK\$813,000) was charged to the financial statements of the Group for their audit services. Taxation services and review on interim results provided by them amounted to HK\$101,000 (2007: HK\$100,000).

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## Investor Relationship

The Group aims to provide its shareholders and investors with high level of transparency. During the year, the Executive Directors met a lot of local and institutional investors and analysts. The Board is committed to providing clear and full performance information of the Group to shareholders and the investment community through the publication of interim and annual reports, announcements, circulars and press releases.

The Company has also maintained a website at <http://www.asiaorient.com.hk> which enables shareholders, investors and public to access to the information of the Company on a timely basis.

# Directors' Profile

## Executive Directors



### FUNG Siu To, Clement

Age 59. Chairman of the Company and the Remuneration Committee. He is the chairman of the listed associated company, Asia Standard International Group Limited ("Asia Standard") and is an executive director of the listed associated company, Asia Standard Hotel Group Limited ("AS Hotel"). Mr. Fung is a holder of a Bachelor of Applied Science (Civil Engineering) degree and is also a fellow member of the Hong Kong Institution of Engineers. He joined the Company and its subsidiaries (together the "Group") in 1988 and has over 25 years of experience in project management and construction. He is the brother-in-law of Mr. Poon Jing, Managing Director.



### LIM Yin Cheng

Age 63. Deputy Chairman of the Company and Asia Standard, deputy chairman and chief executive of AS Hotel. Dr. Lim is a holder of Bachelor of Science (Chemical Engineering) and Doctor of Philosophy degrees. He has over 25 years of experience in engineering, project management and administration. He joined the Group in 1992. He is the brother-in-law of Mr. Poon Jing, Managing Director.



### POON Jing

Age 53. Managing Director and Chief Executive of the Company and Asia Standard, chairman of AS Hotel. He is the brother-in-law of Mr. Fung Siu To, Clement and Dr. Lim Yin Cheng, the Chairman and Deputy Chairman respectively.

## Directors' Profile



### **LUN Pui Kan**

Age 45. Finance Director of the Company and Asia Standard. Mr. Lun has over 20 years of experience in accounting and finance. He is a holder of Bachelor of Science (Engineering) degree and is an associate member of The Hong Kong Institute of Certified Public Accountants ("HKICPA") and a fellow member of The Association of Chartered Certified Accountants ("ACCA"). He joined the Group in 1994.



### **KWAN Po Lam, Phileas**

Age 49. Executive Director of the Company and Asia Standard. Mr. Kwan is a holder of a Bachelor of Business Administration degree. He joined the Group in 1986 and is responsible for property sales and leasing. He has over 20 years of experience in property sales, leasing and real estate management.

## Directors' Profile

### Non-executive Director

#### CHAN Sze Hung

Age 56. Non-executive Director of the Company. Mr. Chan graduated from the University of Hong Kong with a degree in law. He joined a legal firm for approximately four years prior to becoming a principal partner of Chan, Lau & Wai. He has over 25 years of experience in the legal profession. Mr. Chan is also an independent non-executive director of Mascotte Holdings Limited, Heritage International Holdings Limited and Radford Capital Investment Limited, all of these companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He joined the Group in June 1996.

### Independent Non-executive Directors

#### CHEUNG Kwok Wah, Ken

Age 51. Independent Non-executive Director and a member of Audit Committee of the Company. Mr. Cheung has over 15 years of experience in the finance field, during which he held various senior management positions with many public listed companies. He is a solicitor of Hong Kong, and he was appointed as a director of the Company in June 1996. He is now the managing director of a corporate consultancy company – Asia Corporate Connections Limited.

#### WONG Chi Keung

Age 53. Independent Non-executive Director, a member of Audit Committee and Remuneration Committee of the Company. Mr. Wong holds a master degree in business administration from the University of Adelaide in Australia. He is a fellow member of HKICPA, ACCA and CPA Australia; an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management, advising on securities and corporate finance activities for Legend Capital Partners, Inc. under the Securities and Futures Ordinance of Hong Kong.

Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited, which is a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Standard, Century City International Holdings Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, First Natural Foods Holdings Limited, FU JI Food and Catering Services Holdings Limited, Golden Eagle Retail Group Limited, Great Wall Motor Company Limited, International Entertainment Corporation, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of these

companies are listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management. He joined the Group in 2004.

#### HUNG Yat Ming

Age 56. Independent Non-executive Director, the chairman of Audit Committee and a member of Remuneration Committee of the Company. Mr. Hung graduated from the University of Hong Kong with a Bachelor degree in Mathematics and obtained a post-graduate diploma in Accountancy from the University of Strathclyde, Scotland. He has over 25 years of experience in audit, accounting and financial management in several firms in Sydney and Hong Kong and is a financial controller of a Hong Kong listed company. He is a member of the Institute of Chartered Accountants of Scotland and HKICPA. Mr. Hung is also an independent non-executive director, the chairman of the audit committee and a member of remuneration committee of AS Hotel. He was appointed as an Independent Non-executive Director of the Company in September 2004.

#### Note:

Mr. Poon Jing, Mr. Fung Siu To, Clement and Mr. Lun Pui Kan are directors of Teddington Holdings Limited and Heston Holdings Limited. Both companies have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

# Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st March 2008.

## Principal activities and geographical analyses of operations

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 37 to the financial statements.

The activities of the Group are mainly based in Hong Kong. Analyses of the Group's turnover and contribution to operating result by principal activities and by principal markets are set out in note 5 to the financial statements.

## Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 32.

The Company paid an interim dividend of HK2.0 cents (2007: HK3.2 cents) per share, totaling HK\$12,463,000 (2006: HK\$12,219,000) for the year ended 31st March 2008.

The Board recommends a final dividend of HK1.75 cents (2007: distribution of HK2.0 cents, with scrip option) per share in scrip, totaling HK\$10,908,000 (2007: HK\$11,572,000) for the year ended 31st March 2008.

## Financial summary

A five-year financial summary of the results and of the assets and liabilities of the Group is set out on page 7.

## Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the financial statements.

## Share capital

Details of the movements in share capital of the Company during the year are set out in note 29 to the financial statements.

# Report of the Directors

## Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 30 to the financial statements.

## Principal properties

Details of the principal properties of an associated company are set out on pages 8 to 12.

## Directors

The Directors of the Company during the year and at the date of this report were:

Mr. Fung Siu To, Clement  
Dr. Lim Yin Cheng  
Mr. Poon Jing  
Mr. Lun Pui Kan  
Mr. Kwan Po Lam, Phileas  
Mr. Chan Sze Hung  
Mr. Cheung Kwok Wah, Ken  
Mr. Wong Chi Keung  
Mr. Hung Yat Ming

Messrs Lun Pui Kan, Chan Sze Hung and Hung Yat Ming will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election in accordance with the Bye-Laws of the Company.

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## Biographical details of directors

Biographical details of Directors and senior management are set out on pages 17 to 19.

# Report of the Directors

## Directors' interests in contracts

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Arrangements to purchase shares or debentures

Apart from the share option scheme of the Company as disclosed on page 28, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31st March 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) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (I) Long position in shares

#### (a) The Company

Director	Number of shares held			Total	Percentage of shares in issue (%)
	Personal interest	Corporate interest	Family interest		
Poon Jing	123,873,694	107,619,384	3,953,852	235,446,930	37.77
Fung Siu To, Clement	11,260,763	–	–	11,260,763	1.81



## Report of the Directors

*(b) Associated corporations*

Director	Associated corporation	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	4,888,401,048 (Note 1)	4,897,798,581	45.03
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:

1. 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.
2. 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.
3. 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.

## Report of the Directors

### (II) Long positions in underlying shares

Interest in share options

As at 31st March 2008, details of the share options granted to Directors under the share option schemes are as follows:

#### (a) Company

Name of Director	Outstanding as at 1st April 2007	Adjustment (Note 1)	Outstanding as at 31st March 2008
Fung Siu To, Clement	1,900,000	226,301	2,126,301
Lim Yin Cheng	1,900,000	226,301	2,126,301
Lun Pui Kan	1,900,000	226,301	2,126,301
Kwan Po Lam, Phileas	1,900,000	226,301	2,126,301

Notes:

- Options were granted on 29th March 2007 under the share option scheme of the Company adopted on 11th November 2002 ("Share Option Scheme") and exercisable from 29th March 2007 to 28th March 2017 at exercise price of HK\$1.602 per share. Following the adjustments made to the number of options granted and the subscription price thereof as a result of the rights issue of the Company on the basis of 1 rights share for every 2 shares held by the shareholders as of 5th July 2007 ("Rights Issue"), the subscription price of the share option was adjusted to HK\$1.4315 per share and the number of options granted to each grantee was adjusted from 1,900,000 to 2,126,301 on 30th July 2007.
- During the year, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

## Report of the Directors

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

Name of Director	Outstanding as at 1st April 2007 and 31st March 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

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

*– AS Hotel*

Name of Director	Date of Grant	Outstanding as at 1st April 2007	No. of options granted during the year	Exercise price (HK\$)	Exercise period	Outstanding as at 31st March 2008
Fung Siu To, Clement	29th March 2007	80,000,000	–	0.1296	29th March 2007 to 28th March 2017	80,000,000
Lim Yin Cheng	2nd April 2007	–	80,000,000	0.130	2nd April 2007 to 1st April 2017	80,000,000
Lun Pui Kan	2nd April 2007	–	80,000,000	0.130	2nd April 2007 to 1st April 2017	80,000,000
Kwan Po Lam, Phileas	2nd April 2007	–	80,000,000	0.130	2nd April 2007 to 1st April 2017	80,000,000

During the year, no option granted to the Directors has been exercised, cancelled or lapsed.

## Report of the Directors

### Interest in warrants

#### *Associated corporations*

Name of Director	Associated corporation	Personal interest	Corporate interest	No. of warrants held
Poon Jing	Asia Standard	1,415,675	729,156,442	730,572,117 (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 7th September 2007 to 6th September 2008 at an initial subscription price of HK\$0.29 per share. Following the adjustments made to the number of warrants held and the exercise price thereof as a result of the rights issue of Asia Standard on the basis of 1 rights share for every 2 shares held by the shareholders as of 13th February 2008 and reset arrangement on 6th March 2008, the exercise price of the warrants has been adjusted to HK\$0.179 per share.
- The warrants of AS Hotel are exercisable from 7th September 2007 to 6th September 2010 at an initial subscription price of HK\$0.146 per share. Following the reset arrangement on 6th March 2008, the exercise price of the warrants has been adjusted to HK\$0.084 per share.

Save as disclosed above, as at 31st March 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) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

#### **Substantial shareholders and other persons' interests in shares and underlying shares**

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31st March 2008, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and the Chief Executive.

## Report of the Directors

## Long positions in shares and underlying shares of the Company

Name of shareholder	Capacity	No. of shares held	No. of underlying shares held	Total	Percentage (%)
Heston Holdings Limited ("Heston") (Note 1)	Beneficial owner	37,399,588	–	37,399,588	6.00
Teddington Holdings Limited ("Teddington") (Note 1)	Beneficial owner	44,893,437	–	44,893,437	7.20
Dalton Investments LLC. ("Dalton") (Note 2)	Investment manager	84,264,629	16,717,979 (Note 3)	100,982,608	16.20
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 (Note 3)	34,698,849	5.57
Daswani Rajkumar Murlidhar	Beneficial owner	36,021,971	–	36,021,971	5.78

## Notes:

1. Mr. Poon Jing, his family interest and the companies wholly owned by him namely Teddington, Heston and Full Speed Investments Ltd. together hold 235,446,930 shares. The interest of Teddington and Heston duplicate the interest of Mr. Poon Jing disclosed under the heading "Director 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 interest of Clearwater Insurance and Dalton Greater China in the shares and underlying shares duplicate the interest of Dalton disclosed above.
3. These represent the long positions in the shares falling to be issued to Dalton, Clearwater Insurance and Dalton Greater China upon exercise of the conversion rights attaching to the outstanding bonus warrants issued by the Company as stated in the announcement of the Company on 19th July 2007.

Save as disclosed above, as at 31st March 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.

## Report of the Directors

### Share option scheme

The Company adopted the current share option scheme on 11th November 2002. According 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. The purpose was to provide incentives, acknowledge the contributions of, motivate and maintain relationship with the eligible participants.

At the date of this report, the total number of shares available for issue upon exercise of all options to be granted under the Share Option Scheme must not exceed 57,857,634 shares, representing approximately 9.3% of the shares in issue. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under the new share option scheme or any other share option scheme within any 12 months period, must not exceed 1% of the shares in issue from time to time.

There was no requirement for a grantee to hold the option for a certain period before exercising the option unless otherwise determined by the Directors. The exercise period should be any period determined by the board of Directors but in any event the exercise period should not be later than 10 years from the date of grant. The grantee must accept an option within 21 days from the date of offer by making a non-refundable payment of HK\$1 to the Company.

The subscription price shall be at the discretion of the board of Directors provided that it shall be not less than the highest of (i) the closing price of a share on the relevant date of grant; (ii) the average of the closing prices of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The Share Option Scheme is effective for 10 years from 11th November 2002.

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 2007 (Note 1)	Adjustment (Note 2)	Lapsed during the year	Outstanding as at 31st March 2008
Directors	7,600,000	905,204	–	8,505,204
Employees	23,900,000	2,846,627	–	26,746,627
Director and administrator of a deceased director of associated corporation	6,200,000	738,456	(3,469,228)	3,469,228
	37,700,000	4,490,287	(3,469,228)	38,721,059

# Report of the Directors

## Share option scheme (continued)

Notes:

1. Options were granted on 29th March 2007 and exercisable from 29th March 2007 to 28th March 2017 at exercise price of HK\$1.602 per share. Subsequent to completion of the Rights Issue, the subscription price of the share option has been adjusted to HK\$1.4315 per share and the total number of options has been adjusted by increasing 4,490,287 with effect from 30th July 2007.
2. During the year, no option was granted, exercised or cancelled.

## Purchase, sale or redemption of listed securities

During the year, 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 year.

## Pre-emptive rights

No pre-emptive rights exist in Bermuda in respect of the Company's share capital.

## Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## Major customers and suppliers

For the year ended 31st March 2008, the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total value of purchase. The aggregate amount of revenue attributable to the Group's five largest customers represented less than 30% of the Group's total amount of revenue.

None of the Directors, their associates, or shareholders, which to the knowledge of the Directors, held any interests in the share capital of the suppliers or customers noted above.

## Independent Non-executive directors

Confirmation of independence pursuant to the guidelines under the Listing Rules has been received from each of the Independent Non-executive Directors of the Company and the Company considers all existing Independent Non-executive Directors are independent.

## Report of the Directors

### Sufficiency of public float

Based on the information that is publicly available to and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the date of this report.

### Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Fung Siu To, Clement**

*Chairman*

Hong Kong, 10th July 2008



# Independent Auditor's Report

**To the Shareholders of  
Asia Orient Holdings Limited**  
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Asia Orient Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 32 to 93, which comprise the balance sheets of the Company and the Group at 31st March 2008, and the consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2008 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 10th July 2008

# Consolidated Profit and Loss Accounts

For the year ended 31st March 2008

	<i>Note</i>	2008 HK\$'000	2007 HK\$'000
Turnover	5, 6	35,201	118,650
Revenue	5, 6	28,471	15,157
Cost of sales	6	(12,940)	(8,895)
Gross profit		15,531	6,262
Administrative expenses	6	(13,181)	(22,302)
Other income and charges	7	76,111	61,390
Operating profit		78,461	45,350
Finance costs	8	(636)	(688)
Share of profits less losses of			
Jointly controlled entities		(800)	–
Associated companies		210,642	122,873
Profit before income tax		287,667	167,535
Income tax (expense)/credit	11	(499)	36
Profit for the year attributable to shareholders of the Company	12	287,168	167,571
Dividends	13	23,371	23,791
Earnings per share			
Basic	14	HK\$ 0.52	HK\$ 0.40
Diluted	14	HK\$ 0.51	HK\$ 0.39

# Consolidated Balance Sheet

As at 31st March 2008

	Note	2008 HK\$'000	2007 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	1,172	1,876
Jointly controlled entities	17	7,272	7,272
Associated companies	18	2,400,136	1,876,465
Available-for-sale investments	19	88,760	–
Deferred income tax assets	28	3,047	3,885
		<b>2,500,387</b>	<b>1,889,498</b>
<b>Current assets</b>			
Trade and other receivables	20	2,771	891
Financial assets at fair value through profit or loss	21	7,136	50,321
Warrant assets	22	10,163	–
Derivative financial instruments	23	–	5,902
Bank balances and cash	24	123,999	115,045
		<b>144,069</b>	<b>172,159</b>
<b>Current liabilities</b>			
Trade and other payables	25	35,633	39,100
Warrant liabilities	26	7,341	–
Amounts due to associated companies	18	1,925	1,641
Amounts due to minority shareholders	27	8,311	8,311
		<b>53,210</b>	<b>49,052</b>
Net current assets		<b>90,859</b>	<b>123,107</b>
Total assets less current liabilities		<b>2,591,246</b>	<b>2,012,605</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	28	508	9
Net assets		<b>2,590,738</b>	<b>2,012,596</b>
<b>Equity</b>			
Share capital	29	62,332	38,572
Reserves	30	2,528,406	1,974,024
		<b>2,590,738</b>	<b>2,012,596</b>

Fung Siu To, Clement  
Director

Lun Pui Kan  
Director

# Balance Sheet

As at 31st March 2008

	Note	2008 HK\$'000	2007 HK\$'000
<b>Non-current assets</b>			
Subsidiaries	16	3,887,916	3,648,228
Associated companies	18	91,912	–
Deferred income tax assets	28	171	171
		<b>3,979,999</b>	<b>3,648,399</b>
<b>Current assets</b>			
Trade and other receivables		118	109
Warrant assets		688	–
Bank balances and cash	24	23,227	52
		<b>24,033</b>	<b>161</b>
<b>Current liabilities</b>			
Trade and other payables		1,081	1,236
Warrant liabilities	26	7,341	–
		<b>8,422</b>	<b>1,236</b>
Net current assets/(liabilities)		<b>15,611</b>	<b>(1,075)</b>
Net assets		<b>3,995,610</b>	<b>3,647,324</b>
<b>Equity</b>			
Share capital	29	62,332	38,572
Reserves	30	3,933,278	3,608,752
		<b>3,995,610</b>	<b>3,647,324</b>

Fung Siu To, Clement  
Director

Lun Pui Kan  
Director

# Consolidated Cash Flow Statement

For the year ended 31st March 2008

	Note	2008 HK\$'000	2007 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	34(a)	38,330	86,222
Net income tax refunded/(paid)		6	(73)
Interest paid		(636)	(688)
Net cash generated from operating activities		37,700	85,461
<b>Cash flows from investing activities</b>			
Interest received		9,145	7,507
Addition to property, plant and equipment		(82)	(13)
Dividend received from financial assets at fair value through profit or loss		534	480
Dividend received from associated companies		24,039	878
Increase in investment in associated companies		(378,400)	(256,785)
Decrease in advances to associated companies		283	4,145
Increase in advances to a jointly controlled entity		(800)	–
Proceeds on disposal of subsidiaries	34(b)	–	150
Proceeds on disposal of associated companies		110,000	14,080
Purchase of available-for-sale investments		(84,002)	–
Net cash used in investing activities		(319,283)	(229,558)
Net cash used before financing activities		(281,583)	(144,097)
<b>Cash flows from financing activities</b>			
Rights issue		245,963	160,451
Conversion of warrants		63,314	–
Drawdown of short term bank loans		430,087	114,424
Repayment of short term bank loans		(430,087)	(114,424)
Dividend paid to shareholders		(15,717)	(5,778)
Net cash generated from financing activities		293,560	154,673
<b>Net increase in cash and cash equivalents</b>		<b>11,977</b>	<b>10,576</b>
Cash and cash equivalents at the beginning of the year		81,779	71,203
Cash and cash equivalents at the end of the year		93,756	81,779
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash (excluding restricted bank balance)	24	93,756	81,779

# Consolidated Statement of Changes in Equity

For the year ended 31st March 2008

	Shareholders of the Company HK\$'000
At 1st April 2006	1,672,201
Currency translation differences	467
Profit for the year	167,571
Total recognised income for the year	168,038
Shares issued for scrip dividend	6,441
2007 interim dividend with scrip option	(12,219)
Net proceeds pursuant to rights issue	160,451
Grant of share options	11,913
Share options granted by a listed associated company	2,295
Convertible notes and bonds of listed associated companies	3,476
	172,357
At 31st March 2007	2,012,596
At 1st April 2007	2,012,596
Fair value gain on available-for-sale investments	4,758
Less: provision for deferred tax	(832)
Available-for-sale investment reserve of listed associated companies	4,234
Currency translation differences	6,019
Profit for the year	287,168
Total recognised income for the year	301,347
2007 final dividend with scrip option	(3,251)
2008 interim dividend	(12,466)
Net proceeds pursuant to rights issue	245,963
Grant of warrants	(32,840)
Conversion of warrants	75,046
Share options granted by a listed associated company	7,038
Convertible notes and bonds of listed associated companies	(2,695)
	276,795
At 31st March 2008	2,590,738

# Notes to the Financial Statements

## 1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investments, financial assets at fair value through profit or loss, derivative financial instruments, warrant assets and warrant liabilities, 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 consolidated 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 both years presented, unless otherwise stated.

## 2 Principal accounting policies

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

During the year, the Group adopted the new standard, amendment and interpretations of HKFRS below, which are relevant to its operations.

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 11	HKFRS 2 – Group and Treasury Share Transactions
HKFRS 7	Financial Instruments: Disclosures

The Group has assessed the impact of the adoption of these standard, amendments and interpretations 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, except that additional disclosures relating to capital management and financial instruments are required under HKAS 1 (Amendment) and HKFRS 7 respectively.

# Notes to the Financial Statements

## 2 Principal accounting policies (continued)

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

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

##### *Effective from 1st January 2008*

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

##### *Effective from 1st July 2008*

HK (IFRIC) – Int 13	Customer Loyalty Programmes
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##### *Effective from 1st January 2009*

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 8	Operating Segments

##### *Effective from 1st July 2009*

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combination

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.



## Notes to the Financial Statements

### 2 Principal accounting policies (continued)

#### (b) Basis of consolidation (continued)

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 accounting 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 might 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. If the cost of acquisition is less than the relevant interest acquired of the carrying value of the net assets of the subsidiary, the difference being negative goodwill is recognised in the consolidated profit and loss account.

# Notes to the Financial Statements

## 2 Principal accounting policies (continued)

### (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 accounting policies adopted by the Group.

# Notes to the Financial Statements

## 2 Principal accounting policies (continued)

### (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 accounting policies adopted by the Group.

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

### (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.

# Notes to the Financial Statements

## 2 Principal accounting policies (continued)

### (g) Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale investments 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.

#### (iii) *Available-for-sale investments*

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. 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 and available-for-sale investments are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

## Notes to the Financial Statements

### 2 Principal accounting policies (continued)

#### (g) Financial assets (continued)

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. Dividend received from financial assets at fair value through profit or loss are recognised in the profit and loss account as part of income when the company's right to receive payments is established. Change in the fair value of available-for-sale investments are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investments.

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 Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment test of receivables is described in note 2(p).

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.

# Notes to the Financial Statements

## 2 Principal accounting policies (continued)

### (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 in Hong Kong	Shorter of 50 years or the remaining lease period of the land on which the buildings is located
Hotel buildings in Overseas	25 years
Other equipment	3 to 10 years

No depreciation is provided for buildings under development.

Freehold land is not amortised.

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

The gain or loss on disposal of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

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.

## Notes to the Financial Statements

### 2 Principal accounting policies (continued)

#### (i) Impairment of assets

Assets that have an indefinite useful life and have not yet available for use 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) 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.

#### (k) 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.

# Notes to the Financial Statements

## 2 Principal accounting policies (continued)

### (k) Investment properties (continued)

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 is reclassified and subsequently accounted for as investment property.

### (l) 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.

### (m) 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 (note 2(n)), construction costs, interest and other direct expenses capitalised during the course of development. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### (n) 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. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the profit and loss account. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold or transferred to the cost of the properties upon completion. Where there is impairment, impairment are expensed in the profit and loss account.

### (o) 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.



# Notes to the Financial Statements

## 2 Principal accounting policies (continued)

### (p) 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "administrative expenses". When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the profit and loss account. Trade and other receivables in the balance sheet are stated net of such provision.

### (q) 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. Provisions are not recognised for future operating losses.

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

# Notes to the Financial Statements

## 2 Principal accounting policies (continued)

### (s) 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.

# Notes to the Financial Statements

## 2 Principal accounting policies (continued)

### (t) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, jointly controlled entities and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

### (u) 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.

### (v) 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.

# Notes to the Financial Statements

## 2 Principal accounting policies (continued)

### (w) 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, where the risks and rewards of the properties are transferred to the purchasers. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities.

#### (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.

# Notes to the Financial Statements

## 2 Principal accounting policies (continued)

### (x) 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.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

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.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

# Notes to the Financial Statements

## 2 Principal accounting policies (continued)

### (x) Foreign currency translation (continued)

#### *(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.

### (y) 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.

# Notes to the Financial Statements

## 2 Principal accounting policies (continued)

### (z) Operating leases

Leases in which a significant portion of the risks and rewards of ownership and 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.

### (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.

### (ac) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

## 3 Financial risk management

### 3.1 Financial risk factors

The Group and its associated companies' activities expose it to a variety of financial risks: market risk (including foreign exchange 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.

# Notes to the Financial Statements

## 3 Financial risk management (continued)

### 3.1 Financial risk factors (continued)

#### (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's financial instruments are denominated in Hong Kong dollars.

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

At 31st March 2008, if the prices of the Group's available-for-sale investments had decreased/increased by 1% with all other variable held constant, post-tax available-for-sale investment reserve of the Group would have been HK\$732,000 (2007: Nil) lower/higher.

At 31st March 2008, if the prices of the Group's financial assets at fair value through profit or loss had decreased/increased by 1% with all other variable held constant, post-tax profit of the Group would have been HK\$59,000 (2007: HK\$74,000) lower/higher.

At 31st March 2008, if the share price of the Company underlying the warrant liabilities had decreased/increased by 1% with all other variable held constant, post-tax profit of the Group would have been HK\$322,000 (2007: Nil) higher/lower.



# Notes to the Financial Statements

## 3 Financial risk management (continued)

### 3.1 Financial risk factors (continued)

#### *(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. Customers are assessed and rated based on the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set by management and the utilisation of credit limits is regularly monitored. No credit limit was exceeded during the year, and management does not expect any significant losses from non-performance by these relevant parties.

For bank balances and cash, the Group has limited its credit exposure by restricting their selection of financial institutions on those reputable banks with good credit ratings.

The maximum exposure to credit risk at the reporting date is the carrying value of total unimpaired trade and other receivables and bank balances and cash in the consolidated balance sheet.

#### *(c) Interest rate risk*

The Group's interest rate risk arise from short-term bank deposits issued at variable rates.

During the year, the deposits of the Group at variable rate were denominated in Hong Kong dollar and United States dollar. At 31st March 2008, if market interest rates had been 10 basis points higher/lower with all other variables held constant, post-tax profit of the Group for the year would have been HK\$67,000 (2007: HK\$64,000) higher/lower.

#### *(d) 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.

The relevant maturity groupings on the contractual undiscounted cash flows based on the remaining period at the balance sheet date to the contractual maturity date of the Group's and the Company's financial liabilities are analysed in the financial statements. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

# Notes to the Financial Statements

## 3 Financial risk management (continued)

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total current and non-current borrowings shown in the consolidated balance sheet less cash and cash equivalents. Total capital is equivalent to equity shown in the consolidated balance sheet, plus net debt. There was no borrowings at 31st March 2008 and 2007.

### 3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale investments) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) 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 contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value of trade and other receivables, financial assets at fair value through profit or loss, derivative financial instruments, bank balances and cash, and trade and other payables are approximate to their fair values. The fair value of financial assets and 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 does not hold any collateral as security.

## Notes to the Financial Statements

### 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.

# Notes to the Financial Statements

## 4 Critical accounting estimates and judgements (continued)

### (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.

### (d) Fair value of derivative financial instruments and warrants

The fair values of derivative financial instruments and warrants that are not traded in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are periodically reviewed. To the extent practical, models use only observable data, however areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the fair values of derivative financial instruments and warrants.

### (e) Share-based payments

The fair value of options granted is appraised based on the various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the share options at the date of grant.

# Notes to the Financial Statements

## 5 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 investment. Revenues include 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 jointly controlled entities and 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.

Segment assets consist primarily of property, plant and equipment, available-for-sale investments, trade and other receivables, financial assets at fair value through profit or loss, derivative financial instruments and restricted bank balances and mainly exclude deferred income tax assets, warrant assets and bank balances and cash. Segment liabilities comprise mainly trade and other payables and exclude current income tax payable, warrant liabilities and deferred income tax liabilities.

## Notes to the Financial Statements

## 5 Turnover and segment information (continued)

## Primary reporting format – business segment (continued)

	Property management	Investment	Other operations	Group
2008 (in HK\$'000)				
Turnover	15,787	9,762	9,652	35,201
Segment revenue	15,787	3,032	9,652	28,471
Contribution to segment results	2,847	3,032	9,652	15,531
Other income and charges	–	91,109	(14,998)	76,111
Unallocated corporate expenses				(13,181)
Operating profit				78,461
Finance costs				(636)
Share of results of				
Jointly controlled entities (note (i))				(800)
Associated companies (note (i))				210,642
Profit before income tax				287,667
Income tax expenses				(499)
Profit for the year				287,168
2007 (in HK\$'000)				
Turnover	11,838	98,893	7,919	118,650
Segment revenue	11,838	(4,600)	7,919	15,157
Contribution to segment results	2,943	(4,600)	7,919	6,262
Other income and charges	–	61,390	–	61,390
Unallocated corporate expenses				(22,302)
Operating profit				45,350
Finance costs				(688)
Share of results of associated companies (note (i))				122,873
Profit before income tax				167,535
Income tax credit				36
Profit for the year				167,571

## Notes to the Financial Statements

## 5 Turnover and segment information (continued)

## Primary reporting format – business segment (continued)

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

	2008		2007	
	Jointly controlled entities HK\$'000	Associated companies HK\$'000	Jointly controlled entities HK\$'000	Associated companies HK\$'000
Property sales	–	35,530	–	47,457
Property leasing	–	174,051	–	114,129
Hotel and travel	–	21,473	–	33,276
Investment	–	255	–	(4,614)
Other operations	(800)	47,791	–	21,080
Finance costs	–	(27,632)	–	(45,561)
Unallocated corporate expenses	–	(40,826)	–	(42,894)
	(800)	210,642	–	122,873

## Notes to the Financial Statements

## 5 Turnover and segment information (continued)

## Primary reporting format – business segment (continued)

	Property management	Investment	Other operations	Group
2008 (in HK\$'000)				
Segment assets	30,885	95,896	3,163	129,944
Jointly controlled entities and associated companies (note (ii))				2,407,408
Unallocated assets				107,104
				2,644,456
Segment liabilities	34,704	–	8,311	43,015
Unallocated liabilities				10,703
				53,718
Capital expenditure	82	–	–	82
Depreciation	44	–	742	786
2007 (in HK\$'000)				
Segment assets	33,754	56,223	2,147	92,124
Jointly controlled entities and associated companies (note (ii))				1,883,737
Unallocated assets				85,796
				2,061,657
Segment liabilities	37,786	–	8,311	46,097
Unallocated liabilities				2,964
				49,061
Capital expenditure	14	–	–	14
Depreciation	42	–	742	784



## Notes to the Financial Statements

## 5 Turnover and segment information (continued)

## Primary reporting format – business segment (continued)

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

	2008 HK\$'000	2007 HK\$'000
Property sales	627,818	632,327
Property leasing	871,567	664,208
Hotel and travel	559,473	571,323
Investment	196,162	36,142
Other operations	67,069	19,947
Unallocated net assets/(liabilities)	85,319	(40,210)
	<b>2,407,408</b>	<b>1,883,737</b>

## Secondary reporting format – geographical segments

For the year ended 31st March 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.

## 6 Income and expenses by nature

	2008 HK\$'000	2007 HK\$'000
<b>Income</b>		
Interest income	9,143	7,508
Dividend income	534	480
Realised gains on financial assets at fair value through profit or loss	2,498	–
<b>Expenses</b>		
Auditor's remuneration	1,097	813
Depreciation	786	784
Net realised losses on financial assets at fair value through profit or loss	–	5,080
Employee benefit expenses, including Directors' emoluments (note 10)	13,643	23,598
Operating lease rental expenses for land and buildings	407	269

## Notes to the Financial Statements

## 7 Other income and charges

	2008	2007
	HK\$'000	HK\$'000
Unrealised losses on financial assets at fair value through profit or loss	(1,890)	(1,650)
Unrealised gains on derivative financial instruments	–	5,902
Fair value losses on warrant assets ( <i>note 22</i> )	(28,765)	–
Fair value gains on warrant liabilities ( <i>note 26</i> )	13,767	–
Negative goodwill recognised on acquisition of additional interest in listed associated companies	84,154	43,760
Gain on disposal of		
– Subsidiaries	–	163
– Associated companies	8,845	12,883
– Jointly controlled entities	–	332
	<b>76,111</b>	<b>61,390</b>

## 8 Finance costs

	2008	2007
	HK\$'000	HK\$'000
Interest expenses on short term bank loans and overdrafts	636	688

## Notes to the Financial Statements

## 9 Directors' and senior management emoluments

(a) The aggregate amount of emoluments paid and payable to Directors of the Company for the years ended 31st March 2008 and 2007 are as follows:

Name of director	Salaries, allowances and benefits			Directors' fee HK\$'000	Share options HK\$'000	Salaries, allowances and benefits		2007 Total HK\$'000
	2008		2007			2007		
	Directors' fee HK\$'000	in kind HK\$'000				Directors' fee HK\$'000	in kind HK\$'000	
<b>Executive</b>								
Mr. Fung Siu To, Clement	-	1,000	1,000	-	600	-	-	600
Dr. Lim Yin Cheng	-	-	-	-	600	-	-	600
Mr. Poon Jing	-	4,500	4,500	-	-	4,000	-	4,000
Mr. Lun Pui Kan	-	-	-	-	600	-	-	600
Mr. Kwan Po Lam, Phileas	-	-	-	-	600	-	-	600
<b>Non-executive</b>								
Mr. Chan Sze Hung	20	-	20	20	-	-	-	20
<b>Independent Non-executive</b>								
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
	620	5,500	6,120	620	2,400	4,000	-	7,020

## Notes to the Financial Statements

**9 Directors' and senior management emoluments (continued)**

(b) The five highest paid individuals in the Group for the year include two (2007: two) Directors whose emoluments are already reflected in the analysis presented above.

The emoluments payable to the remaining three (2007: three) individuals during the years are as follows:

	2008 HK\$'000	2007 HK\$'000
Basic salaries, allowances, benefits in kind and share option benefits	1,168	3,416

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Emolument bands		
Below HK\$1,000,000	3	–
HK\$1,000,001 – HK\$1,500,000	–	3

**10 Employee benefit expense**

	2008 HK\$'000	2007 HK\$'000
Wages and salaries	13,333	11,514
Retirement benefits costs ( <i>note (a)</i> )	310	171
Employee share option benefits ( <i>note (b)</i> )	–	11,913
	<b>13,643</b>	<b>23,598</b>

Employee benefit expense is stated inclusive of Directors' emoluments.

## Notes to the Financial Statements

## 10 Employee benefit expense (continued)

Notes:

## (a) Retirement benefits costs

	2008 HK\$'000	2007 HK\$'000
Gross contributions	310	311
Forfeitures utilised	–	(140)
Net contributions	310	171

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 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 is available to all employees not joining the ORSO schemes in Hong Kong. Monthly contributions to the MPF scheme are made equal to 5% (2007: 5%) of the employee's 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 2008, no forfeitures (2007: Nil) were available to reduce the Group's future contributions to the ORSO schemes.

## Notes to the Financial Statements

## 10 Employee benefit expense (continued)

## (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. Following the adjustments made to the number of options granted under the share option scheme of the Company adopted on 11th November 2002 ("Share Option Scheme") and the subscription price thereof as a result of the rights issue of the Company on the basis of 1 rights share for every 2 shares held by the shareholders as of 5th July 2007 ("Rights Issue"), the subscription price of the share option was adjusted from HK\$1.602 to HK\$1.4315 per share and the total number of options granted was adjusted from 37,700,000 to 42,190,287 on 30th July 2007.

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

Grantee	Expiry date	2008 Number	2007 Number
Directors	29th March 2017	8,505,204	7,600,000
Employees	29th March 2017	26,746,627	23,900,000
Directors of a listed associated company	29th March 2017	3,469,228	6,200,000
		38,721,059	37,700,000

During the year, no options (2007: 37,700,000 options) to subscribe for shares of the Company were granted. No options were exercised or forfeited (2007: Nil), there was an increase of 4,490,287 options adjusted for the effect of Rights Issue and 3,469,228 options were lapsed during the year (2007: Nil).

## Notes to the Financial Statements

## 11 Income tax (expense)/credit

	2008 HK\$'000	2007 HK\$'000
Current income tax		
Over/(under) provisions in prior years	6	(73)
Deferred income tax	(505)	109
	(499)	36

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 (2007: Nil)

Share of income tax of associated companies for the year of HK\$21,454,000 (2007: HK\$24,146,000) 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 year (2007: Nil).

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:

	2008 HK\$'000	2007 HK\$'000
Profit before income tax	287,667	167,535
Share of profits less losses of jointly controlled entities and associated companies	(209,842)	(122,873)
	77,825	44,662
Calculated at a tax rate of 17.5% (2007: 17.5%)	(13,619)	(7,816)
Over/(under) provisions in prior years	6	(73)
Income not subject to income tax	20,299	10,961
Expenses not deductible for tax purposes	(6,460)	(1,414)
Tax losses not recognised	(2,020)	(4,938)
Other temporary difference	33	20
Recognition of previously unrecognised tax losses	1,253	3,187
Others	9	109
Income tax (expense)/credit	(499)	36

# Notes to the Financial Statements

## 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 profit of HK\$75,834,000 (2007: Loss of HK\$13,170,000).

## 13 Dividends

	2008 HK\$'000	2007 HK\$'000
Interim, paid, of HK2.0 cents (2007: HK3.2 cents) per share	12,463	12,219
Final, proposed, of HK1.75 cents (2007: HK2.0 cents) per share	10,908	11,572
	<b>23,371</b>	<b>23,791</b>

At a meeting held on 10th July 2008, the Board of Directors has proposed to pay a final dividend of HK1.75 cents per share in scrip. This proposed dividend is not reflected in the financial statements, but will be reflected as an appropriation of revenue reserve in the year ending 31st March 2009.

## 14 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$287,168,000 (2007: HK\$167,571,000) and divided by the weighted average number of 556,415,813 (2007: 423,803,159, adjusted for the effect of rights issue in July 2007) shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31st March 2008 is based on profit attributable to shareholders of the Company of HK\$287,168,000 and divided by 561,288,934 shares equalling to the weighted average number of 556,415,813 shares in issue during the year with an increase of 4,873,121 potential shares deemed to be in issue assuming the Company's share options had been converted. The Company's outstanding warrants and the outstanding share options and warrants of Asia Standard and AS Hotel did not have a dilutive effect on the earnings per share in 2008.

The calculation of diluted earnings per share for the year ended 31st March 2007 was based on HK\$164,964,000 equalling to the profit attributable to shareholders of the Company of HK\$167,571,000 with a decrease in share of profit after tax of HK\$2,607,000 from Asia Standard arising from potential conversion of the convertible notes of Asia Standard, and divided by the weighted average number of 423,803,159 (adjusted for the effect of rights issue in July 2007) shares in issue during the year. The outstanding share options of the Company, Asia Standard and AS Hotel did not have a dilutive effect on the earnings per share in 2007.



## Notes to the Financial Statements

## 15 Property, plant and equipment

	Other equipment HK\$'000
<b>Cost</b>	
At 31st March 2007	4,984
Additions	82
<b>At 31st March 2008</b>	<b>5,066</b>
<b>Accumulated depreciation</b>	
At 31st March 2007	3,108
Charge for the year	786
<b>At 31st March 2008</b>	<b>3,894</b>
<b>Net book value</b>	
<b>At 31st March 2008</b>	<b>1,172</b>
<b>Cost</b>	
At 31st March 2006	4,970
Additions	14
<b>At 31st March 2007</b>	<b>4,984</b>
<b>Accumulated depreciation</b>	
At 31st March 2006	2,324
Charge for the year	784
<b>At 31st March 2007</b>	<b>3,108</b>
<b>Net book value</b>	
<b>At 31st March 2007</b>	<b>1,876</b>

## Notes to the Financial Statements

## 16 Subsidiaries

	2008 HK\$'000	2007 HK\$'000
Unlisted shares, at cost	2,823,639	2,823,639
Amounts due by subsidiaries less provisions	1,064,277	824,589
	<b>3,887,916</b>	<b>3,648,228</b>

Details of the principal subsidiaries are set out in note 37.

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

## 17 Jointly controlled entities

	2008 HK\$'000	2007 HK\$'000
Share of net liabilities	(35,764)	(35,764)
Advances to jointly controlled entities less provisions	43,036	43,036
Total carrying amounts of jointly controlled entities	<b>7,272</b>	<b>7,272</b>

Advances to jointly controlled entities are made to finance working capital of those jointly controlled entities. 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 37.

## Notes to the Financial Statements

## 17 Jointly controlled entities (continued)

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

	2008 HK\$'000	2007 HK\$'000
Assets		
Non-current assets	11	19
Current assets	314	411
	325	430
Liabilities		
Non-current liabilities	33,404	32,857
Current liabilities	2,685	3,337
	36,089	36,194
Net liabilities	(35,764)	(35,764)
Income	-	-
Expenses	(800)	-
Loss before income tax	(800)	-
Income tax expense	-	-
Loss for the year	(800)	-

## Notes to the Financial Statements

## 18 Associated companies

## Group

	2008	2007
	HK\$'000	HK\$'000
Share of net assets	2,359,082	1,876,465
Share of incremental fair value of net assets upon acquisition of additional interests	41,054	–
Total carrying amounts of associated companies	2,400,136	1,876,465
Amounts due to associated companies included in current liabilities	(1,925)	(1,641)
	2,398,211	1,874,824
Market value of listed shares	747,667	779,045

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

Details of the principal associated companies are set out in note 37.

The Group's share of assets and liabilities (before fair value adjustments) and results of associated companies

	2008	2007
	HK\$'000	HK\$'000
Assets	3,287,705	3,494,038
Liabilities	(928,623)	(1,617,573)
Net assets	2,359,082	1,876,465
Revenues	512,157	607,750
Profit for the year	210,642	122,873
Financial guarantee	88,924	100,629

## Company

	2008	2007
	HK\$'000	HK\$'000
Shares listed in Hong Kong at cost	91,912	–
Market value of listed shares	55,716	–

## Notes to the Financial Statements

## 19 Available-for-sale investments

	2008 HK\$'000	2007 HK\$'000
Equity securities		
Listed in Hong Kong	88,760	–

There were no disposals or impairment provisions on available-for-sale investments during the year.

## 20 Trade and other receivables

	Group	
	2008 HK\$'000	2007 HK\$'000
Trade receivables	227	302
Deposits and prepayments	174	174
Dividend receivable from available-for-sale investments	2,129	–
Other receivables	241	415
	<b>2,771</b>	<b>891</b>

Trade and other receivables of the Group include trade receivables, utility and other deposits, interest and other receivables. The carrying amounts approximate their fair values.

## Notes to the Financial Statements

**20 Trade and other receivables (continued)**

Aging analysis of trade receivables is as follows:

	Group	
	2008	2007
	HK\$'000	HK\$'000
0 day to 60 days	227	226
61 days to 120 days	–	76
	<b>227</b>	<b>302</b>

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 receivable at the balance sheet date are due on presentation of invoices.

**21 Financial assets at fair value through profit or loss**

	2008	2007
	HK\$'000	HK\$'000
Equity securities		
Listed in Hong Kong	7,136	9,026
Pledged United States treasury bills ( <i>note</i> )	–	41,295
	<b>7,136</b>	<b>50,321</b>

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

## Notes to the Financial Statements

**22 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. Following the adjustments made to the number of warrants held and the exercise price thereof as a result of the rights issue of Asia Standard on the basis of 1 rights share for every 2 shares held by the shareholders as of 13th February 2008 and reset arrangement on 6th March 2008, the exercise price of the warrants was adjusted to HK\$0.179 per share.

On 7th September 2007, the Group received 65,369,000 bonus warrants from AS Hotel, another listed associated company. The warrants are exercisable at any time within three year from the date of issue. Following the reset arrangement on 6th March 2008, the exercise price of the warrants was adjusted to HK\$0.084 per share.

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

	<b>Group</b> HK\$'000
Fair value of warrants at date of issue	38,928
Fair value losses debited to profit and loss account ( <i>note 7</i> )	(28,765)
<b>At 31st March 2008</b>	<b>10,163</b>

The fair value of warrants at date of issue and at 31st March 2008 is determined using Lattice model.

The following assumptions were used to calculate the fair values of warrants at 31st March 2008.

	<b>Asia Standard</b>	<b>AS Hotel</b>
Closing share price at 31st March 2008 (HK\$)	0.147	0.076
Exercise price (HK\$)	0.179	0.084
Expected remaining life of warrants (years)	0.4	2.4
Expected volatility (%)	47.13	43.85
Risk free rate (%)	0.80	1.39

## Notes to the Financial Statements

## 23 Derivative financial instruments

	2008 HK\$'000	2007 HK\$'000
Financial assets, held for trading		
– United States Dollars currency forward contract	–	5,902

At 31st March 2007, the notional principal amounts of the outstanding forward foreign exchange contracts were US\$100,000,000.

## 24 Bank balances and cash

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Cash at bank and in hand	12,844	11,709	242	52
Restricted bank balances	30,243	33,266	–	–
Short-term deposits	80,912	70,070	22,985	–
	<b>123,999</b>	<b>115,045</b>	<b>23,227</b>	<b>52</b>

The effective interest rate on restricted bank balances is 1.0% (2007: 3.2%) per annum. These deposits have an average maturity of 26 days (2007: 52 days). These balances are restricted for buildings managed by the Group.

The effective interest rate on short-term bank deposits is 1.0% (2007: 4.9%) per annum for the Group and 0.8% (2007: Nil) per annum for the Company. These deposits have an average maturity of 3 days (2007: 3 days) for the Group and 1 day (2007: Nil) for the Company.



## Notes to the Financial Statements

## 25 Trade and other payables

	Group	
	2008 HK\$'000	2007 HK\$'000
Trade payables	3,170	4,181
Building management account surplus	30,387	31,980
Other payables	634	1,708
Accrued expenses	1,442	1,231
	<b>35,633</b>	<b>39,100</b>

Trade and other payables of the Group include trade payables, rental and management fee deposits, interest and other payables and various accruals. The carrying amounts approximate their fair values.

Aging analysis of trade payables is as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
0 day to 60 days	2,984	3,629
61 days to 120 days	75	28
More than 120 days	111	524
	<b>3,170</b>	<b>4,181</b>

# Notes to the Financial Statements

## 26 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 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. Following the reset arrangement on 6th March 2008, the exercise price of the warrants was adjusted from the initial HK\$1.62 per share to HK\$1.368 per share.

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

	Group and Company
	HK\$'000
Fair value of warrants at date of issue	32,840
Set off against reserve upon exercise of warrants	(11,732)
Fair value gains credited to profit and loss account ( <i>note 7</i> )	(13,767)
<b>At 31st March 2008</b>	<b>7,341</b>

The fair value of warrants at date of issue and at 31st March 2008 is determined using Lattice model.

The following assumptions were used to calculate the fair values of warrants at 31st March 2008.

Closing share price at 31st March 2008 (HK\$)	1.160
Exercise price (HK\$)	1.368
Expected remaining life of warrants (years)	0.4
Expected volatility (%)	43.11
Risk free rate (%)	0.80

## Notes to the Financial Statements

**27 Amounts due to minority shareholders**

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

**28 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	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Deferred income tax assets	3,047	3,885	171	171
Deferred income tax liabilities	(508)	(9)	–	–
	2,539	3,876	171	171

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**

	Accelerated accounting depreciation		Tax losses		Total	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
At the beginning of the year	40	51	3,845	3,893	3,885	3,944
Recognised in the profit and loss account	(8)	(11)	(498)	(48)	(506)	(59)
At the end of the year	32	40	3,347	3,845	3,379	3,885

## Notes to the Financial Statements

## 28 Deferred income tax (continued)

## Deferred income tax liabilities

	Fair value gains on available-for-sale investments		Accelerated tax depreciation		Total	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	–	–	(9)	(177)	(9)	(177)
Recognised in the profit and loss account	–	–	1	168	1	168
Charged directly to equity	(832)	–	–	–	(832)	–
At the end of the year	(832)	–	(8)	(9)	(840)	(9)

## Company

## Deferred income tax assets

	Tax losses	
	2008	2007
	HK\$'000	HK\$'000
At the beginning and end of the year	171	171

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 (2007: HK\$6 million) in respect of losses amounting to HK\$35 million (2007: HK\$34 million) that can be carried forward against future taxable income. These tax losses have no expiry date.

## Notes to the Financial Statements

## 29 Share capital

	Number of shares		Amount	
	2008	2007	2008 HK\$'000	2007 HK\$'000
<b>Shares of HK\$0.1 each</b>				
Authorised				
At the beginning of the year	750,000,000	750,000,000	75,000	75,000
Increase during the year ( <i>note (a)</i> )	750,000,000	–	75,000	–
At the end of the year	1,500,000,000	750,000,000	150,000	75,000
Issued and fully paid:				
At the beginning of the year	385,717,565	254,557,972	38,572	25,456
Shares issued pursuant to rights issue ( <i>note (b)</i> )	192,858,782	127,278,986	19,286	12,728
Scrip dividend ( <i>note (c)</i> )	5,660,825	3,880,607	566	388
Conversion of warrants ( <i>note (d)</i> )	39,084,768	–	3,908	–
At the end of the year	623,321,940	385,717,565	62,332	38,572

## 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 192.9 million shares at HK\$1.30 each for a gross amount of HK\$250.7 million pursuant to a rights issue of 1 rights share for 2 shares held. The net proceeds formed part of the consideration for subscription of Asia Standard's rights issue in March 2008.
- (c) In August 2007, the Company allotted and issued 5,660,825 (2007: 3,880,607) new shares at HK\$1.47 for HK\$8.3 million as scrip dividend.
- (d) During the year, 39,084,768 new shares at HK\$1.62 each for HK\$63.3 million (2007: Nil) were allotted and issued upon conversion of warrants.

## Notes to the Financial Statements

## 30 Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Convertible notes and bonds 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
<b>Group</b>									
At 31st March 2006	1,564,357	360,302	71,829	-	-	3,420	-	(353,163)	1,646,745
Currency translation differences	-	-	-	-	-	-	-	467	467
Profit for the year	-	-	-	-	-	-	-	167,571	167,571
2007 interim dividend (with scrip option)	6,053	-	-	-	-	-	-	(12,219)	(6,166)
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
At 31st March 2007	1,718,133	398,021	71,829	3,476	-	14,280	-	(231,715)	1,974,024
Fair value gain on available-for-sale investments	-	-	-	-	4,758	-	-	-	4,758
Less: provision for deferred tax	-	-	-	-	(832)	-	-	-	(832)
Currency translation differences	-	-	-	-	-	-	-	6,019	6,019
Profit for the year	-	-	-	-	-	-	-	287,168	287,168
2007 final dividend (with scrip option)	7,755	-	(11,572)	-	-	-	-	-	(3,817)
2008 interim dividend	-	-	-	-	-	-	-	(12,466)	(12,466)
Rights issue less expenses	226,677	-	-	-	-	-	-	-	226,677
Share options lapsed	-	-	-	-	-	(980)	-	980	-
Grant of warrants	-	-	-	-	-	-	(32,840)	-	(32,840)
Conversion of warrants	59,406	-	-	-	-	-	11,092	640	71,138
Share options granted by a listed associated company	-	-	-	-	-	6,159	-	879	7,038
Share of reserve of associated companies	-	-	-	(3,476)	4,234	-	-	781	1,539
<b>At 31st March 2008</b>	<b>2,011,971</b>	<b>398,021</b>	<b>60,257</b>	<b>-</b>	<b>8,160</b>	<b>19,459</b>	<b>(21,748)</b>	<b>52,286</b>	<b>2,528,406</b>
Representing:									
2008 proposed scrip dividend	-	-	-	-	-	-	-	10,908	10,908
Others	2,011,971	398,021	60,257	-	8,160	19,459	(21,748)	41,378	2,517,498
<b>At 31st March 2008</b>	<b>2,011,971</b>	<b>398,021</b>	<b>60,257</b>	<b>-</b>	<b>8,160</b>	<b>19,459</b>	<b>(21,748)</b>	<b>52,286</b>	<b>2,528,406</b>

## Notes to the Financial Statements

## 30 Reserves (continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Warrants reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
<b>Company</b>						
At 31st March 2006	1,564,357	1,907,378	3,348	–	(6,631)	3,468,452
Loss for the year	–	–	–	–	(13,170)	(13,170)
2007 interim dividend (with scrip option)	6,053	–	–	–	(12,219)	(6,166)
Rights issue less expenses	147,723	–	–	–	–	147,723
Grant of share options	–	–	11,913	–	–	11,913
Cancellation of share options	–	–	(3,348)	–	3,348	–
At 31st March 2007	1,718,133	1,907,378	11,913	–	(28,672)	3,608,752
Profit for the year	–	–	–	–	75,834	75,834
2007 final dividend (with scrip option)	7,755	(11,572)	–	–	–	(3,817)
2008 interim dividend	–	–	–	–	(12,466)	(12,466)
Rights issue less expenses	226,677	–	–	–	–	226,677
Share options lapsed	–	–	(980)	–	980	–
Grant of warrants	–	–	–	(32,840)	–	(32,840)
Conversion of warrants	59,406	–	–	11,092	640	71,138
<b>At 31st March 2008</b>	<b>2,011,971</b>	<b>1,895,806</b>	<b>10,933</b>	<b>(21,748)</b>	<b>36,316</b>	<b>3,933,278</b>
Representing:						
2008 proposed scrip dividend	–	–	–	–	10,908	10,908
Others	2,011,971	1,895,806	10,933	(21,748)	25,408	3,922,370
<b>At 31st March 2008</b>	<b>2,011,971</b>	<b>1,895,806</b>	<b>10,933</b>	<b>(21,748)</b>	<b>36,316</b>	<b>3,933,278</b>

## Note:

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. Total distributable reserves of the Company amounted to HK\$1,921,307,000 (2007: HK\$1,890,619,000) as at 31st March 2008.

# Notes to the Financial Statements

## 31 Capital commitments

At 31st March 2008, neither the Group nor the Company had any capital commitments which were contracted but not provided for, nor authorised but not contracted for (2007: Nil).

## 32 Operating lease arrangements

### Lessee

At 31st March 2008, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	Group	
	2008	2007
	HK\$'000	HK\$'000
In respect of land and building		
Within one year	136	407
In the second to fifth year inclusive	–	136
	136	543

## 33 Contingent liabilities

The Group and the Company did not have any material contingent liabilities as at 31st March 2008 (2007: Nil).



## Notes to the Financial Statements

## 34 Notes to consolidated cash flow statement

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

	2008 HK\$'000	2007 HK\$'000
Profit before income tax	287,667	167,535
Share of profits less losses of		
Jointly controlled entities	800	–
Associated companies	(210,642)	(122,873)
Dividend income	(534)	(480)
Depreciation	786	784
Employee share option benefits	–	11,913
Gain on disposal of subsidiaries	–	(163)
Gain on disposal of associated companies and a jointly controlled entity	(8,845)	(13,215)
Net realised and unrealised losses on financial assets at fair value through profit or loss	690	6,730
Realised and unrealised gains on derivative financial instruments	(1,298)	(5,902)
Net fair value losses on warrant assets and liabilities	14,998	–
Negative goodwill recognised on acquisition of additional interest in listed associated companies	(84,154)	(43,760)
Interest income	(9,143)	(7,508)
Interest expense	636	688
Operating loss before working capital changes	(9,039)	(6,251)
(Increase)/decrease in trade and other receivables	(1,882)	102,069
Decrease/(increase) in financial assets at fair value through profit or loss	42,495	(11,109)
Receipt on derivative financial instruments	7,200	–
Decrease in restricted bank balances	3,023	1,036
(Decrease)/increase in trade and other payables	(3,467)	477
Net cash generated from operations	38,330	86,222

## Notes to the Financial Statements

## 34 Notes to consolidated cash flow statement (continued)

## (b) Disposal of subsidiaries

	2008 HK\$'000	2007 HK\$'000
Net liabilities disposed of		
Accrued expenses	–	(13)
Add: Gain on disposal	–	163
Cash proceeds received less expenses	–	150

## 35 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

	2008 HK\$'000	2007 HK\$'000
Income from/(expense to) associated companies		
Management fee income ( <i>note (a)</i> )	1,027	1,044
Cleaning income ( <i>note (b)</i> )	809	881
Rental expenses ( <i>note (c)</i> )	(407)	(269)

## 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) Rental expenses are subject to terms agreed by the parties involved, which are at a fixed monthly fee.

## Notes to the Financial Statements

**36 Comparative figures**

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

**37 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 held by the Group and have their principal place of operations in Hong Kong.)

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Percentage of equity held by the Group
<i>Incorporated in the 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%

\* *Direct subsidiary of the Company*

## Notes to the Financial Statements

## 37 Principal subsidiaries, jointly controlled entities and associated companies (continued)

## Subsidiaries (continued)

(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 except otherwise stated	Percentage of equity held by the Group
<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%

## Notes to the Financial Statements

## 37 Principal subsidiaries, jointly controlled entities and associated companies (continued)

## Jointly controlled entities

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	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%
<i>Incorporated in the People's Republic of China ("PRC")</i>			
Cultural Palace Entertainment Company Limited <sup>#</sup>	Leasing of an entertainment complex	US\$4,750,000	25.0%

<sup>#</sup> Cooperative Joint Venture operating in the PRC

## Associated companies

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest
<i>Incorporated in Bermuda</i>			
Asia Standard Hotel Group Limited	Hotel, catering services and travel	HK\$221,605,000	33.4%
Asia Standard International Group Limited	Property development, property leasing, hotel and travel	HK\$69,173,000	44.9%

## Notes to the Financial Statements

## 37 Principal subsidiaries, jointly controlled entities and associated companies (continued)

## Associated companies (continued)

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest
<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	44.9%
Asia Standard Finance Company Limited	Financing services	HK\$1,000,000	44.9%
Asia Standard International Limited	Investment holding	HK\$1,214,916,441	44.9%
Asia Standard Management Services Limited	Management services	HK\$2	44.9%
Full Union Development Limited	Property development	HK\$2	44.9%
Get Rich Enterprises Limited	Property development	HK\$2	36.0%
Hoi Chak Properties Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$2	44.9%
JBC Travel Company Limited	Travel agency	HK\$2,500,000	33.4%
Lucky New Investment Limited	Property development	HK\$1	22.5%
Master Asia Enterprises Limited	Hotel holding	HK\$10,000	33.4%
Paramount Shine Limited	Property development	HK\$2	22.5%
Perfect Wave Limited	Catering operation	HK\$2	33.4%
Stone Pole Limited	Hotel holding	HK\$10	33.4%
Tilpifa Company Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$10,000	44.9%
Tonlok Limited	Property development	HK\$1,000	44.9%
Union Rich Resources Limited	Property development	HK\$2	36.0%
Vinstar Development Limited	Hotel holding	HK\$2	33.4%
Weststar Enterprises Limited	Property development	HK\$2	22.5%
Winfast Engineering Limited	Construction	HK\$2	44.9%

## Notes to the Financial Statements

## 37 Principal subsidiaries, jointly controlled entities and associated companies (continued)

## Associated companies (continued)

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest
<i>Incorporated in the British Virgin Islands</i>			
Enrich Enterprises Limited <sup>**</sup>	Hotel holding	US\$1	33.4%
Global Gateway Corp. <sup>**</sup>	Hotel operation	US\$1	33.4%
Glory Ventures Enterprises Inc. <sup>**</sup>	Hotel holding	US\$1	33.4%
Greatime Limited	Securities investment	US\$1	33.4%
<sup>**</sup> Operates in Canada			
<i>Incorporated in the Cayman Islands</i>			
Asia Standard International Capital Limited	Financing services	US\$2	44.9%
<i>Incorporated in the People's Republic of China ("PRC")</i>			
Shanghai Hong Hua TGIF Restaurant Company Limited <sup>***</sup>	Catering operation	RMB17,384,640	31.7%
漁陽房地產開發(深圳)有限公司 <sup>***</sup>	Property development	RMB40,000,000	18.6%
北京黃海房地產開發有限公司 <sup>***</sup>	Property development	RMB240,000,000 (RMB232,138,000 paid)	19.8%

<sup>\*\*\*</sup> Operates in PRC

## 38 Approval of financial statements

The financial statements were approved by the Board of Directors on 10th July 2008.

# Extracts from the Audited Consolidated Financial Statements of Asia Standard International Group Limited

Asia Standard International Group Limited ("Asia Standard") is a principal associated company of the Company. It is incorporated in Bermuda and listed in Hong Kong and its subsidiaries are principally engaged in property development and investment, hotel, travel agency and catering operations.

To provide shareholders with further information on the financial performance and position of Asia Standard, the following is a summary of the audited consolidated financial statements of Asia Standard for the year ended 31st March 2008.

## Consolidated profit and loss account

For the year ended 31st March 2008

	2008 HK\$'000	2007 HK\$'000
Turnover	<b>1,554,855</b>	1,374,113
Revenue	<b>1,119,925</b>	1,339,240
Cost of sales	<b>(659,130)</b>	(874,107)
Gross profit	<b>460,795</b>	465,133
Selling expenses	<b>(12,478)</b>	(15,608)
Administrative expenses	<b>(142,415)</b>	(136,858)
Other income and charges	<b>179,467</b>	129,168
Operating profit	<b>485,369</b>	441,835
Finance costs	<b>(75,581)</b>	(111,727)
Share of profits less losses of		
Jointly controlled entities	<b>477</b>	562
Associated companies	<b>148,232</b>	28,437
Profit before income tax	<b>558,497</b>	359,107
Income tax expense	<b>(53,956)</b>	(58,463)
Profit for the year	<b>504,541</b>	300,644
Attributable to:		
Shareholders of the Company	<b>471,471</b>	287,596
Minority interests	<b>33,070</b>	13,048
	<b>504,541</b>	300,644
Dividends	<b>47,129</b>	49,095
Earnings per share		
Basic	<b>HK 6.35 cents</b>	HK 4.90 cents
Diluted	<b>HK 6.31 cents</b>	HK 4.73 cents



# Extracts from the Audited Consolidated Financial Statements of Asia Standard International Group Limited

## Consolidated balance sheet

As at 31st March 2008

	2008 HK\$'000	2007 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	879,962	868,125
Investment properties	1,953,380	1,776,150
Leasehold land	1,738,896	1,765,542
Jointly controlled entities	506,539	228,900
Associated companies	665,572	504,997
Available-for-sale investments	326,656	–
Goodwill	5,103	8,651
Mortgage loans receivable	25,022	10,647
Deferred income tax assets	45,808	64,517
	<b>6,146,938</b>	5,227,529
<b>Current assets</b>		
Properties held for/under development for sale	898,242	796,759
Completed properties held for sale	217,402	463,471
Mortgage loans receivable	2,388	339
Hotel and restaurant inventories	2,268	2,190
Trade and other receivables	196,313	178,148
Financial assets at fair value through profit or loss	106,524	67,318
Derivative financial instruments	–	6,156
Income tax recoverable	566	507
Bank balances and cash	619,223	221,346
	<b>2,042,926</b>	1,736,234
<b>Current liabilities</b>		
Trade and other payables	115,330	144,453
Amount due to an associated company	51,150	51,150
Derivative financial instruments	26,289	2,717
Warrant liabilities	19,654	–
Short term bank loans and overdrafts, secured	358,295	186,000
Short term bank loans, unsecured	20,000	–
Current portion of long term loans, secured	331,068	14,073
Amounts due to minority shareholders	114,071	109,964
Income tax payable	26,277	21,067
	<b>1,062,134</b>	529,424
<b>Net current assets</b>	<b>980,792</b>	1,206,810
<b>Total assets less current liabilities</b>	<b>7,127,730</b>	6,434,339

# Extracts from the Audited Consolidated Financial Statements of Asia Standard International Group Limited

## Consolidated balance sheet (continued)

As at 31st March 2008

	2008 HK\$'000	2007 HK\$'000
Non-current liabilities		
Convertible notes	–	89,768
Warrant liabilities	16,909	–
Long term loans, secured	1,109,535	1,441,175
Deferred income tax liabilities	200,467	167,763
	<b>1,326,911</b>	1,698,706
Net assets	<b>5,800,819</b>	4,735,633
Equity		
Share capital	108,758	69,173
Reserves	5,002,488	3,935,050
Equity attributable to shareholders of the Company	<b>5,111,246</b>	4,004,223
Minority interests	<b>689,573</b>	731,410
	<b>5,800,819</b>	4,735,633