ASIA ORIENT HOLDINGS LIMITED

Stock Code: 214

2009

Annual Report

Asia Orient Holdings Limited
(Incorporated in Bermuda with limited liability)

Annual Report
For the year ended
31st March 2009

Contents

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
Mr. Wong Chi Keung
Mr. Hung Yat Ming

Audit committee

Mr. Hung Yat Ming *(Chairman)*
Mr. Cheung Kwok Wah
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. Man Sau Ying

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
E-mail	ao_info@asia-standard.com.hk

Principal bankers

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

Legal advisers

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

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

Auditor

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

Share registrar in Bermuda

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

Hong Kong branch share registrar and transfer office

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

Financial Highlights

For the year ended 31st March (in HK$ million, except otherwise indicated)	**2009**	2008	Change
Consolidated profit and loss account			
Turnover	**142**	35	+306%
Revenue	**30**	26	+15%
Net investment (losses)/gains	**(57)**	6	N/A
Operating loss	**(73)**	(6)	+1,117%
Share of (losses)/profits of associated companies	**(180)**	211	N/A
(Loss)/profit attributable to shareholders of the Company	**(239)**	287	N/A
(Loss)/earnings per share (HK cents)			
Basic	**(37.4)**	51.6	N/A
Diluted	**(37.4)**	51.2	N/A
Consolidated balance sheet			
Total assets	**2,478**	2,644	-6%
Net assets	**2,344**	2,591	-10%
Net assets per share (HK$)	**3.6**	4.2	-14%
Net (debt)/cash	**(69)**	124	N/A
Gearing	**2.9%**	Nil	N/A

Chairman's Statement

The Group's major investment, 45.4% owned associated company, Asia Standard International Group Ltd ("Asia Standard") reported a loss of HK$381 million, while Asia Standard's 67.7% owned hotel subsidiary also reported a HK$230 million loss.

Sharing the loss of these associated companies, together with unrealized loss from financial investment, our Group reported a net loss attributable to shareholders of HK$239 million for the year. Nonetheless, the current values of our investment portfolios as of 30 June 2009 and both the associated company and its hotel subsidiary have recorded substantial improvement in keeping with the improved performance of the financial market.

It is encouraging to see that properties sales in Hong Kong picked up strongly since the reporting date. Similar enthusiasm also occurred in the Mainland market. Financial market worldwide appears to be steady. Management is, needless to say, approaching the current year with caution but remains hopeful that the current trends continue and gather strength to full recovery in time.

By Order of the Board
Fung Siu To, Clement
Chairman

Hong Kong, 7th July 2009

Management Discussion and Analysis

Jadewater

Westminster Terrace

Asia Standard has approximately 740,000 sq. ft. gross floor area of properties under development in Hong Kong. Another 2 million sq. ft. gross floor area waterfront residential/commercial development project in Beijing is under planning application phase.

RESULTS

The Group recorded a loss attributable to shareholders of HK$239 million compared to a profit of HK$287 million last year.

Both the Group and its associated company, Asia Standard International Group Ltd ("Asia Standard") sustained unrealized losses resulting from the investment portfolios and the decrease in fair value of its properties. The Group shared 45.4% of the loss reported by Asia Standard.

ASIA STANDARD

The 45.4% owned Asia Standard reported a loss attributable to shareholders of HK$381 million (2008: a profit of HK$471 million) at a revenue of HK$855 million (2008: HK$1,084 million).

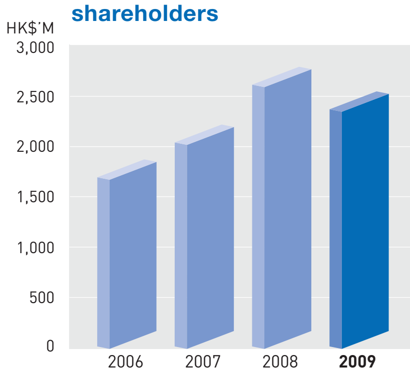
Property sales and leasing

Property sales amounted to HK$144 million compared to HK$379 million of last year. Development profit was HK$51 million compared to HK$80 million last year. Jadewater, the newly completed residential development at Aberdeen, began sales in June 2008.

Construction of the joint venture residential development at Castle Peak Road is progressing with completion scheduled third quarter 2009. Presale consent for the 200,000 sq. ft. development is obtained and show flat design and build is underway.

investment portfolio increased by 13%, mainly the result of increased unit rent upon tenancy renewal.

Equity attributable to shareholders

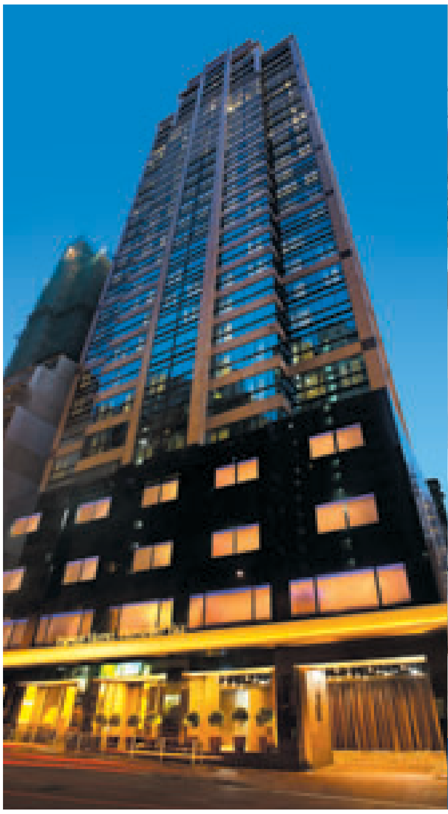


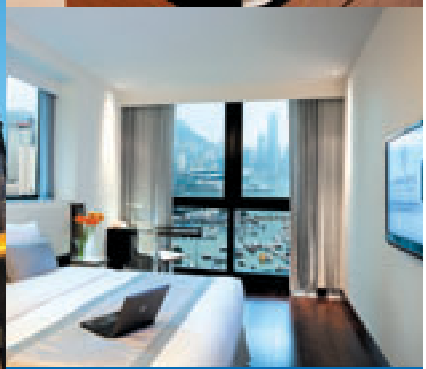
Management Discussion and Analysis

Hotel

The hotel group reported a HK$230 million loss for the year. Although the hotel operation achieved similar revenue and gross profit level with last year, the hotel group's result was adversely affected by the unrealized fair value loss it sustained from financial assets investment.

Asia Standard holds 67.7% stake in its hotel subsidiary.





Empire Hotel Causeway Bay

FINANCIAL REVIEW

At 31st March 2009, the Group's net asset value stood at HK$2.3 billion (2008: HK$2.6 billion). During the year, the Group issued a HK$80 million convertible bonds maturing in August 2010 with a 4% coupon. Net borrowing at year end was HK$69 million while last year was a net cash balance of HK$124 million.

At 31st March 2009, the Group had financial investment amounting to HK$210 million (2008: HK$106 million) and had a net unrealized loss of HK$89 million, which had no impact on the cash flow of the Group.

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.

EMPLOYEES AND REMUNERATION POLICIES

At 31st March 2009, the Group employed 177 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.

FUTURE PROSPECTS

Unparalleled public intervention and aggressive monetary easing policies adopted by Central Banks worldwide have been able to halt the financial meltdown to slide into a deeper turmoil. Since the reporting date, strong demand for properties sales locally and in the mainland market shows the benefit of these policies along with substantial rebound in the equities market worldwide. Nevertheless, management is keeping a cautious approach to the current year and remains hopeful that this is a sustainable recovery in the long run.

Five-year Financial Summary

Year ended 31st March (In HK$ million)	**2009**	2008	2007	2006	2005 (restated)
RESULTS					
Turnover	**142**	35	119	45	553
(Loss)/profit attributable to shareholders of the Company	**(239)**	287	168	56	(52)
ASSETS AND LIABILITIES					
Total assets	**2,478**	2,644	2,062	1,726	1,679
Total liabilities	**(134)**	(53)	(49)	(54)	(110)
Total equity	**2,344**	2,591	2,013	1,672	1,569

Notes:

1. 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 were equity accounted for thereafter.

2. Over the past five years, the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") which are effective for accounting periods commencing on or after 1st January 2005. HKFRS was adopted in 2006 with 2005 figures restated in accordance with the relevant requirements of new/revised HKFRS.

Principal Properties

As at 31st March 2009

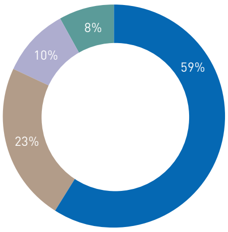
The principal properties are held through the subsidiaries, jointly controlled entities and associated companies of Asia Standard, the Group's listed associated company.

59% Properties under development for sale

23% Hotel properties

10% Investment properties

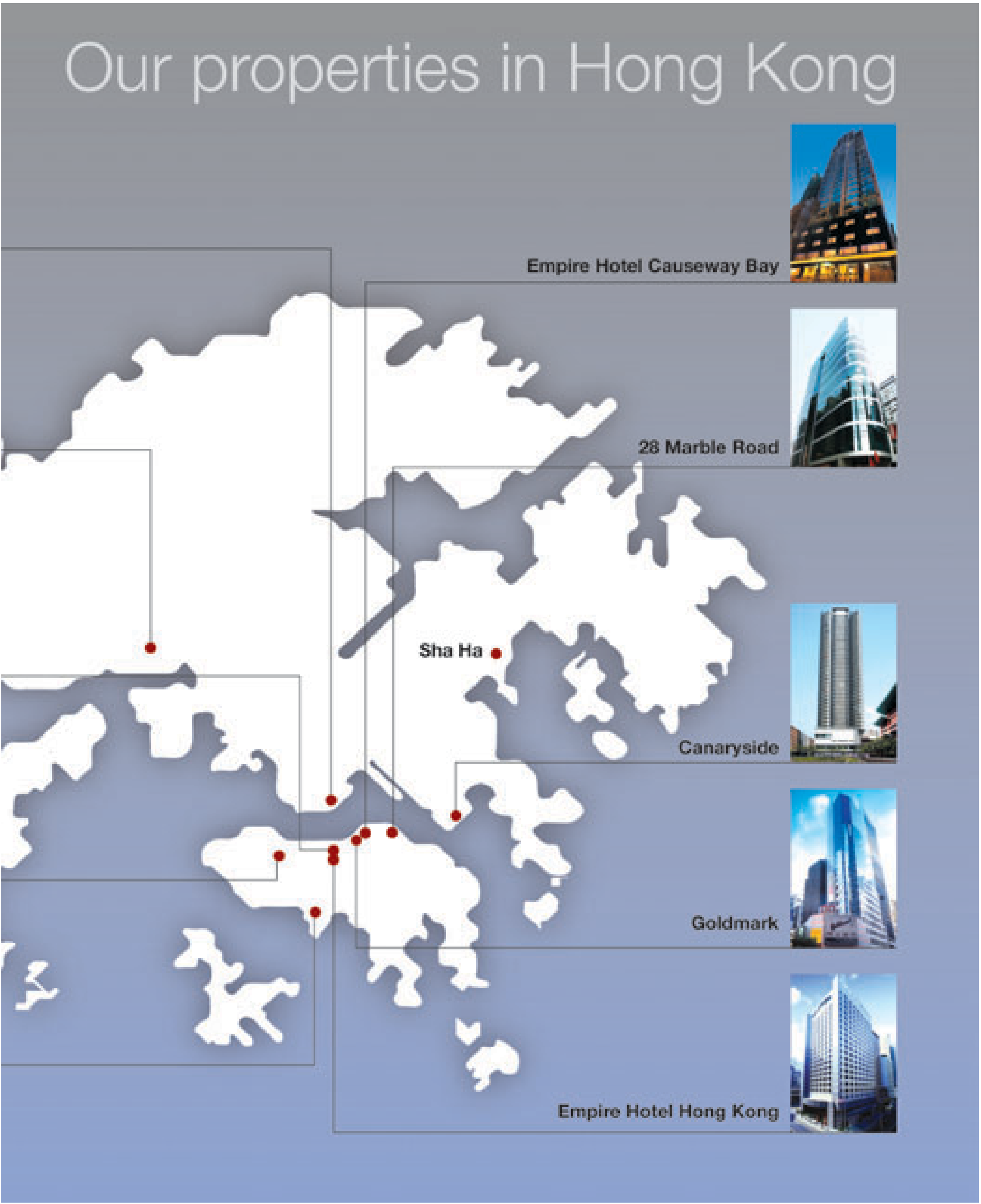
8% Completed properties held for sale



	Attributed GFA to Asia Standard (sq. ft.)
Properties under development for sale	1,620,000
Hotel properties	631,000
Investment properties	282,000
Completed properties held for sale	226,000
Total	2,759,000

Principal Properties

As at 31st March 2009



Principal Properties

As at 31st March 2009

Properties			Group's interest	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type
I	**Investment properties**					
	01	Asia Standard Tower 59-65 Queen's Road Central, Hong Kong.	45.4%	7,800	133,000	Commercial
	02	Asia Orient Tower Town Place, 33 Lockhart Road, Wanchai, Hong Kong.	45.4%	7,300	114,000	Commercial
	03	Goldmark 502 Hennessy Road, Causeway Bay, Hong Kong.	15.0%	6,300	106,000	Commercial
II	**Hotel properties**					
	04	Empire Hotel Hong Kong 33 Hennessy Road, Wanchai, Hong Kong.	33.7%	10,600	184,000 (362 rooms)	Hotel
	05	Empire Landmark Hotel 1400 Robson Street, Vancouver B.C., Canada.	33.7%	41,000	420,000 (358 rooms)	Hotel
	06	Empire Hotel Kowloon 62 Kimberley Road, Tsimshatsui, Kowloon.	33.7%	11,400	220,000 (343 rooms)	Hotel
	07	Empire Hotel Causeway Bay 8 Wing Hing Street, Causeway Bay, Hong Kong.	33.7%	6,200	108,000 (280 rooms)	Hotel

Principal Properties

As at 31st March 2009

Properties			Group's interest	Approx. gross floor area (sq. ft.)	Type
III	**Completed properties held for sale**				
	Hong Kong				
	08	Portion of office floors at 28 Marble Road, North Point, Hong Kong.	36.3%	20,000	Commercial
	09	Canaryside 8 Shung Shun Street, Lei Yue Mun, Kowloon.	45.4%	40,000	Commercial/ Residential
	10	Jadewater 238 Aberdeen Main Road, Aberdeen, Hong Kong.	45.4%	129,000	Commercial/ Residential
	PRC				
	11	Oriental Garden Nos. H212-28 Dong Feng Fang, Luo Hu District, Shenzhen, PRC.	11.94%	154,000	Commercial/ Residential

Principal Properties

As at 31st March 2009

Properties			Group's interest	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type	Stage and estimated date of completion
IV	**Properties under development for sale**						
	12	Westminster Terrace Yau Kam Tau, New Territories.	22.7%	83,600	200,000	Residential	Superstructure (2009)
	13	Hung Shui Kiu Yuen Long, New Territories.	36.3%	101,000	595,000	Commercial/ Residential	Planning (2013)
	14	Lam Tei Tuen Mun, New Territories.	45.4%	19,000	79,000	Commercial/ Residential	Planning (2013)
	15	Sha Ha Sai Kung, New Territories.	3.4%	630,000	1,133,000	Residential	Planning (2013)
	16	72 Yong Shun Street West Tongzhou District, Beijing, PRC.	20.0%	560,000	2,000,000	Commercial/ Residential	Planning (2013)

Corporate Governance Report

Corporate Governance Practices

The Company is committed to sustaining its corporate governance standards by emphasising transparency, independence, accountability, responsibility and fairness. The Company exercises corporate governance through the board of directors (the "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 the 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. Pursuant to the Code on Corporate Governance Practices, the Chairman and the Managing Director shall also retire at the annual general meeting every three years. 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 retirement by rotation and re-election 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 forward to 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.

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Corporate Governance Report

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

Name of Director	Title	Attendance at Board meetings/ Number of Board meetings held
Mr. Fung Siu To, Clement	Chairman	4/4
Dr. Lim Yin Cheng	Deputy Chairman	4/4
Mr. Poon Jing	Managing Director and Chief Executive	4/4
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	Independent Non-executive Director	3/4
Mr. Hung Yat Ming	Independent Non-executive Director	4/4
Mr. Wong Chi Keung	Independent Non-executive Director	4/4

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.

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. Mr. Fung is 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. The 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.

Corporate Governance Report

Audit Committee

The Audit Committee currently comprises all the Independent Non-executive Directors, Mr. Hung Yat Ming (as Chairman), Mr. Cheung Kwok Wah and Mr. Wong Chi Keung. The terms of reference were revised and adopted by the Audit Committee in compliance with the Code on Corporate Governance Practices. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls and review of the published financial statements. The Audit Committee meets at least twice a year. During the year, the Audit Committee met twice to review the Company's annual and interim financial statements and the recommendation by the auditor on enhancement 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 2009.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year, and they all confirmed that they have fully complied with the required standard set out in the Model Code throughout the year ended 31st March 2009.

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, except for the deviation from code provision A.4.1 which states that non-executive directors should be appointed for a specific term, subject to re-election. All non-executive director and independent non-executive directors of the Company are not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with the Bye-Laws of the Company.

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.

Corporate Governance Report

Auditor's 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 page 31 of this annual report.

An amount of HK$1,174,000 (2008: HK$996,000) 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$164,000 (2008: HK$101,000).

Investor Relationship

The Group aims to provide its shareholders and investors with high level of transparency. During the year, the Executive Directors met with various 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.

Corporate Social Responsibility

The Group is dedicated to the adoption of green management standards to promote environmental considerations. Within our property management division, process is designed to ensure energy saving through power out in non-operating hours of building facilities (such as non-reserved club house facilities), used clothes donation campaign was carried out to provide assistance to those in need and wasted paper recycling is encouraged in office building to respond to calls for conservation.

Directors' Profile

Executive Directors

FUNG Siu To, Clement

Aged 60, is the Chairman of the Company and the Chairman of the Remuneration Committee. He is also the Chairman and an executive director of the listed associated company, Asia Standard International Group Limited ("Asia Standard"), an executive director of the listed associated company, Asia Standard Hotel Group Limited ("AS Hotel") and an independent non-executive director and an audit committee member of New Times Energy Corporation Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Fung is a holder of 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 and Dr. Lim Yin Cheng, Managing Director and Deputy Chairman of the Company respectively.

LIM Yin Cheng

Aged 64, is the Deputy Chairman of the Company. He is also the Deputy Chairman and an executive director of Asia Standard and the Deputy Chairman, Chief Executive, an executive director and the Chairman of the Remuneration Committee 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 and Mr. Fung Siu To, Clement, Managing Director and Chairman of the Company respectively.

POON Jing

Aged 54, is the Managing Director and Chief Executive of the Company. He is also the Managing Director, Chief Executive and an executive director of Asia Standard and the Chairman and an executive director of AS Hotel. He is the brother-in-law of Mr. Fung Siu To, Clement and Dr. Lim Yin Cheng, Chairman and Deputy Chairman of the Company respectively.

LUN Pui Kan

Aged 45, is the 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

Aged 50, is an executive director of the Company and Asia Standard. Mr. Kwan is a holder of 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

Aged 56, is a 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 Messrs. 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 which are listed on the Stock Exchange. He joined the Group in June 1996.

Independent Non-executive Directors

CHEUNG Kwok Wah

Aged 52, is an independent non-executive director and a member of the Audit Committee of the Company. Mr. Cheung has over 20 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 is now the Chief Business Development Officer of Future Bright Holdings Limited. He joined the Group in June 1996.

WONG Chi Keung

Aged 54, is an independent non-executive director, a member of the Audit Committee and the 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 (Provisional Liquidators Appointed), FU JI Food and Catering Services Holdings Limited, Golden Eagle Retail Group Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of which 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.

Directors' Profile

HUNG Yat Ming

Aged 57, is an independent non-executive director, the Chairman of the Audit Committee and a member of the 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 and an independent non-executive director and a member of the audit committee of SMI Publishing Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. He joined the Group 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 2009.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 39 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.

No interim dividend was paid for the year ended 31st March 2009 (2008: HK2 cents per share, totaling HK$12,463,000).

The Board does not recommend the payment of a final dividend for the year ended 31st March 2009 (2008: HK1.75 cents per share in scrip, totaling HK$10,908,000).

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 31 to the financial statements.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 32 to the financial statements.

Report of the Directors

Principal properties

Details of the principal properties of associated companies of the Group 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
Mr. Wong Chi Keung
Mr. Hung Yat Ming

Messrs. Kwan Po Lam, Phileas and Cheung Kwok Wah will retire from office by rotation in accordance with the Bye-Laws of the Company and Mr. Poon Jing will retire to comply with the Code on Corporate Governance Practices at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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 the Directors are set out on pages 17 to 19.

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.

Report of the Directors

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

As at 31st March 2009, 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 Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(I) Long positions in shares

(a) The Company

	Number of shares held				
Director	**Personal interest**	**Corporate interest**	**Family interest**	**Total**	**Percentage of shares in issue (%)**
Poon Jing	138,561,722	109,541,158	4,024,456	252,127,336	38.70
Fung Siu To, Clement	11,461,847	—	—	11,461,847	1.76

Report of the Directors

(I) Long positions in shares (continued)

(b) Associated corporations

Director	Associated corporation	Number of shares held: Personal interest	Corporate interest	Total	Percentage of shares in issue (%)
Poon Jing	Asia Standard International Group Limited ("Asia Standard")	9,728,644	5,155,970,451 *(Note 1)*	5,165,699,095	45.45
Poon Jing	Asia Standard Hotel Group Limited ("AS Hotel")	408,452	9,235,914,269 *(Note 1)*	9,236,322,721	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	0.01

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.

4. By virtue of Mr. Poon Jing's interest in the Company, he 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

Interests in share options

(a) The Company

Director	Outstanding as at 1st April 2008 and 31st March 2009
Fung Siu To, Clement	2,126,301
Lim Yin Cheng	2,126,301
Lun Pui Kan	2,126,301
Kwan Po Lam, Phileas	2,126,301

Note:

Options were granted on 29th March 2007 and exercisable during the period from 29th March 2007 to 28th March 2017 at exercise price of HK$1.4315 (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.

(b) Associated corporations

— Asia Standard

Director	Outstanding as at 1st April 2008 and 31st March 2009
Fung Siu To, Clement	20,621,761
Lim Yin Cheng	20,621,761
Poon Jing	5,155,440
Lun Pui Kan	20,621,761
Kwan Po Lam, Phileas	20,621,761

Note:

Options were granted on 30th March 2005 and exercisable during the period 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.

(II) Long positions in underlying shares (continued)

(b) Associated corporations (continued)

— AS Hotel

Director	Date of grant	Exercise price (HK$)	Exercise period	Outstanding as at 1st April 2008 and 31st March 2009
Fung Siu To, Clement	29th March 2007	0.1296	29th March 2007 to 28th March 2017	80,000,000
Lim Yin Cheng	2nd April 2007	0.1300	2nd April 2007 to 1st April 2017	80,000,000
Lun Pui Kan	2nd April 2007	0.1300	2nd April 2007 to 1st April 2017	80,000,000
Kwan Po Lam, Phileas	2nd April 2007	0.1300	2nd April 2007 to 1st April 2017	80,000,000

Note:

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

Interests in warrants

(a) The Company

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

Note:

The warrants of the Company are exercisable during the period from 8th September 2008 to 7th September 2009 at a subscription price of HK$1.029 per share.

Report of the Directors

Interests in warrants (continued)

(b) Associated corporations

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

Notes:

1. The warrants of Asia Standard are exercisable during the period from 8th September 2008 to 7th September 2009 at an initial subscription price of HK$0.1 per share.

2. The warrants of AS Hotel are exercisable during the period from 7th September 2007 to 6th September 2010 at an initial subscription price of HK$0.146 per share. Following the third reset adjustment on 6th March 2009, the exercise price of the warrants was adjusted to HK$0.029 per share.

Save as disclosed above, as at 31st March 2009, 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.

Report of the Directors

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

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31st March 2009, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

Long positions in shares and underlying shares of the Company

		Number of shares and underlying shares held			
Shareholder	**Capacity**	**Number of shares held**	**Number of underlying shares held**	**Total**	**Percentage (%)**
Heston Holdings Limited ("Heston") *(Note 1)*	Beneficial owner	38,067,438	7,479,918	45,547,356	6.99
Teddington Holdings Limited ("Teddington") *(Note 1)*	Beneficial owner	45,695,105	8,978,686	54,673,791	8.39
Dalton Investments LLC ("Dalton") *(Note 2)*	Investment manager	102,911,860	17,075,615	119,987,475	18.42
Clearwater Insurance Company ("Clearwater Insurance") *(Note 2)*	Trustee	47,632,222	7,938,703	55,570,925	8.53
Daswani Rajkumar Murlidhar	Beneficial owner	36,021,971	—	36,021,971	5.53
Capital Estate Limited ("Capital Estate") *(Note 3)*	Interests in controlled corporation	12,225,103	38,221,810	50,446,913	7.74

Notes:

1. Mr. Poon Jing, his family interest and the companies wholly owned by him namely Teddington, Heston and Full Speed Investments Limited together hold 252,127,336 shares. The interest of Teddington and Heston duplicate the interest of Mr. Poon Jing disclosed under the heading "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures".

2. Dalton is the investment manager for Clearwater Insurance. The interest of Clearwater Insurance in the shares and underlying shares duplicate the interest of Dalton disclosed above.

3. The interests of Capital Estate in the Company are held through its wholly-owned subsidiary Top Mount Limited. As such, Capital Estate is deemed to be interested in the shares held by Top Mount Limited.

Report of the Directors

Save as disclosed above, as at 31st March 2009, 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.

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 8.88% 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.

Report of the Directors

The following table discloses details of the Company's options granted under the share option scheme held by employees (including Directors):

Grantee	Outstanding as at 1st April 2008 *(Note 1)*	Granted during the year *(Note 2)*	Lapsed during the year *(Note 1)*	Outstanding as at 31st March 2009
Directors	8,505,204	—	—	8,505,204
Director of associated corporations	3,469,228	—	—	3,469,228
Employees of associated corporations	26,746,627	5,780,000	(2,573,943)	29,952,684
	38,721,059	5,780,000	(2,573,943)	41,927,116

Notes:

1. These share options were granted on 29th March 2007 and exercisable during the period from 29th March 2007 to 28th March 2017 at exercise price of HK$1.4315 (as adjusted) per share.

2. These share options were granted on 15th August 2008 and exercisable during the period from 15th August 2008 to 14th August 2018 at exercise price of HK$1.07 per share.

3. During the year, no option was 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.

Report of the Directors

Major customers and suppliers

For the year ended 31st March 2009, 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.

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 latest practicable date prior to the issue of the annual 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, 7th July 2009

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 97, which comprise the balance sheets of the Company and the Group at 31st March 2009, 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 2009 and of the loss 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, 7th July 2009

Consolidated Profit and Loss Account

For the year ended 31st March 2009

	Note	2009 HK$'000	2008 HK$'000
Turnover	5, 6	**142,177**	35,168
Revenue	5, 6	**29,855**	25,940
Cost of sales		**(8,628)**	(12,940)
Gross profit		**21,227**	13,000
Administrative expenses	6	**(12,922)**	(12,982)
Other income and charges	7	**(81,355)**	(6,511)
Operating loss		**(73,050)**	(6,493)
Finance costs	8	**(4,503)**	(636)
Negative goodwill arising from acquisition of additional interest in associated companies		**22,103**	84,154
Share of (losses)/profits of associated companies		**(180,203)**	210,642
(Loss)/profit before income tax		**(235,653)**	287,667
Income tax expense	11	**(3,135)**	(499)
(Loss)/profit for the year attributable to shareholders of the Company	12	**(238,788)**	287,168
Dividends	13	**—**	23,371
(Loss)/earnings per share (HK cents)			
Basic	14	**(37.4)**	51.6
Diluted	14	**(37.4)**	51.2

Consolidated Balance Sheet

As at 31st March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	15	**423**	1,172
Jointly controlled entities	17	**7,272**	7,272
Associated companies	18	**2,216,517**	2,400,136
Available-for-sale investments	19	**17,658**	88,760
Deferred income tax assets	30	**236**	3,047
		2,242,106	2,500,387
Current assets			
Trade and other receivables	20	**7,210**	2,771
Financial assets at fair value through profit or loss	21	**185,596**	7,136
Derivative financial instruments	22	**2,563**	—
Warrant assets	23	**4,439**	10,163
Bank balances and cash	24	**36,579**	123,999
		236,387	144,069
Current liabilities			
Trade and other payables	25	**19,367**	35,633
Warrant liabilities	26	**—**	7,341
Amounts due to associated companies	18	**390**	1,925
Amounts due to minority shareholders	27	**8,311**	8,311
Bank loans — secured	28	**29,039**	—
		57,107	53,210
Net current assets		**179,280**	90,859
Total assets less current liabilities		**2,421,386**	2,591,246
Non-current liabilities			
Convertible bonds	29	**77,265**	—
Deferred income tax liabilities	30	**—**	508
		77,265	508
Net assets		**2,344,121**	2,590,738
Equity			
Share capital	31	**65,148**	62,332
Reserves	32	**2,278,973**	2,528,406
		2,344,121	2,590,738

Fung Siu To, Clement
Director

Lun Pui Kan
Director

Balance Sheet

As at 31st March 2009

	Note	**2009 HK$'000**	2008 HK$'000
Non-current assets			
Subsidiaries	16	**4,023,085**	3,887,916
Associated companies	18	**93,062**	91,912
Deferred income tax assets	30	**171**	171
		4,116,318	3,979,999
Current assets			
Trade and other receivables		**109**	118
Warrant assets		**296**	688
Bank balances and cash	24	**126**	23,227
		531	24,033
Current liabilities			
Trade and other payables		**1,073**	1,081
Warrant liabilities	26	**—**	7,341
		1,073	8,422
Net current (liabilities)/assets		**(542)**	15,611
Total assets less current liabilities		**4,115,776**	3,995,610
Non-current liabilities			
Convertible bonds	29	**77,265**	—
Net assets		**4,038,511**	3,995,610
Equity			
Share capital	31	**65,148**	62,332
Reserves	32	**3,973,363**	3,933,278
		4,038,511	3,995,610

Fung Siu To, Clement
Director

Lun Pui Kan
Director

Consolidated Cash Flow Statement

For the year ended 31st March 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	36	**(226,672)**	38,330
Dividend received from financial assets at fair value through profit or loss		**8,085**	534
Dividend received from available-for-sale investments		**2,095**	—
Net income tax refunded		**—**	6
Interest received		**627**	9,145
Interest paid		**(1,731)**	(636)
Net cash (used in)/generated from operating activities		**(217,596)**	47,379
Cash flows from investing activities			
Addition to property, plant and equipment		**(26)**	(82)
Dividend received from associated companies		**—**	24,039
Increase in investments in associated companies		**(7,840)**	(378,400)
(Repayment to)/repayment by associated companies		**(1,535)**	283
Increase in advances to a jointly controlled entity		**(400)**	(800)
Proceeds on disposal of associated companies		**—**	110,000
Proceeds on disposal of available-for-sale investments		**32,322**	—
Purchase of available-for-sale investments		**—**	(84,002)
Net cash generated from/(used in) investing activities		**22,521**	(328,962)
Net cash used before financing activities		**(195,075)**	(281,583)
Cash flows from financing activities			
Issue of convertible bonds		**78,000**	—
Rights issue		**—**	245,963
Conversion of warrants		**16,462**	63,314
Drawdown of short term bank loans		**54,172**	430,087
Repayment of short term bank loans		**(25,133)**	(430,087)
Dividend paid to shareholders		**—**	(15,717)
Net cash generated from financing activities		**123,501**	293,560

Consolidated Cash Flow Statement

For the year ended 31st March 2009

	Note	2009 HK$'000	2008 HK$'000
Net (decrease)/increase in cash and cash equivalents		**(71,574)**	11,977
Cash and cash equivalents at the beginning of the year		**93,756**	81,779
Cash and cash equivalents at the end of the year		**22,182**	93,756
Analysis of the balances of cash and cash equivalents			
Bank balances and cash (excluding restricted bank balances)	24	**22,182**	93,756

Consolidated Statement of Changes in Equity

For the year ended 31st March 2009

	Shareholders of the Company HK$'000
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 of listed associated companies	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
Issue 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
Transfer to profit and loss account on disposal of available-for-sale investments	(1,530)
Fair value loss on available-for-sale investments	(34,305)
Charged to profit and loss account on impairment of available-for-sale investments	31,909
Available-for-sale investment reserve of listed associated companies	(9,551)
Currency translation differences of listed associated companies	(12,075)
Loss for the year	(238,788)
Total recognised loss for the year	(264,340)
Grant of share options	1,260
Conversion of warrants	16,463
	17,723
At 31st March 2009	**2,344,121**

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 HKAS 39 & HKFRS 7 (Amendments) "Reclassification of Financial Assets" which are relevant to its operations. These amendments are effective prospectively from 1st July 2008. These amendments do not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

Standards, interpretations and amendments to existing standards that are relevant to the Group's operation but not yet effective

Effective for annual periods beginning on or after:

1st January 2009

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 40 (Amendment)	Investment Property
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

1st July 2009

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

2 Principal accounting policies (continued)

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

(i) HKAS 1 (Revised) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

(ii) HKAS 23 (Revised) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

(iii) HKAS 40 (Amendment), 'Investment property' (and consequential amendments to HKAS 16) (effective from 1st January 2009). Property that is under construction or development for future use as investment property is within the scope of HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

(iv) HKFRS 2 (Amendment) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

(v) HKFRS 7 (Amendment) proposes amendments to disclosure requirement that are based on a three-level fair value hierarchy. The amendment also proposed amendments to liquidity risk disclosure to clarify the existing HKFRS 7 requirements.

Notes to the Financial Statements

2 Principal accounting policies (continued)

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

(vi) HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments.

(vii) HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in the profit and loss account.

(viii) HKFRS 3 (Revised) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The Group has not early adopted the above standards, interpretations and amendments. The Group has already commenced an assessment of the related impact to the Group. The Group is not in a position to state whether they will have substantial change to the Group's accounting policies and presentation of the financial statements.

2 Principal accounting policies (continued)

(b) Basis of consolidation

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

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

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

The profit or loss on disposal of subsidiaries, jointly controlled entities or associated companies is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill 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 of the carrying value of net assets of the subsidiary acquired. If the cost of acquisition is less than the relevant interest of the carrying value of the net assets of the subsidiary acquired, the difference being negative goodwill is recognised directly 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 advances that are equity in nature, in substance forming part of the investments, and 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.

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 advances that are equity in nature, in substance forming part of the investments, and 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 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 as intangible asset is tested for impairment at least annually and whenever there is any impairment indication and carried at cost less accumulated impairment losses.

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/liabilities

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 and derivative financial instruments

This category represents financial assets that are either designated in this category at inception (except for subsequent reclassification permitted under the standard) or held for trading. A financial asset is classified in this category if so designated by management or for the purpose of selling them in the short term. 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.

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/liabilities (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 and available-for-sale equity instruments are recognised in the profit and loss account as part of income when the 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 investments are sold or impaired, the accumulated fair vale adjustments recognised in equity are included in the profit and loss account as gains and losses from investments and impairment.

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 investments, 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(q).

Derivatives financial instruments, mainly representing warrants, call option of listed securities and equity linked notes are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Changes in the fair value of derivative financial instruments are recognised immediately in the profit and loss account.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(g) Financial assets/liabilities (continued)

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables or held-to-maturity investments out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(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 are located
Hotel buildings in overseas	25 years
Other equipment	3 to 10 years

No depreciation is provided for buildings under development.

2 Principal accounting policies (continued)

(h) Property, plant and equipment (continued)

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.

(i) Impairment of assets

Assets that have an indefinite useful life and have not yet available for use and are not subject to depreciation, 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 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, when classified as financial instruments, 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) Warrants classified as equity instruments

Warrants without reset arrangement, when classified as equity instruments, are not recognised in the financial statements. When the warrants are converted into ordinary shares, the nominal value of the shares issued upon conversion is credited to share capital while the excess of the proceeds over the nominal value is credited to share premium.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(l) 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. 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. Investment property that is being redeveloped for continuing use as investment property continues to be measured at fair value. Changes in fair values are recognised in the profit and loss account.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

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

(m) Properties under development for sale

Properties 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 are stated at the lower of cost and net realisable value.

(n) 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(o)), 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.

2 Principal accounting policies (continued)

(o) 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. In the course of hotel properties conversion, the amortisation charge of leasehold land is included as part of the costs of hotel properties under conversion. 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 is expensed in the profit and loss account.

(p) 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.

(q) 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 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 profit and loss account 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.

(r) Trade payables

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(s) 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.

(t) 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 or capitalised when applicable (note 2(ab)) 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.

(u) Convertible bonds

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

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

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

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

2 Principal accounting policies (continued)

(v) 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.

The Group has adopted the transitional provisions under HKFRS 2 for options granted after 7th November 2002 and vested at the effective date of HKFRS 2.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(w) 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 substantively 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.

(x) 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.

(y) 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.

2 Principal accounting policies (continued)

(z) 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 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 is recognised when the tickets services are delivered.

Revenue from hotel reservation service is recognised when services are rendered.

Management fee income is recognised when services are rendered.

(iv) Investments 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)

(aa) 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 the profit and loss account, 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 the profit and loss account 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.

(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;

2 Principal accounting policies (continued)

(aa) Foreign currency translation (continued)

(iii) Group companies (continued)

(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.

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.

(ab) 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.

(ac) Operating leases

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

(ad) 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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(ae) 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.

(af) 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.

(ag) Scrip dividend

Where the Company pays its dividends in the form of shares or gives the shareholders the options to receive a dividend in either cash or ordinary shares (referred to as scrip dividend), the shares issued are recognised at fair value.

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.

(a) Market risk

(i) Foreign exchange risk

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

The 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The Group and its associated companies are also exposed to foreign currency risk with respect to financial assets at fair value through profit or loss, derivative financial instruments, bank balances and borrowings. The Group's financial instruments are denominated in United States dollars. The associated companies' financial instruments are denominated in United States dollars, Sterling pounds, Euros and Japanese Yen.

At 31st March 2009, the Group's entities with functional currency of Hong Kong dollar had United States dollar net monetary assets of HK$132,129,000 (2008: HK$417,000). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to United States dollar, management considers that there is no significant foreign exchange risk with respect to United States dollar.

At 31st March 2009, the associated companies' entities with functional currency of Hong Kong dollar had United States dollar net monetary assets of HK$279,165,000 (2008: HK$14,685,000) shared by the Group. Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to United States dollar, management considers that there is no significant foreign exchange risk with respect to United States dollar.

At 31st March 2009, the associated companies' entities with functional currency of Hong Kong dollar had Japanese Yen net monetary liabilities of HK$50,602,000 (2008: HK$9,634,000) shared by the Group. If Japanese Yen had strengthened/weakened by 5%, the Group's post tax loss (2008: post tax profit) for the year would have been HK$3,451,000 higher/lower (2008: HK$277,000 lower/higher) as share of results of associated companies.

At 31st March 2009, the associated companies' entities with functional currency of Hong Kong dollar had Sterling pound net monetary assets of HK$2,780,000 (2008: Nil) shared by the Group. If Sterling pounds had strengthened/weakened by 5%, the Group's post tax loss (2008: post tax profit) for the year would have been HK$97,000 lower/higher (2008: Nil) as share of results of associated companies.

At 31st March 2009, the associated companies' entities with functional currency of Hong Kong dollar had Euro net monetary assets of HK$18,473,000 (2008: Nil) shared by the Group. If Euros had strengthened/ weakened by 5%, the Group's post tax loss (2008: post tax profit) for the year would have been HK$643,000 lower/higher (2008: Nil) as share of results of associated companies.

Notes to the Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk

The Group and its associated companies are exposed to equity and debt securities price risk from their available-for-sale investments, financial assets at fair value through profit or loss and derivative financial instruments. The performance of investments of the Group and its associated companies are closely monitored, together with an assessment of their relevance to their long term strategic plans.

The Group's and its associated companies' investments in equity and debt securities of other entities (classified as "available-for-sale investments" and "financial assets at fair value through profit or loss") are traded in the Hong Kong Stock Exchange, New York Stock Exchange and Luxembourg Stock Exchange. Gains and losses arising from changes in fair value of available-for-sale investments and financial assets at fair value through profit or loss are dealt with in equity and the profit and loss account respectively. Any impairment of available-for-sale investments is recognised in the profit and loss account (note 2(g)(iii)).

For every 10% increase/decrease in the prices of the Group's available-for-sale investments, the Group's post tax loss for the year would decrease/increase by HK$1,766,000 (2008: the Group's available-for-sale investment reserve would increase/decrease by HK$8,876,000).

For every 10% increase/decrease in the price of the Group's financial assets at fair value through profit or loss, the Group's post tax loss (2008: post tax profit) for the year would decrease/increase by HK$17,956,000 (2008: increase/decrease by HK$589,000).

For every 10% increase/decrease in the prices of its associated companies' available-for-sale investments, the Group's post tax loss (2008: post tax profit) for the year would decrease/increase by HK$3,153,000 (2008: Nil) and the Group's available-for-sale investment reserve would increase/decrease by HK$3,189,000 (2008: HK$11,054,000).

For every 10% increase/decrease in the prices of its associated companies' financial assets at fair value through profit or loss, the Group's post tax loss (2008: post tax profit) for the year would decrease/increase by HK$27,473,000 (2008: increase/decrease by HK$3,110,000).

Notes to the Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

The Group's warrants and call options of Hong Kong listed equity securities are traded in the Hong Kong Stock Exchange. For every 10% increase/decrease in price of the underlying shares with all other variables held constant, the Group's post tax loss (2008: post tax profit) for the year would decrease/increase by HK$1,760,000 (2008: increase/decrease by HK$2,871,000).

The associated companies' warrants and call options of Hong Kong listed equity securities traded in the Hong Kong Stock Exchange. For every 10% increase/decrease in price of the underlying shares with all other variables held constant, the Group's post tax loss (2008: post tax profit) for the year would decrease/increase by HK$431,000 (2008: increase/decrease by HK$14,000).

(b) Credit risk

The credit risk of the Group and its associated companies mainly arise from cash and cash equivalents, financial assets at fair value through profit or loss, derivative financial assets, as well as credit exposures to mortgage loan receivable and trade and other receivables.

The Group and its associated companies are not exposed to 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 customers with appropriate credit history.

The Group and its associated companies have limited its credit exposure by restricting their selection of financial institutions.

Trade and other debtors are assessed based on the credit quality of the debtors, 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.

(c) Liquidity risk

Liquidity risk is the risk that the Group and its associated companies are unable to meet their current obligations when they fall due. The Group and its associated companies closely monitor their liquidity through maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and compliance of financial covenants of borrowings. The Group and its associated companies maintain flexibility in funding by keeping committed credit lines available and maintaining a reasonable level of marketable securities to meet any unexpected and material cash requirements in the course of ordinary business and to provide contingency liquidity support.

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 financial liabilities are analysed in the financial statements.

Notes to the Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) ***Liquidity risk*** *(continued)*

The tables below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual face value without applying discounted cash flow model based on the earliest date on which the Group can be required to pay, as follows:

		At 31 March 2009		
	Weighted average effective interest rate	**Within 1 year**	**Within 2 to 5 years**	**Total undiscounted cash flows**
		HK$'000	HK$'000	HK$'000
Trade and other payables	–	19,367	–	19,367
Amounts due to associated companies	–	390	–	390
Amounts due to minority shareholders	–	8,311	–	8,311
Bank loans – secured	1.43%	29,047	–	29,047
Convertible bonds	6.44%	3,200	81,600	84,800
		60,315	81,600	141,915

		At 31 March 2008		
	Weighted average effective interest rate	**Within 1 year**	**Within 2 to 5 years**	**Total undiscounted cash flows**
		HK$'000	HK$'000	HK$'000
Trade and other payables	–	35,633	–	35,633
Amounts due to associated companies	–	1,925	–	1,925
Amounts due to minority shareholders	–	8,311	–	8,311
		45,869	–	45,869

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Cash flow interest rate risk

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

During the year, the Group's deposits and borrowings at variable rate were denominated in Hong Kong dollars and United States dollars. At 31st March 2009, if market interest rates had been 10 basis points higher/lower with all other variables held constant, the Group's post tax loss (2008: post tax profit) for the year would have been HK$6,000 higher/lower (2008: HK$67,000 higher/lower).

Other than bank balances and deposits, mortgage loans receivable, loans receivable and advance to an associated company (collectively "Interest Bearing Assets"), the associated companies have no other significant interest bearing assets. The associated companies' interest rate risk also arise from borrowings and amounts due to minority shareholders ("Interest Bearing Liabilities").

During the year, the associated companies' deposits and borrowings at variable rate were denominated in Hong Kong dollars, United States dollars, Sterling pounds, Euros and Japanese Yen. At 31st March 2009, if market interest rates had been 10 basis points higher/lower with all other variables held constant, the Group's post tax loss (2008: post tax profit) for the year would have been HK$451,000 higher/lower (2008: HK$51,000 higher/lower).

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.

Notes to the Financial Statements

3 Financial risk management (continued)

3.2 Capital risk management (continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by net assets. Net debt is calculated as total current and non-current borrowings less bank balances and cash.

The gearing ratios at 31st March 2009 and 2008 were as follows:

	2009 HK$'000	2008 HK$'000
Bank loans	**29,039**	—
Liability component of convertible bonds *(note 29)*	**76,188**	—
Total borrowings	**105,227**	—
Less: bank balances and cash *(note 24)*	**(36,579)**	(123,999)
Net debt/(cash)	**68,648**	(123,999)
Net asset value	**2,344,121**	2,590,738
Gearing ratio against net asset value	**2.9%**	n/a

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. Techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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 are set out below.

(a) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar properties. 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.

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

(b) Impairment of assets

(i) Available-for-sale investments

The Group and its associated companies follow the guidance of HKAS 39 to determine when an available-for-sale investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost.

(ii) Trade and other receivables

The policy for provision for impairment of receivables of the Group and its associated companies are based on the evaluation of collectability and ageing analysis and by management judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables.

Notes to the Financial Statements

4 Critical accounting estimates and judgements (continued)

(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 (note 30) 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, warrant liabilities and convertible bonds

The fair values of derivative financial instruments, warrant liabilities and convertible bonds 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, warrant liabilities and convertible bonds.

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 investments. Turnover comprises revenue from property management, dividend and interest income, together with gross proceeds from securities investments. Revenues include revenue from property management, dividend and interest income.

Primary reporting format — business segments

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 investments. 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, dividend and interest from financial assets are included in contribution to segment results of investments.

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 amounts due to minority shareholders and exclude bank loans, warrant liabilities and convertible bonds.

Notes to the Financial Statements

5 Turnover and segment information (continued)

Primary reporting format — business segments (continued)

2009 (in HK$'000)	**Property management**	**Investments**	**Others**	**Group**
Turnover	**13,372**	**128,195**	**610**	**142,177**
Segment revenue	**13,372**	**15,873**	**610**	**29,855**
Contribution to segment results	**4,744**	**15,873**	**610**	**21,227**
Other income and charges	**—**	**(73,224)**	**(8,131)**	**(81,355)**
Segment results	**4,744**	**(57,351)**	**(7,521)**	**(60,128)**
Unallocated corporate expenses				**(12,922)**
Operating loss				**(73,050)**
Finance costs				**(4,503)**
Negative goodwill arising from acquisition of additional interest in associated companies				**22,103**
Share of results of associated companies *(note (i))*				**(180,203)**
Loss before income tax				**(235,653)**
Income tax expense				**(3,135)**
Loss for the year				**(238,788)**

2008 (in HK$'000)	Property management	Investments	Others	Group
Turnover	16,263	14,687	4,218	35,168
Segment revenue	16,263	5,459	4,218	25,940
Contribution to segment results	3,323	5,459	4,218	13,000
Other income and charges	—	442	(6,953)	(6,511)
Segment results	3,323	5,901	(2,735)	6,489
Unallocated corporate expenses				(12,982)
Operating loss				(6,493)
Finance costs				(636)
Negative goodwill arising from acquisition of additional interest in associated companies				84,154
Share of results of associated companies *(note (i))*				210,642
Profit before income tax				287,667
Income tax expense				(499)
Profit for the year				287,168

Notes to the Financial Statements

5 Turnover and segment information (continued)

Primary reporting format — business segments (continued)

Note (i): Share of results of associated companies

	2009 Associated companies HK$'000	2008 Associated companies HK$'000
Property sales	**(7,775)**	35,530
Property leasing	**(34,454)**	174,051
Hotel and travel	**13,210**	18,240
Investments	**(135,520)**	256
Others	**21,448**	51,023
Finance costs	**(19,659)**	(27,632)
Unallocated corporate expenses	**(17,453)**	(40,826)
	(180,203)	210,642

Notes to the Financial Statements

5 Turnover and segment information (continued)

Primary reporting format — business segments (continued)

	Property management	Investments	Others	Group
2009 (in HK$'000)				
Segment assets	**14,750**	**212,640**	**576**	**227,966**
Jointly controlled entities and associated companies *(note (ii))*				**2,223,399**
Unallocated assets				**26,738**
				2,478,103
Segment liabilites	**17,659**	**—**	**8,311**	**25,970**
Unallocated liabilities				**108,012**
				133,982
Capital expenditure	**26**	**—**	**—**	**26**
Depreciation	**60**	**—**	**715**	**775**
2008 (in HK$'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 liabilites	34,704	—	8,311	43,015
Unallocated liabilities				10,703
				53,718
Capital expenditure	82	—	—	82
Depreciation	44	—	742	786

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

	2009 HK$'000	2008 HK$'000
Property sales	**763,508**	770,410
Property leasing	**1,036,653**	1,096,196
Hotel and travel	**1,059,672**	1,001,777
Investments	**402,806**	188,890
Others	**61,073**	82,668
Unallocated net liabilities	**(1,100,313)**	(732,533)
	2,223,399	2,407,408

Notes to the Financial Statements

5 Turnover and segment information (continued)

Secondary reporting format — geographical segments

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

	Turnover	Segment revenue	Operating (loss)/profit	Total assets	Capital expenditure
2009 (in HK$'000)					
Hong Kong	**129,270**	**16,948**	**(54,565)**	**2,322,996**	**26**
Europe	**12,907**	**12,907**	**(18,485)**	**155,497**	**—**
	142,177	**29,855**	**(73,050)**	**2,478,493**	**26**
2008 (in HK$'000)					
Hong Kong	29,868	21,938	(11,793)	2,644,456	82
USA	5,300	4,002	5,300	—	—
	35,168	25,940	(6,493)	2,644,456	82

6 Income and expenses by nature

	2009 HK$'000	2008 HK$'000
Income		
Bank interest income	**622**	7,620
Interest income from listed investments	**4,867**	1,523
Dividend income from listed investments	**10,994**	534
Expenses		
Auditor's remuneration	**1,170**	996
Depreciation	**775**	786
Employee benefit expenses, including Directors' emoluments *(note 10)*	**13,471**	13,643
Operating lease rental expenses for land and buildings	**556**	407

Notes to the Financial Statements

7 Other income and charges

	2009 HK$'000	2008 HK$'000
Realised gains/(losses) on		
— Financial assets at fair value through profit or loss	**—**	1,200
— Derivative financial instruments	**2,452**	1,298
— Available-for-sale investments	**(4,733)**	—
Impairment loss on available-for-sale investments *(note 19)*	**(31,909)**	—
Unrealised (losses)/gains on		
— Financial assets at fair value through profit or loss	**(41,965)**	(1,890)
— Derivative financial instruments	**2,563**	—
— Warrant assets *(note 23)*	**(17,456)**	(28,765)
— Warrant liabilities *(note 26)*	**7,341**	13,767
— Convertible bonds *(note 29)*	**2,384**	—
Provision for advances to a jointly controlled entity	**(400)**	(800)
Gain on disposal of associated companies	**—**	8,845
Exchange gain/(loss)	**368**	(166)
	(81,355)	(6,511)

8 Finance costs

	2009 HK$'000	2008 HK$'000
Interest expenses on short term bank loans and overdrafts	**856**	636
Interest expenses on convertible bonds	**3,028**	—
Amortisation of issue expenses of convertible bonds	**619**	—
	4,503	636

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 2009 and 2008 are as follows:

Name of director	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	2009 Total HK$'000	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	2008 Total HK$'000
Executive						
Mr. Fung Siu To, Clement	**–**	**–**	**–**	–	1,000	1,000
Dr. Lim Yin Cheng	**–**	**–**	**–**	–	–	–
Mr. Poon Jing	**–**	**4,500**	**4,500**	–	4,500	4,500
Mr. Lun Pui Kan	**–**	**–**	**–**	–	–	–
Mr. Kwan Po Lam, Phileas	**–**	**–**	**–**	–	–	–
Non-executive						
Mr. Chan Sze Hung	**20**	**–**	**20**	20	–	20
Independent Non-executive						
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	**4,500**	**5,120**	620	5,500	6,120

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 one (2008: two) Director whose emoluments are already reflected in the analysis presented above.

The emoluments payable to the remaining four (2008: three) individuals during the years are as follows:

	2009	2008
	HK$'000	HK$'000
Basic salaries, allowances, benefits in kind and share option benefits	**1,564**	1,168

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
Emolument bands		
Below HK$1,000,000	**4**	3

(c) Key management comprises all Directors of the Group.

10 Employee benefit expense

	2009	2008
	HK$'000	HK$'000
Wages and salaries	**12,027**	13,333
Retirement benefits costs *(note (a))*	**184**	310
Employee share option benefits *(note (b))*	**1,260**	—
	13,471	13,643

Employee benefit expense is stated inclusive of Directors' emoluments.

Notes to the Financial Statements

10 Employee benefit expense (continued)

Notes:

(a) Retirement benefits costs

	2009	2008
	HK$'000	HK$'000
Gross contributions	**287**	310
Forfeitures utilised	**(103)**	—
Net contributions	**184**	310

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% (2008: 5%) or a fixed sum of the employee's relevant income in accordance with the legislative requirements.

As at 31st March 2009, no forfeitures (2008: 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.

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

			Number of share options			
Date of grant	Expiry date	Exercise price per share	Outstanding at 1st April 2008	Granted during the year *(note i)*	Lapsed during the year *(note ii)*	Outstanding at 31st March 2009
29th March 2007	29th March 2017	HK$1.4315 (as adjusted)				
Directors			8,505,204	–	–	8,505,204
Employees			26,746,627	–	(2,573,943)	24,172,684
Directors of a listed associated company			3,469,228	–	–	3,469,228
15th August 2008	15th August 2018	HK$1.0700				
Employees			–	5,780,000	–	5,780,000
			38,721,059	5,780,000	(2,573,943)	41,927,116

(i) During the year, 5,780,000 share options (2008: Nil) to subscribe for shares of the Company were granted. None of these options were exercised or cancelled (2008: Nil).

The fair value of the share options granted during the year determined Trinomial option pricing model was HK$1,260,000 (2008: Nil) and is recognised in the profit and loss account.

The following assumptions were used to calculate the fair values of share options granted on 29th March 2007 and 15th August 2008:

	15th August 2008	29th March 2007
Closing share price at the date of grant (HK$)	1.01	1.57
Exercise price (HK$)	1.070	1.602
Expected life of options (years)	4	4
Expected volatility (%)	35.15	26.62
Risk free rate (%)	2.795	3.953

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

(ii) During the year, 2,573,943 options were lapsed upon resignation of an employee (3,469,228 options lapsed upon the demise of an employee in 2008). The fair value of HK$727,000 (2008: HK$980,000) in respect of the share options lapsed during the year was transferred from share options reserve to revenue reserve.

11 Income tax expense

	2009 HK$'000	2008 HK$'000
Current income tax		
Overprovisions in prior years	—	6
Deferred income tax	(3,135)	(505)
	(3,135)	(499)

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

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 (2008: Nil).

Share of HK$4,268,000 income tax credit (2008: HK$22,172,000 income tax expense) of associated companies for the year is included in the profit and loss account as share of results of associated companies. There is no income tax for jointly controlled entities for the year (2008: Nil).

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

	2009 HK$'000	2008 HK$'000
(Loss)/profit before income tax	(235,653)	287,667
Share of losses/(profits) of jointly controlled entities and associated companies	180,203	(209,842)
	(55,450)	77,825
Calculated at a tax rate of 16.5% (2008: 17.5%)	9,149	(13,619)
Overprovision in prior years	—	6
Income not subject to income tax	8,878	20,299
Expenses not deductible for tax purposes	(9,372)	(6,460)
Tax losses not recognised	(8,382)	(2,020)
Other temporary difference	(203)	33
Decrease in opening deferred tax assets as decrease in tax rate	(145)	—
Recognition of previously unrecognised tax losses	—	1,253
Reversal of previously recognised tax losses	(2,968)	—
Utilisation of previously unrecognised tax losses	(92)	—
Others	—	9
Income tax expense	(3,135)	(499)

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$25,178,000 (2008: HK$75,834,000).

13 Dividends

	2009	2008
	HK$'000	HK$'000
Interim, paid, of nil (2008: HK2.0 cents) per share	**–**	12,463
Final, proposed, of nil (2008: HK1.75 cents) per share	**–**	10,908
	–	23,371

14 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on loss of HK$238,788,000 (2008: profit of HK$287,168,000) attributable to shareholders of the Company and divided by the weighted average number of 638,512,374 (2008: 556,415,813) shares in issue during the year.

The basic and diluted loss per share for the year ended 31st March 2009 was the same as the outstanding warrants and the outstanding share options of the Company, Asia Standard and AS Hotel and the Company's outstanding convertible bonds did not have a dilutive effect on the loss per share in 2009.

The calculation of diluted earnings per share for the year ended 31st March 2008 was 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.

Notes to the Financial Statements

15 Property, plant and equipment

	Office equipment
	HK$'000
Cost	
At 31st March 2008	5,066
Additions	26
At 31st March 2009	**5,092**
Accumulated depreciation	
At 31st March 2008	3,894
Charge for the year	775
At 31st March 2009	**4,669**
Net book value	
At 31st March 2009	**423**
Cost	
At 31st March 2007	4,984
Additions	82
At 31st March 2008	5,066
Accumulated depreciation	
At 31st March 2007	3,108
Charge for the year	786
At 31st March 2008	3,894
Net book value	
At 31st March 2008	1,172

Notes to the Financial Statements

16 Subsidiaries

	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	2,823,639	2,823,639
Amounts due by subsidiaries less provisions	1,199,446	1,064,277
	4,023,085	3,887,916

Details of the principal subsidiaries are set out in note 39.

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

Notes to the Financial Statements

17 Jointly controlled entities

	2009 HK$'000	2008 HK$'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	**7,272**	7,272

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 39.

The Group's share of assets and liabilities and results of jointly controlled entities are as follows:

	2009 HK$'000	2008 HK$'000
Assets		
Non-current assets	**—**	11
Current assets	**294**	286
	294	297
Liabilities		
Non-current liabilities	**35,194**	33,339
Current liabilities	**864**	2,722
	36,058	36,061
Net liabilities	**(35,764)**	(35,764)
Income	**—**	—
Expenses	**—**	—

Notes to the Financial Statements

18 Associated companies

Group

	2009	2008
	HK$'000	HK$'000
Share of net assets	**2,171,402**	2,359,082
Share of incremental fair value of net assets upon acquisition of additional interests	**45,115**	41,054
Total carrying amounts of associated companies	**2,216,517**	2,400,136
Amounts due to associated companies included in current liabilities	**(390)**	(1,925)
	2,216,127	2,398,211
Market value of listed shares	**321,365**	747,667

Certain shares of a listed associated company are pledged to secure the loan facilities granted to the Group.

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 39.

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

	2009	2008
	HK$'000	HK$'000
Assets	**3,280,235**	3,287,705
Liabilities	**(1,108,833)**	(928,623)
Net assets	**2,171,402**	2,359,082
Revenues	**406,614**	512,157
(Loss)/profit for the year	**(180,203)**	210,642
Financial guarantee	**126,282**	88,924

Company

	2009	2008
	HK$'000	HK$'000
Shares listed in Hong Kong at cost	**93,062**	91,912
Market value of listed shares	**53,542**	55,716

Notes to the Financial Statements

19 Available-for-sale investments

	Group	
	2009	2008
	HK$'000	HK$'000
Beginning of the year	**88,760**	—
Additions	**1,751**	84,002
Disposal	**(38,040)**	—
Fair value (loss)/gain transfer to available-for-sale investment reserve	**(2,904)**	4,758
Impairment loss transfer to profit and loss accounts *(note 7)*	**(31,909)**	—
End of the year	**17,658**	88,760

All available-for-sale invesmtents are equity securities listed in Hong Kong and are denominated in Hong Kong dollar.

20 Trade and other receivables

	Group	
	2009	2008
	HK$'000	HK$'000
Hong Kong dollar		
Trade receivables	**10**	227
Deposits and prepayments	**137**	174
Dividend receivable of available-for-sale investments	**323**	2,129
Other receivables	**240**	241
	710	2,771
United States dollar		
Interest receivable from securities investments	**6,500**	—
	7,210	2,771

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.

Aging analysis of trade receivables is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
0 day to 60 days	**10**	227

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. The maximum exposure of trade and other receivables to credit risk is the carrying value.

Notes to the Financial Statements

21 Financial assets at fair value through profit or loss

	Group	
	2009	2008
	HK$'000	HK$'000
Listed		
Equity securities — Hong Kong	**36,599**	7,136
Preference securities — USA *(note (a))*	**104,587**	—
Debt securities — Europe *(note (b))*	**44,410**	—
	185,596	7,136
Financial assets at fair value through profit or loss held for trading are denominated in the following currencies:		
Hong Kong dollar	**36,599**	7,136
United States dollar	**148,997**	—
	185,596	7,136

Notes:

(a) The preference securities carry non-cumulative fixed dividend of 8.125% per annum and the nominal value is US$25,345,000 (2008: Nil).

(b) The debt securities carry non-cumulative fixed interest of 10% per annum and the nominal value is US$20,000,000 (2008: Nil).

22 Derivative financial instruments

	Group	
	2009	2008
	HK$'000	HK$'000
Warrants and call options of listed equity securities in Hong Kong	**2,563**	—

In April 2009, all call options were exercised and the investments were classfied as available-for-sale investments and denominated in Hong Kong dollar.

Notes to the Financial Statements

23 Warrant assets

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

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

Following the reset arrangement on 6th March 2009, the exercise price of the warrants from AS Hotel, another listed associated company was adjusted to HK$0.029 per share.

Movement of the warrants during the year is as follows:

	2009	2008
	HK$'000	HK$'000
Beginning of the year	**10,163**	—
Fair value of warrants granted	**11,732**	38,928
Fair value losses debited to profit and loss account *(note 7)*	**(17,456)**	(28,765)
End of the year	**4,439**	10,163

The fair value of warrants at 31st March 2009 and 2008 is determined using Lattice model.

The following assumptions were used to calculate the fair values of warrants at 31st March 2009.

	Asia Standard	**AS Hotel**
Closing share price at 31st March 2009 (HK$)	0.060	0.031
Exercise price (HK$)	0.100	0.029
Expected remaining life of warrants (years)	0.4	1.4
Expected volatility (%)	75.12	53.59
Risk free rate (%)	0.19	0.62

Notes to the Financial Statements

24 Bank balances and cash

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**18,166**	12,844	**126**	242
Short-term deposits	**4,016**	80,912	**—**	22,985
Cash and cash equivalents	**22,182**	93,756	**126**	23,227
Restricted bank balances	**14,397**	30,243	**—**	—
	36,579	123,999	**126**	23,227

The effective interest rate on restricted bank balances is 0.2% (2008: 1.0%) per annum. These deposits have an average maturity of 47 days (2008: 26 days). These balances are restricted for building management accounts managed by the Group.

The effective interest rate on short-term bank deposits is 0.01% (2008: 1.0%) per annum for the Group and nil (2008: 0.8%) per annum for the Company. These deposits have an average maturity of 7 days (2008: 3 days) for the Group and nil (2008: 1 day) for the Company.

25 Trade and other payables

	Group	
	2009	2008
	HK$'000	HK$'000
Trade payables	**3,051**	3,170
Building management account surplus	**14,078**	30,387
Other payables	**596**	634
Accrued expenses	**1,642**	1,442
	19,367	35,633

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

Aging analysis of trade payables is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
0 day to 60 days	**2,977**	2,984
61 days to 120 days	**21**	75
More than 120 days	**53**	111
	3,051	3,170

Notes to the Financial Statements

26 Warrant liabilities

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

On 8th September 2008, the Company issued another series of warrants to shareholders on the basis of one warrant for every five shares of the Company. The initial subscription price was at HK$1.029 per share and the warrants are exercisable at any time within one year from the date of issue. Apart from the adjustments upon occurrence of the usual adjustment events, the subscription price is not subject to any other reset adjustment. Therefore, no liabilities are recognised in the financial statements.

	Group and Company	
	2009	2008
	HK$'000	HK$'000
Beginning of the year	**7,341**	—
Fair value of warrants granted	**—**	32,840
Set off against reserve upon exercise of warrants	**—**	(11,732)
Fair value gains credited to profit and loss account *(note 7)*	**(7,341)**	(13,767)
End of the year	**—**	7,341

27 Amounts due to minority shareholders

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

Notes to the Financial Statements

28 Bank loans — secured

The effective interest rates of the bank loans at the balance sheet date range from 1% over HIBOR to 1.25% over LIBOR per annum. The maturity of all bank loans is repayable within one year. The carrying amount of the bank loans approximates their fair values.

The bank loans are secured by certain shares of a listed associated company and certain financial assets at fair value through profit or loss held by the Group.

Bank loans are denominated in the following currencies:

	Group	
	2009	2008
	HK$'000	HK$'000
Hong Kong dollar	**12,000**	—
United States dollar	**17,039**	—
	29,039	—

29 Convertible bonds

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

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

The convertible bonds are recognised as follows:

	Liability component HK$'000	**Derivative component HK$'000**	**Total HK$'000**
At date of issue	**74,539**	**3,461**	**78,000**
Finance costs	**1,649**	**—**	**1,649**
Fair value gain credited to profit and loss account *(note 7)*	**—**	**(2,384)**	**(2,384)**
At 31st March 2009	**76,188**	**1,077**	**77,265**

30 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	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred income tax assets	**236**	3,047	**171**	171
Deferred income tax liabilities	**—**	(508)	**—**	—
	236	2,539	**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	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**32**	40	**3,347**	3,845	**3,379**	3,885
Recognised in the profit and loss account	**(3)**	(8)	**(3,134)**	(498)	**(3,137)**	(506)
At the end of the year	**29**	32	**213**	3,347	**242**	3,379

Notes to the Financial Statements

30 Deferred income tax (continued)

Group

Deferred income tax liabilities

	Fair value gains on available-for-sale investments		Accelerated tax depreciation		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**(832)**	–	**(8)**	(9)	**(840)**	(9)
Recognised in the profit and loss account	**–**	–	**2**	1	**2**	1
Charged directly to equity	**832**	(832)	**–**	–	**832**	(832)
At the end of the year	**–**	(832)	**(6)**	(8)	**(6)**	(840)

Company

Deferred income tax assets

	Tax losses	
	2009	2008
	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$18 million (2008: HK$7 million) in respect of losses amounting to HK$109 million (2008: HK$39 million) that can be carried forward against future taxable income. These tax losses have no expiry date.

Notes to the Financial Statements

31 Share capital

	Number of shares		Amount	
	2009	2008	**2009**	2008
			HK$'000	HK$'000
Shares of HK$0.1 each				
Authorised				
At the beginning of the year	**1,500,000,000**	750,000,000	**150,000**	75,000
Increase during the year *(note (a))*	**1,500,000,000**	750,000,000	**150,000**	75,000
At the end of the year	**3,000,000,000**	1,500,000,000	**300,000**	150,000
Issued and fully paid:				
At the beginning of the year	**623,321,940**	385,717,565	**62,332**	38,572
Shares issued pursuant to rights issue	**–**	192,858,782	**–**	19,286
Scrip dividend *(note (b))*	**11,130,751**	5,660,825	**1,113**	566
Conversion of warrants *(note (c))*	**17,024,552**	39,084,768	**1,703**	3,908
At the end of the year	**651,477,243**	623,321,940	**65,148**	62,332

Notes:

(a) On 27th August 2008, an ordinary resolution was passed to increase the authorised share capital to HK$300 million.

(b) In October 2008, the Company allotted and issued 11,130,751 (2008: 5,660,825) new shares at HK$0.98 for HK$10.9 million as scrip dividend.

(c) During the year, the Company allotted and issued 17,024,552 (2008: 39,084,768) new shares for a gross consideration of HK$16.5 million (2008: HK$63.3 million) upon conversion of warrants.

Notes to the Financial Statements

32 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
Group									
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 of listed associated companies	–	–	–	–	–	–	–	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)
Issue of rights shares (net of expenses)	226,677	–	–	–	–	–	–	–	226,677
Share options lapsed	–	–	–	–	–	(980)	–	980	–
Issue 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
At 31st March 2008	2,011,971	398,021	60,257	–	8,160	19,459	(21,748)	52,286	2,528,406
Transfer to profit and loss account on disposal of available-for-sale investments	–	–	–	–	(1,530)	–	–	–	(1,530)
Fair value loss on available-for-sale investments	–	–	–	–	(34,305)	–	–	–	(34,305)
Charged to profit and loss account on impairment of available-for-sale investments	–	–	–	–	31,909	–	–	–	31,909
Currency translation differences of listed associated companies	–	–	–	–	–	–	–	(12,075)	(12,075)
Loss for the year	–	–	–	–	–	–	–	(238,788)	(238,788)
2008 final dividend in scrip	9,795	–	–	–	–	–	–	(10,908)	(1,113)
Grant of share options	–	–	–	–	–	1,260	–	–	1,260
Share options lapsed	–	–	–	–	–	(727)	–	727	–
Conversion of warrants	14,760	–	–	–	–	–	4,831	(4,831)	14,760
Expiry of warrants	–	–	–	–	–	–	16,917	(16,917)	–
Share of reserve of associated companies	–	–	–	–	(9,551)	(1,082)	–	1,082	(9,551)
At 31st March 2009	**2,036,526**	**398,021**	**60,257**	**–**	**(5,317)**	**18,910**	**–**	**(229,424)**	**2,278,973**

Notes to the Financial Statements

32 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
Company						
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)
Issue of rights shares (net of expenses)	226,677	—	—	—	—	226,677
Share options lapsed	—	—	(980)	—	980	—
Issue of warrants	—	—	—	(32,840)	—	(32,840)
Conversion of warrants	59,406	—	—	11,092	640	71,138
At 31st March 2008	2,011,971	1,895,806	10,933	(21,748)	36,316	3,933,278
Profit for the year	—	—	—	—	25,178	25,178
2008 final dividend in scrip	9,795	—	—	—	(10,908)	(1,113)
Grant of share options	—	—	1,260	—	—	1,260
Share options lapsed	—	—	(727)	—	727	—
Conversion of warrants	14,760	—	—	4,831	(4,831)	14,760
Expiry of warrants	—	—	—	16,917	(16,917)	—
At 31st March 2009	**2,036,526**	**1,895,806**	**11,466**	**—**	**29,565**	**3,973,363**

Note:

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is also distributable.

Notes to the Financial Statements

33 Capital commitments

At 31st March 2009, neither the Group nor the Company had any capital commitments which were contracted but not provided for, nor authorised but not contracted for (2008: Nil).

34 Operating lease arrangements

Lessee

At 31st March 2009, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
In respect of land and building		
Within one year	**630**	136
In the second to fifth year inclusive	**210**	—
	840	136

35 Financial guarantees

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees for the banking and loan facilities of subsidiaries	**—**	—	**12,000**	—

36 Notes to consolidated cash flow statement

Reconciliation of (loss)/profit before income tax to net cash (used in)/generated from operations

	2009	2008
	HK$'000	HK$'000
(Loss)/profit before income tax	**(236,154)**	287,667
Negative goodwill arising from acquisition of additional interest in associated companies	**(22,103)**	(84,154)
Share of profits less losses of associated companies	**180,704**	(210,642)
Dividend income	**(10,994)**	(534)
Depreciation	**775**	786
Amortisation of issue expenses of convertible bonds	**619**	—
Employee share option benefits	**1,260**	—
Gain on disposal of associated companies	**—**	(8,845)
Net realised and unrealised losses on financial assets at fair value through profit or loss	**41,965**	690
Realised and unrealised gains on derivative financial instruments	**(7,399)**	(1,298)
Realised loss on available-for-sale investments	**4,733**	—
Impairment loss on available-for-sale investments	**31,909**	—
Net fair value losses on warrant assets and liabilities	**10,115**	14,998
Provision for advances to a jointly controlled entity	**400**	800
Interest income	**(5,489)**	(9,143)
Interest expense	**3,149**	636
Operating loss before working capital changes	**(6,510)**	(9,039)
Increase in trade and other receivables	**(1,383)**	(1,882)
(Increase)/decrease in financial assets at fair value through profit or loss	**(220,425)**	42,495
Increase on derivative financial instruments	**2,452**	7,200
Decrease in restricted bank balances	**15,846**	3,023
Decrease in trade and other payables	**(16,652)**	(3,467)
Net cash (used in)/generated from operations	**(226,672)**	38,330

Notes to the Financial Statements

37 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

	2009	2008
	HK$'000	HK$'000
Income from/(expense to) associated companies		
Management fee income *(note (a))*	**1,015**	1,027
Cleaning income *(note (b))*	**744**	809
Rental expenses *(note (c))*	**(555)**	(407)

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 is at a fixed monthly fee.

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

38 Comparative figures

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

39 Principal subsidiaries, jointly controlled entities and associated companies

Listed below are the principal subsidiaries and associated companies which, in the opinion of the Directors, principally affect the results and/or net assets of the Group. There is no significant jointly controlled entities.

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	Group equity interest
Incorporated in the British Virgin Islands			
Asia Orient Holdings (BVI) Limited *	Investment holding	US$100	100%
Finnex Limited	Securities investments	US$1	100%
Impetus Holdings Limited	Investment holding	US$1	100%
Persian Limited	Investment holding	US$49,050	100%
Sunrich Holdings Limited	Securities investments	US$1	100%
United Resources Associates Limited	Investment holding	US$6	83.3%

** Direct subsidiary of the Company*

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
Incorporated in Hong Kong			
Asia Orient Company Limited	Investment holding	US$26,964,837	100%
Good Year Engineering Service 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%
Incorporated in Liberia			
Bassindale Limited	Investment holding	US$500	100%

Notes to the Financial Statements

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

Associated companies

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
Incorporated in Bermuda			
Asia Standard Hotel Group Limited	Hotel, catering services and travel	HK$261,408,565	33.7%
Asia Standard International Group Limited	Property development, property leasing, hotel and travel	HK$113,663,860	45.4%
Incorporated in Hong Kong			
Asia Standard Development (Holdings) Limited	Investment holding	HK$10 and non-voting deferred share capital of HK$362,892,949	45.4%
Asia Standard Finance Company Limited	Financing services	HK$1,000,000	45.4%
Asia Standard International Limited	Investment holding	HK$1,214,916,441	45.4%
Asia Standard Management Services Limited	Management services	HK$2	45.4%
Full Union Development Limited	Property development	HK$2	45.4%
Get Rich Enterprises Limited	Property holding	HK$2	36.3%
Hoi Chak Properties Limited	Property investment	HK$10 and non-voting deferred share capital of HK2	45.4%
JBC Travel Company Limited	Travel agency	HK$2,500,000	33.7%
Lucky New Investment Limited	Property development	HK$1	22.7%
Master Asia Enterprises Limited	Hotel holding	HK$10,000	33.7%
Paramount Shine Limited	Property development	HK$2	22.7%
Perfect Wave Limited	Catering operation	HK$2	33.7%
Stone Pole Limited	Hotel holding	HK$10	33.7%
Tilpifa Company Limited	Property investment	HK$10 and non-voting deferred share capital of HK$10,000	45.4%
Tonlok Limited	Property development	HK$1,000	45.4%
Union Rich Resources Limited	Property development	HK$2	36.3%
Vinstar Development Limited	Hotel holding	HK$2	33.7%
Winfast Engineering Limited	Construction	HK$2	45.4%

Notes to the Financial Statements

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

Associated companies (continued)

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
Incorporated in the British Virgin Islands			
Enrich Enterprises Limited ##	Hotel holding	US$1	33.7%
Global Gateway Corp. ##	Hotel operation	US$1	33.7%
Glory Ventures Enterprises Inc. ##	Hotel holding	US$1	33.7%
Greatime Limited	Securities investments	US$1	33.7%

Operates in Canada

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
Incorporated in the Cayman Islands			
Asia Standard International Capital Limited	Financing services	US$2	45.4%
Incorporated in the People's Republic of China (the "PRC")			
Shanghai Hong Hua TGIF Restaurant Company Limited ###	Catering operation	RMB17,384,640	11.9%
漁陽房地產開發(深圳)有限公司 ###	Property development	RMB40,000,000	18.8%
北京黃海房地產開發有限公司 ###	Property development	RMB240,000,000	20.0%

Operates in the PRC

40 Approval of financial statements

The financial statements were approved by the Board of Directors on 7th July 2009.

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 2009.

Consolidated Profit and Loss Account

For the year ended 31st March 2009

	2009	2008
	HK$'000	HK$'000
Revenue	**855,413**	1,084,257
Cost of sales	**(439,672)**	(659,130)
Gross profit	**415,741**	425,127
Selling and administrative expenses	**(154,900)**	(154,893)
Depreciation and amortisation	**(75,577)**	(76,996)
Other income and charges	**(499,937)**	292,131
Operating (loss)/profit	**(314,673)**	485,369
Finance costs	**(55,526)**	(75,581)
Share of profits less losses of		
Jointly controlled entities	**(9,197)**	477
Associated companies	**(83,243)**	148,232
(Loss)/profit before income tax	**(462,639)**	558,497
Income tax credit/(expense)	**6,242**	(53,956)
(Loss)/profit for the year	**(456,397)**	504,541
Attributable to:		
Shareholders of the Company	**(381,303)**	471,471
Minority interests	**(75,094)**	33,070
	(456,397)	504,541
Dividends	**11,211**	47,129
(Loss)/earnings per share (HK cents)		
Basic	**(3.44)**	6.35
Diluted	**(3.44)**	6.31

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

Consolidated Balance Sheet

As at 31st March 2009

	2009 HK$'000	2008 HK$'000
Non-current assets		
Property, plant and equipment	**940,979**	879,962
Investment properties	**1,849,000**	1,953,380
Leasehold land	**1,712,251**	1,738,896
Jointly controlled entities	**524,965**	506,539
Associated companies	**565,343**	665,572
Available-for-sale investments	**186,830**	326,656
Goodwill	**5,103**	5,103
Mortgage loans receivable	**24,747**	25,022
Deferred income tax assets	**35,239**	45,808
	5,844,457	6,146,938
Current assets		
Properties under development for sale	**400,768**	898,242
Completed properties held for sale	**698,709**	217,402
Mortgage loans receivable	**1,874**	2,388
Hotel and restaurant inventories	**2,160**	2,268
Trade and other receivables	**232,958**	196,313
Financial assets at fair value through profit or loss	**693,075**	106,524
Derivative financial instruments	**13,429**	—
Income tax recoverable	**79**	566
Bank balances and cash	**244,783**	619,223
	2,287,835	2,042,926
Current liabilities		
Trade and other payables	**137,497**	115,330
Amount due to an associated company	**51,150**	51,150
Derivative financial instruments	**22,344**	26,289
Warrant liabilities	**8,481**	19,654
Short term borrowings	**415,011**	378,295
Current portion of long term borrowings	**42,230**	331,068
Amounts due to minority shareholders	**105,303**	114,071
Income tax payable	**28,743**	26,277
	810,759	1,062,134
Net current assets	**1,477,076**	980,792
Total assets less current liabilities	**7,321,533**	7,127,730

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

Consolidated Balance Sheet (continued)

As at 31st March 2009

	2009 HK$'000	2008 HK$'000
Non-current liabilities		
Warrant liabilities	**7,893**	16,909
Long term borrowings	**1,860,196**	1,109,535
Deferred income tax liabilities	**177,779**	200,467
	2,045,868	1,326,911
Net assets	**5,275,665**	5,800,819
Equity		
Share capital	**113,664**	108,758
Reserves	**4,556,311**	5,002,488
Equity attributable to shareholders of the Company	**4,669,975**	5,111,246
Minority interests	**605,690**	689,573
	5,275,665	5,800,819

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