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# THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

A copy of each of the Rights Issue Documents (as defined herein), having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to the Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (as defined herein). A copy of the Prospectus has been, or will as soon as reasonably practicable be, filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility for the contents of any of these documents.

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

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

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange (as defined herein) as well as compliance with the stock admission requirements of HKSCC (as defined herein), the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

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## ASIA STANDARD INTERNATIONAL GROUP LIMITED

(泛海國際集團有限公司)\*

(incorporated in Bermuda with limited liability)

(stock code: 129)

**RIGHTS ISSUE OF  
3,625,274,773 RIGHTS SHARES  
AT HK\$0.18 EACH ON THE BASIS OF  
ONE RIGHTS SHARE FOR EVERY TWO SHARES  
HELD ON THE RECORD DATE**

### Underwriters



### Financial adviser to Asia Standard International Group Limited



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The Latest Time for Acceptance (as defined herein) is 4:00 p.m. on Friday, 29th February 2008. The procedures for acceptance and payment or transfer are set out on pages 15 and 16 of the Prospectus.

It should be noted that the Underwriting Agreement (as defined herein) contains provisions granting Taifook Securities (as defined herein) on behalf of the Underwriters (as defined herein) the right to terminate its obligations under the Underwriting Agreement by notice in writing given to the Company (as defined herein) on or before the Latest Time for Termination (as defined herein) if prior to the Latest Time for Termination:

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

Pursuant to the Underwriting Agreement, Taifook Securities (on behalf of the Underwriters) is entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of any of the warranties or undertakings contained in the relevant clauses in the Underwriting Agreement comes to the knowledge of Taifook Securities and such material breach materially and adversely affects the success of the Rights Issue; or
- (b) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the relevant clause in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriters and such event materially and adversely affects the success of the Rights Issue.

Any such notice shall be served by Taifook Securities (on behalf of the Underwriters) prior to the Latest Time for Termination.

If Taifook Securities (on behalf of the Underwriters) exercises such right, the Underwriting Agreement shall have been terminated and the Rights Issue will not proceed. For further details, please refer to the section headed "Termination of the Underwriting Agreement" as set out on pages 6 and 7 of the Prospectus.

It should also be noted that existing Shares have been dealt with on an ex-rights basis from Monday, 4th February 2008. The Rights Shares will be dealt with in their nil-paid form from Monday, 18th February 2008 to Tuesday, 26th February 2008 (both dates inclusive). If prior to 4:00 p.m. on Tuesday, 4th March 2008 (or such later date as Taifook Securities (on behalf of the Underwriters) may agree with the Company), Taifook Securities (on behalf of the Underwriters) terminates the Underwriting Agreement or any of the conditions precedent to the Rights Issue (see sub-section headed "Conditions precedent to the Rights Issue" as set out on pages 14 and 15 of the Prospectus) cannot be fulfilled or waived, the Rights Issue will not proceed.

Any dealings in the Shares from now up to the date on which all the conditions precedent to the Rights Issue are fulfilled or waived, and any dealings in the Rights Shares in their nil-paid form between Monday, 18th February 2008 to Tuesday, 26th February 2008 (both dates inclusive), will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid form during this period who are in any doubt about their position are recommended to consult their own professional advisers.

\* For identification purpose only

14th February 2008

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Summary of the Rights Issue</b> .....	5
<b>Termination of the Underwriting Agreement</b> .....	6
<b>Expected timetable</b> .....	8
<b>Letter from the Board</b> .....	9
<b>Appendix I — Financial information on the Group</b> .....	23
<b>Appendix II — Unaudited pro forma financial information</b> .....	102
<b>Appendix III — General information</b> .....	105

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## DEFINITIONS

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

“Announcement”	the announcement dated 9th January 2008 jointly issued by Asia Orient and the Company in relation to the Rights Issue
“AO Directors”	the directors of Asia Orient
“AO Group”	Asia Orient together with its subsidiaries
“AO Resolution”	the ordinary resolution passed by the AO Shareholders at the AO SGM approving the taking up by Asia Orient of its assured entitlement under the Rights Issue
“AO SGM”	the special general meeting of AO Shareholders held on Tuesday, 12th February 2008 to approve the AO Resolution
“AO Share(s)”	the ordinary share(s) of HK\$0.1 each in the share capital of Asia Orient
“AO Shareholder(s)”	the holder(s) of the AO Shares
“Asia Orient”	Asia Orient Holdings Limited (stock code: 214), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange. Asia Orient is beneficially interested in approximately 45.0% of the issued share capital of the Company which is an associate company of Asia Orient as at the Latest Practicable Date
“Business Day(s)”	any day(s) except Saturday(s) and Sunday(s) on which banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
“Company”	Asia Standard International Group Limited (stock code: 129), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company

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## DEFINITIONS

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“Excluded Shareholders”	the Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date and whose addresses as shown on such register are outside Hong Kong where the Directors, having made enquiry regarding the legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Get Nice”	Get Nice Investment Limited, a licensed corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under SFO, which is one of the Underwriters and not a connected person (as defined in the Listing Rules) of the Company
“Group”	the Company together with its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Irrevocable Undertaking(s)”	the irrevocable undertaking(s) dated 7th January 2008 given by each of Asia Orient and Mr. Poon to the Company and each of the Underwriters in relation to the Rights Issue
“Latest Practicable Date”	5th February 2008, being the latest practicable date prior to the printing of the Prospectus for ascertaining certain information for inclusion in the Prospectus
“Latest Time for Acceptance”	4:00 p.m. on Friday, 29th February 2008 or such later time to be agreed in writing between Taifook Securities (acting on behalf of the Underwriters) and the Company, being the latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares
“Latest Time for Termination”	4:00 p.m. on Tuesday, 4th March 2008 or such later time to be agreed in writing between Taifook Securities (acting on behalf of the Underwriters) and the Company, being the latest time for termination of the Underwriting Agreement
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Poon”	Mr. Poon Jing, an executive director of Asia Orient and the Company, who held approximately 37.77% of the issued share capital of Asia Orient and was personally interested in approximately 0.1% of the issued share capital of the Company as at the Latest Practicable Date
“Posting Date”	Thursday, 14th February 2008 or such other date as Taifook Securities (on the behalf of the Underwriters) may agree in writing with the Company for the despatch of the Rights Issue Documents
“PRC”	the People’s Republic of China, which, for the purpose of the Prospectus, excludes Hong Kong, Macau and Taiwan
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue to the Qualifying Shareholders and, for information only, to the Excluded Shareholders as required under the Companies Ordinance and the warrant holders of the Company
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date, other than those Excluded Shareholders
“Record Date”	Wednesday, 13th February 2008, the record date to determine entitlements of the Shareholders to participate in the Rights Issue
“Registrar”	Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong
“Rights Issue”	the issue by way of rights of 3,625,274,773 Rights Shares at the Subscription Price on the basis of one Rights Share for every two existing Shares held on the Record Date on the terms and subject to the conditions set out in the Rights Issue Documents
“Rights Issue Documents”	the Prospectus, the provisional allotment letters in respect of the Rights Issue and the forms of application for use by the Qualifying Shareholders to apply for excess Rights Shares
“Rights Share(s)”	new Share(s) to be allotted and issued pursuant to the Rights Issue

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Options”	options granted by the Company to subscribe for an aggregate of 149,507,765 Shares pursuant to the share option scheme adopted by the Company on 27th August 2004, which were outstanding as at the Latest Practicable Date
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.18 per Rights Share
“Taifook Securities”	Taifook Securities Company Limited, a licensed corporation licensed to carry out type 1 (dealing in securities), type 3 (leveraged foreign exchange trading) and type 4 (advising on securities) regulated activities under SFO, which is one of the Underwriters and not a connected person (as defined in the Listing Rules) of the Company
“Underwriters”	Taifook Securities and Get Nice
“Underwriting Agreement”	the underwriting agreement entered into between the Underwriters and the Company dated 7th January 2008 in relation to the Rights Issue
“Underwritten Rights Shares”	1,992,675,254 Rights Shares
“Warrants”	the outstanding bonus warrants as at the Latest Practicable Date issued by the Company which entitle the holders thereof to exercise, at any time up to 6th September 2008, for an aggregate of 1,433,849,153 fully paid new Shares at an initial subscription price of HK\$0.29 per Share, subject to adjustment(s) and reset arrangements, as stated in the announcement of the Company dated 19th July 2007
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## SUMMARY OF THE RIGHTS ISSUE

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

Number of Rights Shares to be issued:	3,625,274,773 Rights Shares
Basis of the Rights Issue:	one Rights Share for every two Shares held by the Shareholders as at the close of business on the Record Date
Subscription Price:	HK\$0.18 per Rights Share, payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares
Number of Rights Shares subject to the Irrevocable Undertakings:	1,632,599,519 Rights Shares
Number of Underwritten Rights Shares:	1,992,675,254 Rights Shares
Basis of entitlement:	Rights Shares will be allotted in the proportion of one Rights Share for every two Shares held by the Qualifying Shareholders on the Record Date. No Rights Shares will be offered to the Excluded Shareholders
Right of excess application:	Qualifying Shareholders may apply, by way of excess applications, for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders
Amount to be raised by the Rights Issue:	approximately HK\$652.5 million before expenses and approximately HK\$643.6 million after expenses
Underwriters:	Taifook Securities and Get Nice

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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Taifook Securities (on the behalf of the Underwriters) shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) in the reasonable opinion of Taifook Securities (on the behalf of the Underwriters) acting in good faith, the success of the Rights Issue would be materially and adversely affected by:
  - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
  - (ii) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement, of a political, financial, economic currency, market or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or financial or trading position or prospects of the Group as a whole; or
  - (iii) any material adverse change in the business or in the financial or trading position or prospect of the Group as a whole; or
  - (iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
  - (v) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
  - (vi) the commencement by any third party of any litigation or claim against any company in the Group which is or might be material to the Group taken as a whole; or
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions on Hong Kong, the PRC or other jurisdiction relevant to any company in the Group and a change in currency conditions including a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which makes it inexpedient or inadvisable to proceed with the Rights Issue; or

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (c) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it.

Taifook Securities (on the behalf of the Underwriters) shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of any of the warranties or undertakings contained in the relevant clauses in the Underwriting Agreement comes to the knowledge of the Underwriters and such material breach materially and adversely affects the success of the Rights Issue; or
- (b) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the relevant clause in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriters and such event materially and adversely affects the success of the Rights Issue.

Upon the giving of notice of termination, all the obligations of the Underwriters under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter of thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriters such fees as may then be agreed by the relevant parties. If Taifook Securities exercises such right on the behalf of the Underwriters, the Rights Issue will not proceed.

Existing Shares have been dealt with on an ex-rights basis from Monday, 4th February 2008. The Rights Shares will be dealt with in their nil-paid form from Monday, 18th February 2008 to Tuesday, 26th February 2008 (both dates inclusive). If prior to 4:00 p.m. Tuesday, 4th March 2008 (or such later date as Taifook Securities (on behalf of the Underwriters) may agree with the Company), Taifook Securities (on behalf of the Underwriters) terminates the Underwriting Agreement or any of the conditions precedent to the Rights Issue (see sub-section headed "Conditions precedent to the Rights Issue" below) cannot be fulfilled or waived, the Rights Issue will not proceed.

Any dealings in the Shares from now up to the date on which all the conditions of the Rights Issue are fulfilled or waived, and any dealings in the Rights Shares in their nil-paid form between Monday, 18th February 2008 to Tuesday, 26th February 2008 (both days inclusive), accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid forms during this period who are in any doubt about their position are recommended to consult their own professional advisers.

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## EXPECTED TIMETABLE

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First day of dealings in nil-paid Rights Shares . . . . .	Monday, 18th February 2008
Latest time for splitting nil-paid Rights Shares . . . . .	4:30 p.m. on Thursday, 21st February 2008
Last day of dealings in nil-paid Rights Shares . . . . .	Tuesday, 26th February 2008
Latest Time for Acceptance . . . . .	4:00 p.m. on Friday, 29th February 2008
Latest Time for Termination . . . . .	4:00 p.m. on Tuesday, 4th March 2008
Announcement of results of the Rights Issue on the respective websites of the Stock Exchange and the Company . . . . .	Monday, 10th March 2008
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or before . . . . .	Monday, 10th March 2008
Certificates for the Rights Shares expected to be despatched on or before . . . . .	Monday, 10th March 2008
Dealings in fully-paid Rights Shares commence on . . . . .	Wednesday, 12th March 2008

All times in the Prospectus refer to Hong Kong times. Dates stated in the Prospectus for events mentioned in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable for the Rights Issue will be announced as appropriate.

The Latest Time for Acceptance is expected to be at 4:00 p.m. on Friday, 29th February 2008. If there is:

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

in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m. on Friday, 29th February 2008, or if there are similar extraneous factors as are acceptable to the Directors, the Latest Time for Acceptance will be postponed to 4:00 p.m. on the next Business Day which is not subject to the abovementioned conditions at any time between 9:00 a.m. and 4:00 p.m. in Hong Kong. Under such circumstances, the dates mentioned in the expected timetable above (including, but without limitation to, the Latest Time for Termination) may be affected. Further announcement will be made by the Company if such circumstances arise.

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## LETTER FROM THE BOARD

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### ASIA STANDARD INTERNATIONAL GROUP LIMITED

(泛海國際集團有限公司)\*

(incorporated in Bermuda with limited liability)

(stock code: 129)

*Executive Directors:*

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

*Non-executive Directors:*

Mr. Liang Shangli  
Mr. Au Yat Chuen, Raymond

*Independent non-executive Directors:*

Mr. Wong Chi Keung  
Mr. Koon Bok Ming, Alan  
Mr. Leung Wai Keung, Richard

*Registered Office:*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Principal place of business  
in Hong Kong:*

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

14th February 2008

*To the Qualifying Shareholders and, for information purposes only,  
the Excluded Shareholders and the warrant holders of the Company*

Dear Sir or Madam,

**RIGHTS ISSUE OF  
3,625,274,773 RIGHTS SHARES  
AT HK\$0.18 EACH ON THE BASIS OF  
ONE RIGHTS SHARE FOR EVERY TWO SHARES  
HELD ON THE RECORD DATE**

#### INTRODUCTION

On 9th January 2008, the Directors announced that the Company proposed to raise not less than approximately HK\$652.5 million and not more than approximately HK\$796.4 million before expenses by way of a rights issue of not less than 3,625,229,177 Rights Shares and not more than 4,424,686,393

\* For identification purpose only

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## LETTER FROM THE BOARD

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Rights Share at the Subscription Price of HK\$0.18 per Rights Share on the basis of one Rights Share for every two Shares held on the Record Date. Pursuant to the Rights Issue, the Company will provisionally allot to the Qualifying Shareholders one Rights Share in nil-paid form for every two Shares held on the Record Date.

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

### THE RIGHTS ISSUE

#### Issue statistics

Basis of the Rights Issue:	one Rights Share for every two Shares held on the Record Date
Number of authorised Shares:	400,000,000,000 Shares as at the Record Date
Number of Shares in issue:	7,250,549,547 Shares as at the Record Date. The total number of Shares in issue has been increased to 7,250,549,547 Shares as at the Latest Practicable Date as a result of the issue of additional Shares after the exercise of conversion rights attaching to the Warrants.
Number of Rights Shares:	3,625,274,773 Rights Shares
Underwriters:	Taifook Securities Get Nice

The Underwritten Rights Shares are underwritten by the Underwriters on the terms and subject to the conditions set out in the Underwriting Agreement.

#### Irrevocable undertakings of Asia Orient and Mr. Poon

Each of Asia Orient and Mr. Poon has given an Irrevocable Undertaking to the Company and each of the Underwriters that it/he shall continue to own or procure to continue to own on the Record Date 3,258,934,038 Shares and 6,265,022 Shares, respectively.

Asia Orient has also undertaken, subject to the approval of the AO Resolution on or before the Latest Time for Acceptance, to accept or procure the acceptance of (a) 1,629,467,008 Rights Shares to be provisionally allotted to the AO Group or its nominee(s); and (b) all the additional Rights Shares to be provisionally allotted to the AO Group or its nominee(s) in the event that additional Shares are issued to the AO Group on or before the Record Date upon the exercise of any of the conversion rights attaching to the Warrants. As at the Latest Practicable Date, the AO Group was interested in Warrants which entitled it to subscribe for an aggregate of 643,669,142 Shares. The AO Group confirmed that it had no present intention to exercise the Warrants on or before the Record Date.

Mr. Poon has also undertaken to accept or procure the acceptance of (a) 3,132,511 Rights Shares to be provisionally allotted to him or his nominee(s); and (b) all the additional Rights Shares to be

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## LETTER FROM THE BOARD

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provisionally allotted to him or his nominee(s) in the event that additional Shares are issued to him or his nominee(s) on or before the Record Date upon the exercise of any of the subscription rights attaching to the Share Options and/or upon the exercise of any of the conversion rights attaching to the Warrants.

### **Qualifying Shareholders**

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and not be an Excluded Shareholder.

The Company will send the Rights Issue Documents to the Qualifying Shareholders. The Company will send the Prospectus to the Excluded Shareholders and the warrant holders of the Company for information purposes only.

### **Rights of Shareholders with registered addresses outside Hong Kong**

The Rights Issue Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda. Based on the register of members of the Company as at the Latest Practicable Date, there were 13 Shareholders with registered addresses which were outside Hong Kong and in the following countries: Canada, Macau, Malaysia and Singapore. As such, the Directors have, in compliance with Rule 13.36(2)(a) of the Listing Rules, made enquires regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges. Based on the advice provided by the legal advisers in these countries, the Directors have formed the view that it is necessary or expedient not to offer the Rights Shares to the Shareholders whose registered addresses are in Canada and Malaysia due to the time and costs involved in the registration of the Rights Issue Documents and/or compliance with the legal or regulatory requirements or special formalities in those places. Accordingly, the Shareholders whose registered addresses are in Canada and Malaysia are the Excluded Shareholders and the offer of the Rights Shares will not be extended to them. The Company will only send the Prospectus to the Excluded Shareholders and the warrant holders of the Company for their information. The Company will not send the provisional allotment letters and the forms of application for excess Rights Shares to the Excluded Shareholders and the warrant holders of the Company. The Prospectus is not and should not be construed as an offer or invitation to the Excluded Shareholders to subscribe for or purchase Shares. No person receiving a copy of the Prospectus or a provisional allotment letter or a form of application for excess Rights Shares in any jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements.

For those Shareholders with registered addresses on the Record Date in Singapore and Macau, the Directors have been advised by the relevant legal advisers that there is no legal restriction under the applicable legislation of the relevant jurisdictions or requirement of any relevant regulatory body or stock exchange with respect to the offer of the Rights Shares to the Shareholders in those jurisdictions. Therefore, such Shareholders are Qualifying Shareholders and the provisional allotment of the Rights Shares will be made and the Rights Issue Documents will be sent to them.

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## LETTER FROM THE BOARD

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It is the responsibility of any person (including but without limitation to nominee, agent and trustee) receiving the Rights Issue Documents outside Hong Kong and wishing to take up the Rights Shares under the Rights Issue to satisfy himself/herself/itself as to the full observance of the laws of the relevant territory or jurisdiction including the obtaining of any governmental or other consents for observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that those local laws and requirements of the relevant territory or jurisdiction have been fully complied with. If you are in any doubt as to your position, you should consult your professional advisers.

### TERMS OF THE RIGHTS ISSUE

#### Subscription Price

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

The Subscription Price represents:

- (i) a discount of approximately 35.7% to the closing price of HK\$0.28 per Share as quoted on the Stock Exchange on 7th January 2008, being the last trading day of the Shares on the Stock Exchange prior to the suspension of the trading in the Shares on the Stock Exchange on 8th January 2008 pending the release of the Announcement;
- (ii) a discount of approximately 34.1% to the average closing price of approximately HK\$0.273 per Share for the 10 consecutive trading days up to and including 7th January 2008 as quoted on the Stock Exchange;
- (iii) a discount of approximately 34.3% to the average closing price of approximately HK\$0.274 per Share for the 30 consecutive trading days up to and including 7th January 2008 as quoted on the Stock Exchange;
- (iv) a discount of approximately 27.1% to the theoretical ex-right price of HK\$0.247 based on the closing price of HK\$0.28 per Share as quoted on the Stock Exchange on 7th January 2008 assuming none of the Share Options and Warrants are exercised on or before the Record Date;
- (v) a premium of approximately 1.7% to the closing price of HK\$0.177 per Share as quoted on the Stock Exchange on 5th February 2008, being the Latest Practicable Date; and
- (vi) a discount of approximately 68.9% to the audited consolidated net tangible assets value per Share of approximately HK\$0.579 as at 31st March 2007.

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## LETTER FROM THE BOARD

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The Subscription Price was arrived at after arm's length negotiation between the Underwriters and the Company with reference to the market price of the Shares under the prevailing market conditions. The Directors consider the terms of the Rights Issue to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

### **Basis of provisional allotments**

One Rights Share (in nil-paid form) for every two existing Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

### **Status of the Rights Shares**

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

### **Certificates for the Rights Shares**

Subject to the fulfillment or the waiver of the conditions of the Rights Issue, certificates for fully-paid Rights Shares are expected to be despatched by Monday, 10th March 2008 to those Qualifying Shareholders who have paid for and have accepted the Rights Shares, at their own risk.

### **Fractions of the Rights Shares**

The Company will not provisionally allot and issue and will not accept application for any fraction of the Rights Shares. The Company will sell in the market any nil-paid Rights Shares created by adding fractions of the Rights Shares, if any, and will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be made available for excess application.

### **Rights of the Excluded Shareholders**

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid to the relevant Excluded Shareholders in Hong Kong dollars pro rata to their respective shareholdings as soon as practicable except that the Company will retain individual amounts of HK\$100 or less for its own benefit. Entitlements not sold in the market will be available for application by the Qualifying Shareholders through the forms of application for excess Rights Shares.

### **Application for listing**

The Company has applied to the Listing Committee for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the equity or debt securities of the Company is listed or dealt in or listing or permission to deal is being or is proposed to be sought on any other stock exchange.

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## LETTER FROM THE BOARD

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Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made by the Company to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

Nil-paid Rights Shares are expected to be traded in board lots of 2,000 (the Shares are currently traded on the Stock Exchange in board lots of 2,000). Dealings in the Rights Shares (in both their nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, the Securities and Futures Commission transaction levy or any other applicable fees and charges in Hong Kong.

### Conditions precedent to the Rights Issue

The Rights Issue is conditional upon the following:

- (a) the delivery by or on behalf of the Company not later than the Posting Date of (i) one copy of each of the duly signed Rights Issue Documents together with any requisite accompanying documents, to the Stock Exchange and the Registrar of Companies in Hong Kong for filing and registration in accordance with the provisions of the Companies Ordinance; and (ii) one copy of the duly signed Prospectus together with any requisite accompanying documents, to the Registrar of Companies in Bermuda for filing in accordance with the Companies Act 1981 of Bermuda (as amended);
- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) before 8:00 a.m. on the date of commencement of dealing in the nil-paid Rights Shares on the Stock Exchange and not having withdrawn or revoked such listings and permission before 8:00 a.m. on the date of commencement of dealing in the fully-paid Rights Shares on the Stock Exchange;
- (c) the Bermuda Monetary Authority granting consent (if required) to the issue of the Rights Shares by no later than the Posting Date;
- (d) the posting of the Rights Issue Documents to the Qualifying Shareholders and of the Prospectus, for information purposes only, to the Excluded Shareholders;
- (e) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;

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## LETTER FROM THE BOARD

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- (f) compliance with and performance by each of Asia Orient and Mr. Poon of all of its/his obligations and undertakings under the terms of the Irrevocable Undertakings;
- (g) the passing of the AO Resolution by no later than the Latest Time for Acceptance; and
- (h) the obligations of the Underwriters not being terminated by Taifook Securities (acting on behalf of the Underwriters) in accordance with the terms of the Underwriting Agreement.

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

### PROCEDURES FOR ACCEPTANCE AND PAYMENT OR TRANSFER

A provisional allotment letter which entitles a Qualifying Shareholder to take up the number of the Rights Shares shown therein is enclosed with the Prospectus. If a Qualifying Shareholder wishes to accept all the Rights Shares provisionally allotted to him/her/it as specified in the provisional allotment letter, the Qualifying Shareholder must lodge the provisional allotment letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Friday, 29th February 2008. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "ASIA STANDARD INTERNATIONAL GROUP LIMITED — PROVISIONAL ALLOTMENT ACCOUNT" and crossed "Account Payee Only".

It should be noted that unless the provisional allotment letter, together with the appropriate remittance, has been lodged with the Registrar, by no later than 4:00 p.m. on Friday, 29th February 2008, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

The provisional allotment letter contains full information regarding the procedures to be followed if a Qualifying Shareholder wishes to accept only part of the provisional allotment or if a Qualifying Shareholder wishes to transfer all or part of his/her/its provisional allotment. If a Qualifying Shareholder wishes to accept only part of the provisional allotment or if a Qualifying Shareholder wishes to transfer all or part of his/her/its provisional allotment to more than one person, the provisional allotment letter must be surrendered by no later than 4:30 p.m. on Thursday, 21st February 2008 to the Registrar which will cancel the original provisional allotment letter and issue a new provisional allotment letter in the denominations required.

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## **LETTER FROM THE BOARD**

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All cheques and cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of a provisional allotment letter together with a cheque or a cashier's order in payment for the Rights Shares accepted will constitute a warranty by the subscriber that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to its other rights in respect thereof, the Company reserves the right to reject any provisional allotment letter in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation, and in that event the relevant provisional allotment of Rights Shares and all rights thereunder will be deemed to have been declined and will be cancelled.

If Taifook Securities (on behalf of the Underwriters) exercises its right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination or if any of the conditions precedent to the Rights Issue (as set out in the sub-section headed "Conditions precedent to the Rights Issue" above) is not fulfilled or waived, the Rights Issue will not proceed and the monies received in respect of the relevant provisional allotment of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form shall have been validly transferred without interest, by means of cheques crossed "Account Payee Only" to be despatched by ordinary post to their registered addresses and in the case of joint applicants to the registered address of the applicant whose name first appears on the register of members or the transfer form at their own risk on or before Monday, 10th March 2008.

### **APPLICATION FOR EXCESS RIGHTS SHARES**

Any Rights Shares to which the Excluded Shareholders would otherwise have been provisionally allotted and which are not sold as referred to in the sub-section headed "Rights of the Excluded Shareholders" above in the Prospectus, any unsold Rights Shares created by adding together fractions of Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be available for application through the form of application for excess Rights Shares by the Qualifying Shareholders.

Application for excess Rights Shares may be made by completing the form of application for excess Rights Shares in accordance with the instructions printed thereon and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar by no later than 4:00 p.m. on Friday, 29th February 2008.

The Shareholders with their Shares held by a nominee company should note that the Directors will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the application for excess Rights Shares will not be extended to beneficial owners individually.

The Latest Time for Acceptance is expected to be at 4:00 p.m. on Friday, 29th February 2008, or such later date as may be agreed between the Company and Taifook Securities (on behalf of the Underwriters).

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## LETTER FROM THE BOARD

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All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on account with, or cashier's order must be issued by, a licensed bank in Hong Kong and made payable to "ASIA STANDARD INTERNATIONAL GROUP LIMITED — EXCESS APPLICATION ACCOUNT" and crossed "Account Payee Only". Completion and return of the form of application for excess Rights Shares together with a cheque or a cashier's order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. All cheques and cashier's orders will be presented immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. If any cheque or cashier's order accompanying the application is dishonoured on first presentation, without prejudice to the other rights of the Company, the form of application for excess Rights Shares is liable to be rejected and cancelled. The Registrar will notify you of any allotment of excess Rights Shares made to you. The Directors will allocate the excess Rights Shares at their sole discretion on a fair and equitable basis based on the following principles:

- (1) preference will be given to applications for topping-up odd-lot holdings to whole-lot-holdings, subject always to the rights of the Directors to reject any applications with an intention to abuse the general mechanism of the excess application for the Rights Shares; and
- (2) subject to the availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to Qualifying Shareholders based on a sliding scale with reference to the number of excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for small number of Rights Shares will be allocated with a higher percentage of successful applications whereas Qualifying Shareholders applying for large number of Rights Shares will be allocated with a smaller percentage of successful applications).

If no excess Rights Shares are allotted to the Qualifying Shareholders, the amount tendered on application is expected to be refunded (without interest) in full on or before Monday, 10th March 2008. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, the surplus application monies are also expected to be refunded (without interest) on or before Monday, 10th March 2008.

If Taifook Securities (on behalf of the Underwriters) exercises the right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination or if any of the conditions precedent to the Rights Issue (as set out in the sub-section headed "Conditions precedent to the Rights Issue" above) is not fulfilled or waived, the Rights Issue will not proceed and the monies received in respect of the relevant applications for excess Rights Shares will be returned (without interest) to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person, by means of cheques crossed "Account Payee Only" to be despatched by ordinary post at their own risk on or before Monday, 10th March 2008.

### **Closure of register of members**

The register of members of the Company has been closed from Wednesday, 6th February 2008 to Wednesday, 13th February 2008, both dates inclusive. No transfer of Shares was registered during this period.

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## LETTER FROM THE BOARD

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### UNDERWRITING ARRANGEMENT

#### Underwriting Agreement

Date:	7th January 2008
Underwriters:	Taifook Securities and Get Nice
Number of the Underwritten Rights Shares:	not less than 1,992,629,658 Right Shares and not more than 2,467,049,733 Rights Shares
Number of the Rights Shares underwritten by Taifook Securities:	not less than 996,314,829 Rights Shares and not more than 1,233,524,867 Rights Shares
Number of the Rights Shares underwritten by Get Nice:	not less than 996,314,829 Rights Shares and not more than 1,233,524,866 Rights Shares
Commission:	2% of the aggregate Subscription Price of all the Rights Shares underwritten by the Underwriters

To the best of the Directors' knowledge, each of Taifook Securities and Get Nice is independent of and not connected with the Directors, chief executive and substantial shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries and their respective associates.

In the event that all Shareholders (other than Asia Orient and Mr. Poon) do not take up any Rights Shares and all the Rights Shares are required to be taken up by the Underwriters pursuant to the Underwriting Agreement, the Underwriters may consider placing out the untaken Rights Shares to other independent third parties.

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## LETTER FROM THE BOARD

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### CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Assuming that there will be no change in the shareholding structure of the Company (other than any change as a result of the Rights Issue) from the Latest Practicable Date up to the date of completion of the Rights Issue, the changes in the simplified shareholding structure of the Company as a result of completion of the Rights Issue are as follows:

	Number of Shares in issue as at the Latest Practicable Date		Immediately after completion of the Rights Issue on the assumption as set out in Note 1		Immediately after completion of the Rights Issue on the assumption as set out in Note 2	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Asia Orient	3,258,934,038	44.9	4,888,401,046	44.9	4,888,401,046	44.9
Mr. Poon	<u>6,265,022</u>	<u>0.1</u>	<u>9,397,533</u>	<u>0.1</u>	<u>9,397,533</u>	<u>0.1</u>
Subtotal	3,265,199,060	45.0	4,897,798,579	45.0	4,897,798,579	45.0
Underwriters	—	—	—	—	1,992,675,254	18.3
Public Shareholders	<u>3,985,350,487</u>	<u>55.0</u>	<u>5,978,025,741</u>	<u>55.0</u>	<u>3,985,350,487</u>	<u>36.7</u>
Total	<u><u>7,250,549,547</u></u>	<u><u>100.0</u></u>	<u><u>10,875,824,320</u></u>	<u><u>100.0</u></u>	<u><u>10,875,824,320</u></u>	<u><u>100.0</u></u>

*Notes:*

1. Assuming all Shareholders take up their respective provisional allotments of the Rights Shares in full.
2. Assuming (i) all Shareholders (other than Asia Orient and Mr. Poon) do not take up any provisional allotments of the Rights Shares; (ii) Asia Orient and Mr. Poon take up all their respective provisional allotments of the Rights Shares in full; and (iii) the provisional allotments of the Rights Shares of all Shareholders (other than Asia Orient and Mr. Poon) are taken up by the Underwriters pursuant to the Underwriting Agreement.

In the event that the Underwriters are called upon to subscribe for the balance of the Rights Shares in full pursuant to their obligations under the Underwriting Agreement, the interest of Underwriters in the issued share capital of the Company as enlarged by the issue of Right Shares would increase from nil to a maximum of approximately 18.3% immediately upon completion of the Rights Issue.

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## LETTER FROM THE BOARD

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### WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Existing Shares have been dealt with on an ex-rights basis from Monday, 4th February 2008. The Rights Shares will be dealt with in their nil-paid form from Monday, 18th February 2008 to Tuesday, 26th February 2008 (both dates inclusive). If prior to 4:00 p.m. on Tuesday, 4th March 2008 (or such later date as Taifook Securities (on the behalf of the Underwriters) may agree with the Company), Taifook Securities (on the behalf of the Underwriters) terminates the Underwriting Agreement (see section headed “Termination of the Underwriting Agreement” above) or any of the conditions precedent to the Rights Issue (see sub-section headed “Conditions precedent to the Rights Issue” above) cannot be fulfilled or is not waived, the Rights Issue will not proceed.

Any dealings in the Shares from now up to the date on which all the conditions of the Rights Issue are fulfilled or waived, and any dealings in the Rights Shares in their nil-paid form between Monday, 18th February 2008 to Tuesday, 26th February 2008 both dates inclusive, accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid forms are recommended to consult their own professional advisers.

### REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

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

The estimated net proceeds of the Rights Issue will be approximately HK\$643.6 million. The Company intends to apply the net proceeds from the Rights Issue for future acquisition of development projects in Hong Kong, Macau and the PRC, including acquisition costs and development costs and also for working capital purposes. If such acquisitions cannot be concluded in the near future, the proceeds will be applied towards the payment of development costs and working capital of the Group’s existing projects. In doing so, the overall financial position and strength of the Group will be improved so that the Group is better prepared for any future acquisition opportunities.

The Group currently has various property developments and investments in Hong Kong and the PRC. The Group has also been actively seeking further property projects in Hong Kong, Macau and the mainland. Various projects are undergoing evaluation and negotiation. The Group will make appropriate disclosures as and when any acquisition arises in accordance with the provisions under the Listing Rules. The Directors consider that the additional capital generated from the Rights Issue will further strengthen the financial position of the Group and can be used to expand the Group’s property portfolio. The Directors believe that appropriate investment opportunities may arise at any time and investment decision may have to be made within a short period of time. They are therefore of the view that sufficient cash resources will be necessary for the Group to secure any suitable investment opportunities at a timely and financially prudent manner. The Group has not identified any projects or developments as at the Last Practicable Date.

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## LETTER FROM THE BOARD

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The Directors believe that it is in the interests of the Company and the Shareholders as a whole to enlarge the capital base of the Company through the Rights Issue in order to support the continuing development of the Company's existing business activities. The Rights Issue enables the Company to carry out the fund raising exercise while the Qualifying Shareholders are given the opportunity to maintain their respective pro rata shareholding interests in the Company by participating in the Rights Issue.

### FUND RAISING ACTIVITIES OF THE COMPANY IN THE 12 MONTHS ENDED ON THE DATE OF THE ANNOUNCEMENT

Date of announcement:	19th July 2007
Event:	issue of the Warrants which entitle the holders thereof to subscribe for, at any time up to 6th September 2008, for fully paid new Shares at an initial subscription price of HK\$0.29 per Shares, subject to adjustment(s) and reset arrangement
Proposed use of the net proceeds:	for general working capital of the Group
Net proceeds raised and actual use of the net proceeds:	approximately HK\$0.9 million as a result of the exercise of conversion rights of Warrants at an initial subscription price of HK\$0.29 by certain holders has been received and will be used for general working capital of the Group

### TAXATION

The Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding, disposing of or dealing in the Rights Shares (in their nil-paid and/or fully-paid forms). It is emphasised that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding, disposal of, or dealing in the Rights Shares (in their nil-paid and/or fully-paid forms).

### ADJUSTMENTS TO THE SHARE OPTIONS AND THE WARRANTS

Pursuant to the terms of the Share Option Scheme and the Warrants, adjustments to the Share Options and the Warrants will be made if the Rights Issue becomes unconditional. The Company will announce further details on such adjustments, if any, in accordance with the respective provisions in the Share Option Scheme and the Warrants as soon as practicable.

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## LETTER FROM THE BOARD

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### FURTHER INFORMATION

Your attention is drawn to the further information set out in the appendices to the Prospectus.

Yours faithfully,  
By Order of the Board  
**Asia Standard International Group Limited**  
**Fung Siu To, Clement**  
*Chairman*

## 1. SUMMARY OF CONSOLIDATED RESULTS

Set out below is a summary of the consolidated results of the Group for each of the financial years ended 31st March 2005, 2006 and 2007 as extracted from the published annual reports of the Company for the years ended 31st March 2006 and 2007. Unqualified opinion was issued by the Company's auditors for the year ended 31st March 2007

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

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

**Summary of results**

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

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

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

**Summary of financial position**

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

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

Set out below are the audited consolidated financial statements of the Group for the two financial years ended 31st March 2006 and 2007 as extracted from the annual report of the Company.

### Consolidated Profit and Loss Account

For the year ended 31st March 2007

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

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

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

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

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

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

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

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

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

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

	<i>Note</i>	<b>2007</b>	<b>2006</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated before financing activities		(11,510)	176,299
		-----	-----
<b>Cash flows from financing activities</b>			
Drawdown of long term bank loans		696,903	119,157
Repayments of long term bank loans		(1,188,464)	(566,144)
Issuance of convertible notes		94,000	—
Redemption of convertible bonds		(222,580)	(115,542)
Dividend paid		(26,620)	(19,951)
Increase in short term bank loans		136,000	50,000
Net proceeds from rights shares		295,491	—
Increase in loans from minority shareholders of subsidiaries		4,455	3,928
Subscription of rights shares by minority shareholders		120,217	—
Distribution of dividend on a listed subsidiary to minority shareholders		(19,377)	—
Exercise of share options of a listed subsidiary		—	53,382
Placement of new shares by a listed subsidiary		—	193,175
		-----	-----
Net cash used in financing activities		(109,975)	(281,995)
		-----	-----
<b>Net decrease in cash and cash equivalents</b>		(121,485)	(105,696)
Cash and cash equivalents at the beginning of the year		319,008	424,149
Changes in exchange rates		(697)	555
		-----	-----
Cash and cash equivalents at the end of the year		<u>196,826</u>	<u>319,008</u>
		-----	-----
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances (excluding restricted bank balances)	27	<u>196,826</u>	<u>319,008</u>
		-----	-----

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

	<b>Shareholders of the Company</b> <i>HK\$'000</i>	<b>Minority interests</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1st April 2005	3,272,954	401,515	3,674,469
Currency translation differences and net income directly recognised in equity	5,182	1,060	6,242
Profit/(loss) for the year	167,860	(4,298)	163,562
Total recognised income/(loss) for the year	173,042	(3,238)	169,804
Scrip dividend	353	—	353
2005 final dividend	(20,304)	—	(20,304)
	(19,951)	—	(19,951)
Acquisition of additional interest in a listed subsidiary	—	(12,144)	(12,144)
Deemed disposal of interest in a listed subsidiary	—	265,233	265,233
Share options granted by a listed subsidiary	9,975	7,525	17,500
At 31st March 2006	3,436,020	658,891	4,094,911
At 1st April 2006	3,436,020	658,891	4,094,911
Currency translation differences and net income directly recognised in equity	1,109	658	1,767
Profit for the year	287,596	13,048	300,644
Total recognised income for the year	288,705	13,706	302,411
Issuance of rights shares	295,491	—	295,491
Issuance of convertible notes	5,805	—	5,805
Scrip dividend	27,789	—	27,789
2006 final dividend	(30,462)	—	(30,462)
2007 interim dividend	(23,947)	—	(23,947)
	274,676	—	274,676

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

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

## Notes to the financial statements

### 1 Basis of preparation

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

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

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

### 2 Principal accounting policies

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

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

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

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

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

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

#### Effective from 1st January 2007

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

#### Effective from 1st January 2009

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

(b) *Basis of consolidation*

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

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

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

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

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

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

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

(c) *Subsidiaries*

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

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

(d) *Jointly controlled entities*

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with other venturers undertake an economic activity which

is subject to joint control and none of the venturers has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

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

(e) *Associated companies*

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

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

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

(f) *Goodwill*

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

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

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

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

(g) *Financial assets*

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

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

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

(b) *Loans and receivables*

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

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

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

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

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

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

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

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

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

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

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

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

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

Freehold land is not depreciated.

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

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

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

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

(j) ***Investment properties***

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

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

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

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

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

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

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

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

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

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

(m) ***Hotel and restaurant inventories***

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

(n) ***Trade and other receivables***

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

(o) *Trade and other payables*

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

(p) *Provisions*

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

(q) *Borrowings*

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

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

(r) *Employee benefits*

(i) *Employee leave entitlements*

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

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

(ii) *Retirement benefit obligations*

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

(iii) *Share-based compensation*

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

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

(s) *Deferred income tax*

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

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

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

(t) *Share capital*

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

(u) *Segment reporting*

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

(v) *Revenue recognition*

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

(i) *Properties*

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

(ii) *Investment properties*

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

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

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

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

Management fee income is recognised when services are rendered.

(iv) *Investment and others*

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

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

(w) **Foreign currency translation**

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

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

(iii) *Group companies*

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

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

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

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

(x) *Borrowing costs*

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

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

(y) *Operating leases*

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

(z) *Leasehold land*

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

(aa) *Cash and cash equivalents*

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

(ab) *Related parties*

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

### 3 Financial risk management

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

(a) *Market risk*

(i) *Foreign exchange risk*

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

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

(ii) *Price risk*

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

(b) *Credit risk*

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

(c) *Liquidity risk*

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

(d) *Interest rate risk*

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

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

#### **4 Critical accounting estimates and judgements**

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

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

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

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

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

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

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

(b) *Impairment of assets*

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

(c) *Income taxes*

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

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

## 5 Revenue and segment information

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

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

*Primary reporting format — business segments*

The Group is organised into three main business segments, comprising property sales, property leasing and hotel and travel. There is no other significant identifiable separate business segments. Segment revenue from external customers is after elimination of inter-segment revenue. In accordance with the Group's internal financial reporting and

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

operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments. Segment assets consist primarily property, plant and equipment, leasehold land, investment properties, other non-current assets, hotel inventories, properties, trade and other receivables and investments. Segment liabilities comprise mainly trade and other payables, accruals, bank and other loans.

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

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

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

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

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

**6 Other income and charges**

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

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

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

*Note:*

**(a) Net rental income**

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

## 8 Finance costs

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

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

## 9 Directors' and senior management's emoluments

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

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

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

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

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

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

**10 Employee benefit expense**

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

Staff costs are stated inclusive of Directors' emoluments.

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

*Notes:*

**(a) Retirement benefits costs**

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

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

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

The Group also participates in the MPF scheme, which are available to all employees not joining the ORSO schemes in Hong Kong and in the CPP organised by the Canadian Government for all employees in Canada. Monthly contributions to the MPF scheme and CPP are made equal to 5% and 4.95% (2006: 5% and 4.95%) respectively, of the employee's relevant income in accordance with the local legislative requirements.

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

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

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

(b) **Share options**

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

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

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

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

Grantee	Expiry date	Exercise price	2007	2006
			Number	Number
<b>Asia Standard Hotel</b>				
Directors	31st October 2015	HK\$0.19436	4,465,909	4,000,000
Directors	29th March 2017	HK\$0.12960	80,000,000	—
Employees	29th March 2017	HK\$0.12960	160,000,000	—

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

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

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

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

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

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

*Notes:*

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

#### 11 Income tax expense

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

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

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

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

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

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

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

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

**13 Dividends**

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

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

**14 Earnings per share**

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

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

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

## 15 Property, plant and equipment

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

Notes:

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

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

**Supplementary information with hotel properties at valuation:**

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

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

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

**16 Investment properties**

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

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

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

## 17 Leasehold land

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

The Group's prepaid lease payments comprise:

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

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

**18 Subsidiaries**

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

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

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

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

**19 Jointly controlled entities**

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

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

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

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

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

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets		
Non-current assets	471,966	284,378
Current assets	<u>25,735</u>	<u>31,193</u>
	-----	-----
	497,701	315,571
Liabilities		
Non-current liabilities	205,324	104,053
Current liabilities	<u>464,953</u>	<u>384,657</u>
	-----	-----
	670,277	488,710
Net liabilities	<u>(172,576)</u>	<u>(173,139)</u>
Income	987	1,550
Expenses	<u>(426)</u>	<u>(7,905)</u>
Profit/(loss) before income tax	561	(6,355)
Income tax credit/(expense)	<u>1</u>	<u>(17)</u>
Profit/(loss) for the year	<u><u>562</u></u>	<u><u>(6,372)</u></u>

**20 Associated companies**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net liabilities	(144,341)	(172,778)
Advances to associated companies	653,444	650,751
Provisions for advances to associated companies	<u>(4,106)</u>	<u>(4,106)</u>
	504,997	473,867
Amount due to an associated company included in current liabilities	<u>(51,150)</u>	<u>(51,150)</u>
Total carrying amounts of associated companies	<u><u>453,847</u></u>	<u><u>422,717</u></u>

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

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

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

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

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

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

**21 Goodwill**

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

**22 Mortgage loans receivable**

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

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

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

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

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

### 24 Trade and other receivables

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

Trade receivables of the Group amounted to HK\$44,847,000 (2006: HK\$43,779,000). The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

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

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

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

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

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

## 26 Derivative financial instruments

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

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

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

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

## 27 Bank balances and cash

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

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

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

## 28 Trade and other payables

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

Aging analysis of trade payables is as follows:

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

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

## 29 Share capital

Shares of HK\$0.01 each	Number of shares		Amount HK\$'000	
	2007	2006	2007 HK\$'000	2006 HK\$'000
Authorised:				
At 31st March 2006 and 2007			<u>400,000,000,000</u>	<u>4,000,000</u>
Issued and fully paid:				
At the beginning of the year	5,076,925,957	5,075,999,990	50,769	50,760
Issue of rights shares (note (a))	1,710,518,044	—	17,105	—
Scrip dividend (notes (b) & (c))	<u>129,844,794</u>	<u>925,967</u>	<u>1,299</u>	<u>9</u>
At the end of the year	<u>6,917,288,795</u>	<u>5,076,925,957</u>	<u>69,173</u>	<u>50,769</u>

*Notes:*

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

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

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

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

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

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

**31 Convertible bonds**

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

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

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

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

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

**32 Convertible notes**

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

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

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

## 33 Borrowings

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

The maturity of the long term loans is as follows:

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

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

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

## 34 Deferred income tax

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

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

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

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

**Group**
*Deferred income tax liabilities*

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

*Deferred income tax assets*

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

## Company

*Deferred income tax assets*

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

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of HK\$100 million (2006: HK\$81 million) in respect of losses amounting to HK\$517 million (2006: HK\$409 million) that can be carried forward against future taxable income. Except for tax losses of HK\$462 million (2006: HK\$347 million) which have no expiry date, the balance will expire at various dates up to and including 2026 (2006: 2026).

**35 Amounts due to minority shareholders**

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

**36 Capital commitments**

Capital commitments at the balance sheet date are as follows:

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

## 37 Operating lease arrangements

(a) *Lessor*

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

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

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

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

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

**APPENDIX I****FINANCIAL INFORMATION ON THE GROUP****(b) Lessee**

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

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

**38 Contingent liabilities**

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

## 39 Notes to consolidated cash flow statement

Reconciliation of profit before income tax to cash generated from operations

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

**40 Related party transactions**

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

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

**Sales and purchases of goods and services**

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

*Notes:*

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

**41 Subsequent events**

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

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

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

**Subsidiaries**

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

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

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

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

\* Direct subsidiary of the Company

\*\* Operates in Canada

**Associated companies**

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

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

**Jointly controlled entities**

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

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

# Wholly owned Foreign Enterprise operates in the PRC

**43 Approval of financial statements**

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

### 3. INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

Set out below are the unaudited interim financial statements of the Group for the six months ended 30th September 2006 and 2007 as extracted from the interim report of the Company for the six months ended 30th September 2007.

#### Consolidated Profit and Loss Account — Unaudited

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

## Consolidated Balance Sheet — Unaudited

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

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

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

## Condensed Consolidated Cash Flow Statement — Unaudited

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

## Consolidated Statement of Changes in Equity — Unaudited

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

## Notes to the Interim Financial Information

### 1 Basis of preparation

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

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

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

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

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

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

### 2 Financial risk management

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

### 3 Critical accounting estimates and judgements

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

#### 4 Revenue and segment information

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

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

##### Primary reporting format — business segments

The Group is organised into three main business segments, comprising property sales, property leasing, hotel and travel. There is no other significant identifiable separate business segment. Segment revenue from external customers is after elimination of inter-segment revenue. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments.

	<b>Property sales</b>	<b>Property leasing</b>	<b>Hotel and travel</b>	<b>Other operations</b>	<b>Group</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30th September 2007					
Segment revenue	<u>284,565</u>	<u>30,510</u>	<u>322,330</u>	<u>4,674</u>	<u>642,079</u>
Contribution to segment results	60,370	28,378	83,430	4,674	176,852
Other income and charges	(4,661)	40,207	(56,678)	56,099	34,967
Unallocated corporate expenses					<u>(23,723)</u>
Operating profit					188,096
Finance costs					(34,288)
Share of results of					
Jointly controlled entities	36	—	—	(6)	30
Associated companies	<u>(4,308)</u>	<u>55,716</u>	<u>—</u>	<u>(401)</u>	<u>51,007</u>
Profit before income tax					204,845
Income tax expense					<u>(28,906)</u>
Profit for the period					<u>175,939</u>

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

	<b>Property sales</b>	<b>Property leasing</b>	<b>Hotel and travel</b>	<b>Other operations</b>	<b>Group</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30th September 2006					
Segment revenue	<u>55,984</u>	<u>27,019</u>	<u>310,795</u>	<u>5,837</u>	<u>399,635</u>
Contribution to segment results	3,356	24,770	87,272	5,837	121,235
Other income and charges	(4,661)	94,280	(34,186)	(22,860)	32,573
Unallocated corporate expenses					<u>(21,924)</u>
Operating profit					131,884
Finance costs					(63,641)
Share of results of					
Jointly controlled entities	1,412	—	—	(8)	1,404
Associated companies	<u>(1,667)</u>	<u>15,176</u>	<u>—</u>	<u>(664)</u>	<u>12,845</u>
Profit before income tax					82,492
Income tax expense					<u>(20,316)</u>
Profit for the period					<u>62,176</u>

**Secondary reporting format — geographical segments**

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

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

## 5 Other income and charges

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

## 6 Income and expenses by nature

	Six months ended 30th September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Income</b>		
Net rental income (note (a))	28,378	24,660
Interest income	4,461	5,404
Dividends from listed financial assets at fair value through profit or loss	<u>212</u>	<u>103</u>
<b>Expenses</b>		
Employee benefit expenses, including Directors' emoluments (note (b))	80,114	51,289
Operating lease rental expenses for properties	3,209	2,594
Cost of properties and inventories sold	<u>213,930</u>	<u>72,265</u>

*Note:*

(a) **Net rental income**

Gross rental income		
Investment properties	28,008	22,957
Completed properties held for sale	<u>2,502</u>	<u>4,062</u>
	30,510	27,019
Outgoings	<u>(2,132)</u>	<u>(2,359)</u>
	<u>28,378</u>	<u>24,660</u>

(b) **Employee benefit expenses**

Wages and salaries	56,762	51,022
Share option expense of a listed subsidiary (note)	22,400	—
Retirement benefits costs	<u>1,245</u>	<u>1,202</u>
	80,407	52,224
Capitalised under properties under development	<u>(293)</u>	<u>(935)</u>
	<u>80,114</u>	<u>51,289</u>

*Note:*

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

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

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

## 7 Finance costs

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

## 8 Income tax expense

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

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

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

**9 Dividend**

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

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

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

**10 Earnings per share**

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

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

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

**11 Property, plant and equipment**

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

**12 Investment properties**

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

**13 Trade and other receivables**

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

Trade receivables of the Group amounted to HK\$129,389,000 (31st March 2007: HK\$121,552,000). The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

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

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

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

**14 Trade and other payables**

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

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

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

**15 Warrant liabilities****(a) The Company**

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

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

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

**(b) Listed subsidiary**

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

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

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

**16 Share capital**

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

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

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

**18 Convertible notes**

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

**19 Long term bank loans**

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

**20 Capital commitments**

Capital commitments at the balance sheet date are as follows:

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

**21 Contingent liabilities**

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

**22 Related party transaction**

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

**23 Comparative figures**

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

**24 Subsequent event**

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

#### 4. MANAGEMENT DISCUSSION AND ANALYSIS

**For the year ended 31st March 2007**

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

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

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

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

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

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

##### *Hotel*

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

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

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

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

***Financial Review***

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

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

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

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

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

**For the six months period ended 30th September 2007*****Results***

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

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

***Properties sales, development and leasing***

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

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

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

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

### ***Hotel***

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

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

### ***Financial review***

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

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

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

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

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

## **5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st March 2007, the date to which the latest published audited consolidated financial statements of the Group were made up.

## **6. INDEBTEDNESS**

At the close of business on 31st December 2007, being the latest practicable date of this indebtedness statement prior to the printing of the Prospectus, the Group had borrowings of approximately HK\$1,534.0 million which comprised secured bank loans of approximately HK\$1,420.7 million, amount due to minority shareholders of approximately HK\$113.2 million, and obligations under finance leases of approximately HK\$0.1 million.

The Group's above outstanding borrowings are secured by certain property, plant and equipment, investment properties, leasehold land, properties held for/under development for sale, and completed properties held for sale with an aggregate book value of approximately HK\$5,314.3 million. At the close of business on 31st December 2007, the Group had contingent liabilities of approximately HK\$190.1 million in respect of guarantees for banking facilities to third parties and jointly controlled entities.

Save as aforesaid, and apart from the intra-group liabilities and normal trade debts payable, the Group did not have any outstanding mortgages, charges, debentures, loan capital or overdrafts, or other similar indebtedness, finance leases or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 31st December 2007.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31st December 2007.

**7. BUSINESS PROSPECTS**

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

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

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

**8. WORKING CAPITAL**

The Directors are of the opinion that after taking into account the present internal financial resources of the Group, the available banking facilities and the estimated net proceeds of the Rights Issue, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of the Prospectus.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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**1. UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following is the unaudited pro forma consolidated net tangible assets of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effects of the Rights Issue as if it had taken place on 30th September 2007.

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

<b>Unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30th September 2007</b> <i>HK\$000</i> <i>(Note 1)</i>	<b>Estimated net proceeds from the Rights Issue</b> <i>HK\$000</i> <i>(Note 2)</i>	<b>Unaudited pro forma consolidated net tangible assets attributable to the Shareholders</b> <i>HK\$000</i> <i>(Note 3)</i>	<b>Unaudited pro forma consolidated net tangible assets per Share</b> <i>HK\$</i> <i>(Note 4)</i>
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Based on  
3,625,274,773 Rights  
shares at  
subscription price  
of HK\$0.18 per  
Rights Share

	<u>4,149,524</u>	<u>643,600</u>	<u>4,793,124</u>	<u>0.443</u>
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*Notes:*

1. The consolidated net tangible assets of the Group attributable to the Shareholders as at 30th September 2007 are extracted from the published interim report of the Group for the six months ended 30th September 2007 as set out in Appendix I to the Prospectus, which is based on the unaudited consolidated net assets of the Group attributable to the Shareholders as at 30th September 2007 of HK\$4,158,175,000 less the intangible assets as at 30th September 2007 of HK\$8,651,000.
2. The estimated net proceeds from the Rights Issue are based on 3,625,274,773 Rights Shares to be issued at the Subscription Price of HK\$0.18 per Rights Share, after deduction of the related expenses of approximately HK\$8.9 million.
3. The unaudited pro forma consolidated net tangible assets attributable to the Shareholders are arrived at after aggregating the unaudited consolidated net tangible assets of approximately HK\$4,149,524,000 of the Group as at 30th September 2007 (note 1) and the estimated net proceeds of HK\$643,600,000 from the Rights Issue (note 2).
4. The unaudited pro forma consolidated net tangible assets per Share is calculated based on the unaudited pro forma consolidated net tangible assets attributable to the Shareholders of HK\$4,793,124,000 and 10,810,421,350 Shares in issue (on the basis that there were 7,185,146,577 Shares in issue as at 30th September 2007 and assuming that none of the Share Options and the Warrants were exercised from 1st October 2007 up to the Latest Practicable Date and 3,625,274,773 Rights Shares were issued under the Rights Issue) as if the Rights Issue has been completed on 30th September 2007.
5. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30th September 2007, including the interim dividend of HK\$25,377,000 declared for the six months ended 30th September 2007 and paid on 4th February 2008.

**2.    REPORT OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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



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羅兵咸永道會計師事務所

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

**REPORT FROM THE ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF ASIA STANDARD INTERNATIONAL GROUP LIMITED**

We report on the unaudited pro forma financial information set out on page 102 under the heading of “Unaudited Pro Forma Financial Information” (the “Unaudited Pro Forma Financial Information”) in Appendix II of the prospectus dated 14th February 2008 (the “Prospectus”) of Asia Standard International Group Limited (the “Company”), in connection with the proposed rights issue (the “Rights Issue”) by the Company. The Unaudited Pro Forma Financial Information has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the Rights Issue might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 102 of the Prospectus.

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

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

**Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 30th September 2007 with the unaudited published interim report of the Group for the six months ended 30th September 2007, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors of the Company.

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

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30th September 2007 or any future date.

**Opinion**

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong,

14th February 2008

## 1. RESPONSIBILITY STATEMENT

The Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Prospectus misleading.

## 2. SHARE CAPITAL, OPTIONS AND WARRANTS

### (a) Share capital

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

<i>Authorised:</i>	<i>HK\$</i>
<u>400,000,000,000</u> Shares	<u>4,000,000,000</u>
<i>Issued and fully paid:</i>	
7,250,549,547 Shares as at the Record Date	72,505,495
<i>Agreed to be issued:</i>	
<u>3,625,274,773</u> Rights Shares to be issued pursuant to the Rights Issue	<u>36,252,748</u>
<u>10,875,824,320</u> Shares upon completion of the Rights Issue	<u>108,758,243</u>

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the then existing Shares in issue, including the rights to receive all dividends and distributions which may be declared, made or paid on or after such date. The Company did not have any convertible debt securities as at the Latest Practicable Date.

## (b) Share options

(i) *The Company*

Details of the Share Options as at the Latest Practicable Date were as follows:

<b>Grantee</b>	<b>Date of grant</b>	<b>Exercise Price per Share (as adjusted)</b>	<b>Exercisable period</b>	<b>Number of Shares falling to be issued upon exercise of the Share Options (as adjusted)</b>
<i>Directors:</i>				
Mr. Poon	30th March 2005	HK\$0.315	30th March 2005 to 29th March 2015	5,155,440
Fung Siu To, Clement ( <b>“Mr. Fung”</b> )	30th March 2005	HK\$0.315	30th March 2005 to 29th March 2015	20,621,761
Lim Yin Cheng	30th March 2005	HK\$0.315	30th March 2005 to 29th March 2015	20,621,761
Lun Pui Kan	30th March 2005	HK\$0.315	30th March 2005 to 29th March 2015	20,621,761
Loup, Nicholas James	30th March 2005	HK\$0.315	30th March 2005 to 29th March 2015	20,621,761
Kwan Po Lam, Phileas	30th March 2005	HK\$0.315	30th March 2005 to 29th March 2015	20,621,761
<i>Other employees</i>	30th March 2005	HK\$0.315	30th March 2005 to 29th March 2015	41,243,520

(ii) *Asia Standard Hotel Group Limited (“AS Hotel”)*

A share option scheme has been adopted by AS Hotel on 28th August 2006 and this share option scheme remained in force as at the Latest Practicable Date. Details of the outstanding share options granted by AS Hotel (the “**AS Hotel Share Options**”) as at the Latest Practicable Date were as follows:

<b>Grantee</b>	<b>Date of grant</b>	<b>Exercise Price per AS Hotel Share</b>	<b>Exercisable period</b>	<b>Number of shares of AS Hotel (“AS Hotel Shares”) falling to be issued upon exercise of the outstanding share options</b>
<i>Directors:</i>				
Mr. Fung	29th March 2007	HK\$0.1296	29th March 2007 to 28th March 2017	80,000,000
Lim Yin Cheng	2nd April 2007	HK\$ 0.13	2nd April 2007 to 1st April 2017	80,000,000
Lun Pui Kan	2nd April 2007	HK\$ 0.13	2nd April 2007 to 1st April 2017	80,000,000
Kwan Po Lam, Phileas	2nd April 2007	HK\$ 0.13	2nd April 2007 to 1st April 2017	80,000,000
<i>Other employees</i>				
	29th March 2007	HK\$0.1296	29th March 2007 to 28 March 2017	80,000,000
	2nd April 2007	HK\$ 0.13	2nd April 2007 to 1st April 2017	460,000,000

(c) **Warrants**(i) *The Company*

On 7th September 2007, the Company granted bonus warrants to the Shareholders by way of bonus issue which entitled the holders thereof to exercise, at any time up to 6th September 2008, for fully paid new Shares at an initial subscription price of HK\$0.29 per Share, subject to adjustment(s) and reset arrangements. As at the Latest Practicable Date, there were Warrants entitling the holders thereof to subscribe for an aggregate of 1,433,849,153 fully paid new Shares.

(ii) *AS Hotel*

On 7th September 2007, AS Hotel granted bonus warrants (the “AS Hotel Warrants”) to its shareholders by way of bonus issue which entitled the holders thereof to exercise, at any time up to 6th September 2010, for fully paid new AS Hotel Shares at an initial subscription price of HK\$0.146 per AS Hotel Share, subject to adjustment(s) and reset arrangements. As at the Latest Practicable Date, there were outstanding AS Hotel Warrants entitling the holders thereof to subscribe for an aggregate of 2,501,646,809 AS Hotel Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the members of the Group had any other options, warrants or other convertible securities or rights affecting their share capital and no capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option.

There is no arrangement under which future dividends were waived or agreed to be waived.

**3. DISCLOSURE OF INTERESTS BY DIRECTORS**

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

(i) **Long position in shares**(a) *The Company*

Director	Number of Shares held			Percentage shareholding (%) (Note 4)
	Personal Interest	Corporate interest	Total	
Mr. Poon	9,397,533 (Note 2)	4,888,401,046 (Note 1 and 3)	4,897,798,579	45.03

*Notes:*

- By virtue of his controlling interest 37.77% in Asia Orient, Mr. Poon is deemed to be interested in the Shares held by the subsidiaries of AO Group.

2. These Shares represent the sum of (a) 6,265,022 Shares currently held by Mr. Poon and/or his nominee(s) and (b) 3,132,511 Rights Shares to be provisionally allotted to Mr. Poon and/or his nominee(s) in respect of such 6,265,022 Shares and undertaken to be taken up by Mr. Poon and/or his nominee(s) pursuant to the Irrevocable Undertaking given by him.
3. These Shares represent the sum of (a) 3,258,934,038 Shares held by the AO Group and/or its nominee(s), (b) 1,629,467,008 Rights Shares to be provisionally allotted to the AO Group and/or its nominee(s) in respect of 3,258,934,038 Shares and undertaken to be taken up by them pursuant to the Irrevocable Undertaking given by Asia Orient. Mr. Poon is deemed to be interested in these Shares by virtue of his controlling interest in the AO Group.
4. The percentage shareholding is calculated on the basis of 10,875,824,320 Shares in issue immediately after completion of the Rights Issue.

(b) *Subsidiaries*

Director	Subsidiary	Number of shares held		Total shareholding	Percentage (%)
		Personal interest	Corporate interest		
Mr. Poon	AS Hotel	392,178	8,950,792,913 (Note 1)	8,951,185,091	70.30
Mr. Poon and Mr. Fung	Centop Investment Limited ("Centop")	—	20 (Note 2)	20	20
Mr. Poon	Centop	—	80 (Note 3)	80	80
Mr. Fung	Mark Honour Limited	9	—	9	9

*Notes:*

1. By virtue of his controlling interest in Asia Orient, Mr. Poon is deemed to be interested in the AS Hotel Shares held by the subsidiaries of Asia Orient and the Company.
2. Centop is owned as to 80% by the Company and 20% by Kingscore Investment Limited ("Kingscore"). Each of Mr. Poon and Mr. Fung holds 50% interest in Kingscore. By virtue of their interest in Kingscore, each of Mr. Poon and Mr. Fung is deemed to have interest in the 20 shares held by Kingscore and duplicate the interest of the other.
3. By virtue of his interest in the Company through Asia Orient, Mr. Poon is deemed to be interested in the shares of all the Company's subsidiaries and associated corporations.

## (ii) Long position in underlying shares

## (a) The Company

Name of Director	Number of underlying Shares held			Percentage of Shares in issue (%)
	Personal Interest	Interest in controlled corporations	Total	
Mr. Poon	4,452,270 <i>(Note 1)</i> 5,155,440 <i>(Notes 1 and 3)</i>	965,503,713 <i>(Note 2)</i>	975,111,423	8.97 <i>(Note 4)</i>
Mr. Fung	20,621,761 <i>(Note 3)</i>	—	20,621,761	0.28
Lim Yin Cheng	20,621,761 <i>(Note 3)</i>	—	20,621,761	0.28
Lun Pui Kan	20,621,761 <i>(Note 3)</i>	—	20,621,761	0.28
Loup, Nicholas James	20,621,761 <i>(Note 3)</i>	—	20,621,761	0.28
Kwan Po Lam, Phileas	20,621,761 <i>(Note 3)</i>	—	20,621,761	0.28

*Notes:*

- These Shares represent the sum of (a) 1,249,700 Shares falling to be issued to Mr. Poon and/or his nominee(s) upon the exercise of any of the conversion rights attaching to the Warrants currently held by him; (b) 5,155,440 Shares falling to be issued to Mr. Poon and/or his nominee(s) upon the exercise of any of the subscription rights attaching to the Shares Options held by him; (c) 3,202,570 Rights Shares undertaken to be taken up by Mr. Poon and/or his nominee(s) pursuant to be Irrevocable Undertaking given by him which will be provisionally allotted to him and/or his nominee(s) if he and/or his nominee(s) exercises any of the conversion rights attaching to the Warrants and/or the subscription rights attaching to the Share Options to subscribe for 1,249,700 and 5,155,440 Shares, respectively, and such additional Shares have been issued to him and/or his nominee(s) on or before the Record Date.
- These Shares represent the sum of (a) 643,669,142 Shares falling to be issued to the AO Group and/or its nominee(s) upon the exercise of any of the conversion rights attaching to the Warrants held by the AO Group and/or its nominee(s); and (b) 321,834,571 Rights Shares to be provisionally allotted to the AO Group and/or nominee(s) if it and/or its nominee(s) exercises any of the conversion rights attaching to the Warrants to subscribe for 643,669,142 Shares and such additional Shares have been issued to it and/or its nominee(s) on or before the Record Date. Mr. Poon is deemed to be interested in these underlying Shares by virtue of his controlling interest in the AO Group.
- These Shares represent the long positions in the Shares falling to be issued to the relevant Directors upon the exercise of the Share Options granted to the Directors.
- The percentage shareholding is calculated on the basis of 10,875,824,320 Shares in issue immediately after completion of the Rights Issue.

(b) *AS Hotel*

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

*Notes:*

1. These AS Hotel Shares represent the long positions in the AS Hotel Shares falling to be issued to the relevant Directors upon the exercise of the outstanding AS Hotel Share Options granted to them.
2. These represent the long positions in the AS Hotel Shares falling to be issued to Mr. Poon upon the exercise of the conversion rights attaching to the outstanding AS Hotel Warrants.
3. These represent the long positions in the AS Hotel Shares falling to be issued to the Group and the AO Group and/or their respective nominee(s) upon the exercise of the conversion rights attaching to the AS Hotel Warrants granted to them. Mr. Poon is deemed to be interested in these underlying AS Hotel Shares by virtue of his controlling interest in the AO Group.

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

## 4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had the following interests or short positions in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

## (i) Long position in the Shares

Name of substantial shareholders	Capacity	Number of Shares	Percentage shareholding
Asia Orient ( <i>Notes 1 and 2</i> )	Beneficial owner	379,020,000	3.48% ( <i>Note 6</i> )
Asia Orient Holdings (BVI) Limited	Interest in controlled corporations	4,509,381,046	41.46% ( <i>Note 6</i> )
("Asia Orient BVI") ( <i>Note 3</i> )	Interest in controlled corporations	4,509,381,046	41.46% ( <i>Note 6</i> )
Asia Orient Company Limited ("AOCL") ( <i>Note 4</i> )	Beneficial owner	2,132,161,454	19.60% ( <i>Note 6</i> )
	Interest in controlled corporations	17,850,910	0.16% ( <i>Note 6</i> )
Kingfisher Inc. and Lipton Investment Limited	Interest in controlled corporations	2,064,268,971	18.98% ( <i>Note 6</i> )
("Kingfisher and Lipton") ( <i>Note 5</i> )			
Grosvenor Asset Management Limited	Beneficial owner	446,373,333	6.16%
("Grosvenor") ( <i>Note 7</i> )			
Grosvenor International S.A. ( <i>Note 7</i> )	Interest in controlled corporations	446,373,333	6.16%
Grosvenor Continental Europe Holdings Limited	Interest in controlled corporations	446,373,333	6.16%
( <i>Note 7</i> )			
Grosvenor Group Limited ( <i>Note 7</i> )	Interest in controlled corporations	446,373,333	6.16%
Jeremy Henry Moore Newsum ( <i>Note 7</i> )	Trustee	446,373,333	6.16%
Gillian Lucy Newsum ( <i>Note 7</i> )	Interest of spouse	446,373,333	6.16%
Robin Shedden Broadhurst ( <i>Note 7</i> )	Trustee	446,373,333	6.16%
Penelope Alison Broadhurst ( <i>Note 7</i> )	Interest of spouse	446,373,333	6.16%
Mark Antony Loveday ( <i>Note 7</i> )	Trustee	446,373,333	6.16%
Mary Elizabeth Loveday ( <i>Note 7</i> )	Interest of spouse	446,373,333	6.16%
Taifook Securities ( <i>Note 8</i> )	Beneficial owner	1,233,524,867	11.34% ( <i>Note 6</i> )
Taifook Finance Company Limited ( <i>Note 8</i> )	Interest in controlled corporations	1,233,524,867	11.34% ( <i>Note 6</i> )
Taifook (BVI) Limited ( <i>Note 8</i> )	Interest in controlled corporations	1,233,524,867	11.34% ( <i>Note 6</i> )
Taifook Securities Group Limited ( <i>Note 8</i> )	Interest in controlled corporations	1,233,524,867	11.34% ( <i>Note 6</i> )
NWS Financial Management Services Limited	Interest in controlled corporations	1,123,524,867	11.34% ( <i>Note 6</i> )
("NWS Financial") ( <i>Note 8</i> )			
NWS Service Management Limited	Interest in controlled corporations	1,123,524,867	11.34% ( <i>Note 6</i> )
("NWSSM (BVI)") ( <i>Note 8</i> )			
NWS Service Management Limited	Interest in controlled corporations	1,123,524,867	11.34% ( <i>Note 6</i> )
("NWSSM (Cayman)") ( <i>Note 8</i> )			
NWS Holdings Limited ("NWS Holdings")	Interest in controlled corporations	1,123,524,867	11.34% ( <i>Note 6</i> )
( <i>Note 8</i> )			
New World Development Company Limited	Interest in controlled corporations	1,123,524,867	11.34% ( <i>Note 6</i> )
("New World Development") ( <i>Note 8</i> )			
Chow Tai Fook Enterprises Limited ("CTFE")	Interest in controlled corporations	1,123,524,867	11.34% ( <i>Note 6</i> )
( <i>Note 8</i> )			
Centennial Success Limited ("CSL") ( <i>Note 8</i> )	Interest in controlled corporations	1,123,524,867	11.34% ( <i>Note 6</i> )
Cheng Yu Tung Family (Holdings) Limited	Interest in controlled corporations	1,123,524,867	11.34% ( <i>Note 6</i> )
("CYTF") ( <i>Note 8</i> )			
Get Nice ( <i>Note 9</i> )	Beneficial owner	1,233,524,866	11.34% ( <i>Note 6</i> )
Get Nice Incorporated ( <i>Note 9</i> )	Interest in controlled corporations	1,233,524,866	11.34% ( <i>Note 6</i> )
Get Nice Holdings Limited ( <i>Note 9</i> )	Interest in controlled corporations	1,233,524,866	11.34% ( <i>Note 6</i> )
Honeylink Agents Limited ( <i>Note 9</i> )	Interest in controlled corporations	1,233,524,866	11.34% ( <i>Note 6</i> )

*Notes:*

1. These Shares represent the sum of (a) 3,258,934,038 Shares held by the AO Group and/or its nominee(s) and (b) 1,629,467,008 Rights Shares to be provisionally allotted to the AO Group and/or its nominee(s) in respect of 3,258,934,038 Shares and undertaken to be taken up by them pursuant to the Irrevocable Undertaking given by Asia Orient.
2. Asia Orient BVI is a wholly-owned subsidiary of Asia Orient. Asia Orient is deemed to have interest and duplicate the interest in the same 4,509,381,046 Shares held by Asia Orient BVI.
3. AOCL, companies controlled by AOCL and Kingfisher and Lipton are wholly-owned subsidiaries of Asia Orient BVI and together hold 2,809,520,897 Shares and 1,404,760,438 Right Shares. Asia Orient BVI is deemed to be interest in and duplicate the interest of these 2,809,520,897 Shares and 1,404,760,438 Rights Shares held by AOCL, Kingfisher and Lipton.
4. These Shares represent the sum of (a) 1,433,341,578 Shares held by AOCL and the controlled corporations and 716,670,786 Rights Shares to be provisionally allotted to it in respect of such 1,433,341,578 Shares.
5. These Shares represent the sum of (a) 1,376,179,319 Shares held by the controlled corporations (within the meaning of Part XV of the SFO) jointly controlled by Kingfisher and Lipton; and (b) 688,089,652 Rights Shares to be provisionally allotted to them in respect of such 1,376,179,319 Shares. Both Kingfisher and Lipton are wholly-owned subsidiaries of Asia Orient BVI. The joint interests of Kingfisher and Lipton are deemed to be, and have therefore been included in, the interest of Asia Orient BVI.
6. The percentage shareholding is calculated on the basis of 10,875,824,320 Shares in issue immediately after completion of the Rights Issue.
7. Grosvenor is a wholly-owned subsidiary of Grosvenor International S.A.. Grosvenor International S.A. is a company listed in Luxemburg and is majority owned (64.04%) by Grosvenor Continental Europe Holdings Limited. Grosvenor Continental Europe Holdings Limited is an indirect wholly-owned subsidiary of Grosvenor Group Limited which is controlled 46.61% by The Fourth Duke of Westminster 1964 Settlement.

Grosvenor owned 446,373,333 Shares. Each of Grosvenor International S.A., Grosvenor Continental Europe Holdings Limited and Grosvenor Group Limited is deemed to be interested in and duplicate the interest in the 446,373,333 Shares held by Grosvenor.

Jeremy Henry Moore Newsum, Robin Shedden Broadhurst and Mark Antony Loveday are the trustees of The Fourth Duke of Westminster 1964 Settlement. Each of Jeremy Henry Moore Newsum, Robin Shedden Broadhurst, Mark Antony Loveday is deemed to be interested in the same 446,373,333 Shares held by Grosvenor. Gillian Lucy Newsum, Penelope Alison Broadhurst and Mary Elizabeth Loveday are the spouse of Jeremy Henry Moore Newsum, Robin Shedden Broadhurst and Mark Antony Loveday respectively. Each of Gillian Lucy Newsum, Penelope Alison Broadhurst and Mary Elizabeth Loveday is deemed to have family interest in the aforesaid 446,373,333 Shares held by Grosvenor.

8. These 1,233,524,867 Shares represent the maximum number of the Underwritten Rights Shares which Taifook Securities has underwritten in respect of the Rights Issue pursuant to the Underwriting Agreement. Taifook Securities is wholly-owned by Taifook Finance Company Limited which in turn is wholly-owned by Taifook (BVI) Limited. Taifook (BVI) Limited is wholly-owned by Taifook Securities Group Limited, a company whose shares are listed on the Stock Exchange. Taifook Securities Group Limited is owned approximately 57.59% interests in NWS Financial which in turn is wholly owned by NWSSM (BVI). NWSSM (BVI) is wholly owned by NWSSM (Cayman) which in turn is wholly-owned by NWS Holdings. NWS Holdings is owned approximately 56.08% by New World Development which in turn is owned approximately 36.61% interests by CTFE. CTFE is wholly-owned by CSL which in turn is owned approximately 51% interests by CYTF. Each of Taifook Finance Company Limited, Taifook (BVI) Limited, Taifook Securities Group Limited NWS Financial, NWSSM (BVI), NWSSM (Cayman), NWS Holdings, New World Development, CTFE, CSL and CYTF is deemed to be interested in and duplicate the interest in the 1,233,524,867 Shares written by Taifook Securities.

9. These 1,233,524,866 Shares represent the maximum number of the Underwritten Rights Shares which Get Nice has underwritten in respect of the Rights Issue pursuant to the Underwriting Agreement. Get Nice is wholly-owned by Get Nice Incorporated which in turn is wholly-owned by Get Nice Holdings Limited. Get Nice Holdings Limited is wholly-owned by Honeylink Agents Limited. Each of Get Nice Incorporated, Get Nice Holdings Limited and Honeylink Agents Limited is deemed to be interested in and duplicate the interest in the 1,233,524,866 Shares underwritten by Get Nice.

(ii) Long position in the underlying Shares

Name of substantial shareholders	Capacity	Number of underlying Shares held	Percentage shareholding
Asia Orient ( <i>Note 1</i> )	Beneficial owner	75,300,000	0.69% ( <i>Note 6</i> )
	Interest in controlled corporations	890,203,713	8.19% ( <i>Note 6</i> )
Asia Orient BVI ( <i>Note 2</i> )	Interest in controlled corporations	890,203,713	8.19% ( <i>Note 6</i> )
AOCL ( <i>Note 3</i> )	Beneficial owner	421,324,121	3.87% ( <i>Note 6</i> )
	Interest in controlled corporations	3,520,889	0.03% ( <i>Note 6</i> )
Kingfisher and Lipton ( <i>Note 4</i> )	Interest in controlled corporations	407,153,637	3.74% ( <i>Note 6</i> )
Grosvenor ( <i>Note 5</i> )	Beneficial owner	119,074,666	1.64%
Grosvenor International S.A. ( <i>Note 5</i> )	Interest in controlled corporations	119,074,666	1.64%
Grosvenor Continental Europe Holdings Limited ( <i>Note 5</i> )	Interest in controlled corporations	119,074,666	1.64%
Grosvenor Group Limited ( <i>Note 5</i> )	Interest in controlled corporations	119,074,666	1.64%
Jeremy Henry Moore Newsum ( <i>Note 5</i> )	Trustee	119,074,666	1.64%
Gillian Lucy Newsum ( <i>Note 5</i> )	Interest of spouse	119,074,666	1.64%
Robin Shedden Broadhurst ( <i>Note 5</i> )	Trustee	119,074,666	1.64%
Penelope Alison Broadhurst ( <i>Note 5</i> )	Interest of spouse	119,074,666	1.64%
Mark Antony Loveday ( <i>Note 5</i> )	Trustee	119,074,666	1.64%
Mary Elizabeth Loveday ( <i>Note 5</i> )	Interest of spouse	119,074,666	1.64%

*Notes:*

- These Shares represent the sum of (a) 643,669,142 Shares falling to be issued to AO Group and /or its nominees upon the exercise of any of the conversion rights attaching to the Warrants held by AO Group and/or its nominees and (b) 321,834,571 Rights Shares to be provisionally allotted to them if they exercise any of the conversion rights attaching to the Warrants to subscribe for 643,669,142 Shares on or before the Record Date.
- AOCL, Kingfisher and Lipton are wholly-owned subsidiaries of Asia Orient BVI and together have interest in 554,665,764 Warrants. Asia Orient BVI is deemed to be interest in and duplicate (a) the 554,665,764 Shares falling to be issued to AOCL and the controlled corporations of AOCL, Kingfisher and Lipton upon exercise of any of the conversion rights attaching to the Warrants held by them; and (b) 277,332,882 Rights Shares to be provisionally allotted to them if they exercise any of the conversion rights attaching to the Warrants to subscribe for 554,665,764 Shares on or before the Record Date.

3. These Shares represent the sum of (a) 283,230,006 Shares falling to be issued to AOCL and/or its nominees upon the exercise of any of the conversion rights attaching to the Warrants held by AOCL and/or its nominees and (b) 141,615,004 Rights Shares to be provisionally allotted to it if it exercise any of the conversion rights attaching to the Warrants to subscribe for 283,230,006 Rights Shares on or before the Record Date.
4. These Shares represent the sum of (a) 271,435,758 Shares falling to be issued to the controlled corporations (within the meaning of Part XV of the SFO) jointly controlled by Kingfisher and Lipton; upon the exercise of any of the conversion rights attaching to the Warrants held by these controlled corporations and/or its nominees and (b) 135,717,879 Rights Shares to be provisionally allotted to them if they exercise any of the conversion rights attaching to the Warrants to subscribe for 271,435,758 Rights Shares on or before the Record Date.
5. Grosvenor owned 119,074,666 Warrants. By virtue of the controlling relationship as stated in Note 7 of item (4)(i) under the “Long position in the Shares” above, each of Grosvenor International S.A., Grosvenor Continental Europe Holdings Limited, Grosvenor Group Limited, Jeremy Henry Moore Newsum, Robin Shedden Broadhurst and Mark Antony Loveday, Gillian Lucy Newsum, Penelope Alison Broadhurst and Mary Elizabeth Loveday is deemed to be interested in and duplicate the interest in 119,074,666 Warrants held by Grosvenor.
6. The percentage shareholding is calculated on the basis of 10,875,824,320 Shares in issue immediately after completion of the Rights Issue.

**(iii) Interests in other members of the Group**

<b>Name of non-wholly owned subsidiary of the Company</b>	<b>Name of registered substantial shareholders (other than members of the Group)</b>	<b>Number of shares held</b>	<b>Percentage shareholding</b>
Linkforce Investment Limited	Furlan Limited	20	20%
Honest Engineering Limited	Leung Ping	20	20%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, no other persons had, or were deemed or taken to have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

**5. LITIGATION**

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

## 6. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion which is contained in the Prospectus:

<b>Name</b>	<b>Qualification</b>
PricewaterhouseCoopers	Certified Public Accountants

PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of the Prospectus with the inclusion of its report as set out in the Prospectus and references to its name in the form and context in which it appears respectively.

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

As at the Latest Practicable Date, PricewaterhouseCoopers did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to any member of the Group, since 31st March 2007, the date to which the latest published audited consolidated financial statements of the Group were made up.

## 7. MATERIAL CONTRACTS

The contracts which have been entered into by the members of the Group within two years immediately preceding 14th February 2008, being the date of the Prospectus, which are not in the ordinary course of business and which are or may be material are as follows:

- (a) the underwriting agreement dated 22nd March 2006 between AS Hotel and Get Nice in relation to the underwriting and certain other arrangements in respect of the issue by AS Hotel by way of one right share in AS Hotel for every two existing shares in AS Hotel at a price of HK\$0.09 per rights share in AS Hotel;
- (b) the placing agreement dated 2nd May 2006 between the Company, Asia Standard International Capital Limited (“AS Capital”), a wholly-owned subsidiary of the Company, as issuer and Anglo Chinese Corporate Finance, Limited as placing agent in connection with the placing of the Series “A” 4% convertible bonds due 2009 with outstanding principal amount of HK\$94 million;
- (c) the subscription agreement dated 2nd May 2006 between the Company, AS Capital and Grosvenor in connection with the subscription by Grosvenor for the Series “B” 4% convertible bonds due 2009 with outstanding principal amount of HK\$41 million;
- (d) the subscription agreement dated 2nd May 2006 between the Company, AS Capital and AOCL in connection with the subscription by AOCL for the Series “B” 4% convertible bonds due 2009 with outstanding principal amount of HK\$140 million;

- (e) the deed poll dated 2nd May 2006 between the Company and AS Capital constituting the 4% convertible bonds due 2009 with the aggregate principal amount of HK\$275 million;
- (f) the underwriting agreement dated 25th September 2006 between the Company and Taifook Securities in relation to the underwriting in respect of the issue by the Company by way of one rights shares for every three Shares at a price of HK\$0.175 per rights share; and
- (g) the Underwriting Agreement.

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

## 8. CORPORATE INFORMATION

<b>Registered office of the Company</b>	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
<b>Principal place of business of the Company in Hong Kong</b>	30th Floor Asia Orient Tower Town Place 33 Lockhart Road Wanchai Hong Kong
<b>Authorised representatives</b>	Mr. Fung Siu To, Clement Mr. Lun Pui Kan
<b>Company secretary</b>	Ms. Chiu Yuk Ching <i>ACIS</i>
<b>Qualified accountant</b>	Mr. Lun Pui Kan <i>CPA</i>
<b>Financial adviser to the Company in relation to the Rights Issue</b>	Taifook Capital Limited 25th Floor, New World Tower 16-18 Queen's Road Central Hong Kong
<b>Legal advisers to the Company in relation to the Rights Issue</b>	<i>As to Hong Kong law:</i> Stephenson Harwood & Lo 35th Floor Bank of China Tower 1 Garden Road Hong Kong  <i>As to Bermuda law:</i> Appleby 5511 The Centre 99 Queen's Road Central Hong Kong
<b>Auditors</b>	PricewaterhouseCoopers Certified Public Accountants 22nd Floor Prince's Building Central Hong Kong

<b>Principal share registrars and transfer office</b>	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM08 Bermuda
<b>Hong Kong branch share registrar and transfer office</b>	Computershare Hong Kong Investor Services Limited Shops 1712-16, 17th Floor, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal bankers</b>	Bank of China (Hong Kong) Limited 9/F., Bank of China Tower 1 Garden Road, Central Hong Kong  The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Hong Kong  Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong  The Bank of East Asia Limited 10 Des Voeux Road Central Hong Kong  Citic Ka Wah Bank Limited 232 Des Voeux Road Central Hong Kong  Industrial and Commercial Bank of China (Asia) Limited ICBC Tower 121-126 Queen's Road Central Hong Kong  Chong Hing Bank Limited Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong  Wing Hang Bank Limited 161 Queen's Road Central Hong Kong

**9. EXPENSES**

The expenses in connection with the Rights Issue, including financial and legal advisory fees, underwriting commission, printing and translation expenses are estimated to be approximately HK\$8.9 million and will be payable by the Company.

**10. PARTICULARS OF THE DIRECTORS**

(a) Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Fung Siu To, Clement	House No.1 Barbecue Garden 17½ Milestone Castle Peak Road New Territories Hong Kong	Canadian
Dr. Lim Yin Cheng	Flat B, 6th Floor Monterey Court 47-49 Perkins Road Hong Kong	Canadian
Mr. Poon Jing	N.T.D.D. 381 Lot 951 Section J New Territories Hong Kong	Canadian
Mr. Lun Pui Kan	Room 1 15th Floor Block 46 Heng Fa Chuen Hong Kong	Chinese
Mr. Kwan Po Lam, Phileas	Block C 2nd Floor 173 Argyle Street Kowloon Hong Kong	Chinese
Mr. Loup, Nicholas James	Flat B, 3/F., Tower 1 Ruby Court 55 South Bay Road Hong Kong	British

(a) **Name** **Address** **Nationality***Non-executive Directors*

Mr. Liang Shangli	Flat D, 13th Floor Block 4, City Garden 233 Electric Road North Point Hong Kong	Chinese
Mr. Au Yat Chuen, Raymond	Flat 10E, Fulham Garden 84 Pokfulam Road Hong Kong	Australian

*Independent non-executive Directors*

Mr. Wong Chi Keung	Flat 20A Melody Court 2C-D Kam Hong Street North Point Hong Kong	Chinese
Mr. Koon Bok Ming, Alan	House 17 Strawberry Hill No. 8 Plunkett's Road The Peak Hong Kong	American
Mr. Leung Wai Keung, Richard	22/F., Flat D, Tower 2 8 Waterloo Road Kowloon	British

(b) **Qualifications***Executive Directors*

Mr. Fung Siu To, Clement, aged 59. Chairman of the Company and chairman of remuneration committee and a member of executive committee of the Company. He is also chairman of Asia Orient, an executive director of its listed subsidiary, AS Hotel. Mr. Fung is a holder of a Bachelor of Applied Science (Civil Engineering) degree. He is a fellow member of the Hong Kong Institution of Engineers. He joined the Group in 1988 and has over 25 years of experience in project management and construction. He is the brother-in-law of Mr. Poon.

Dr. Lim Yin Cheng, aged 63, Deputy chairman of the Company, deputy chairman, chief executive and chairman of remuneration committee of AS Hotel and deputy chairman of Asia Orient. Dr. Lim is a holder of a 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.

Mr. Poon Jing, aged 53, Chief executive, managing director, chairman of executive committee of the Company. chief executive and managing director of Asia Orient, chairman of AS Hotel. He is the founder of the Group. He is the brother-in-law of Mr. Fung Siu To, Clement and Dr. Lim Yin Cheng, the chairman and deputy chairman of the Company respectively.

Mr. Lun Pui Kan, aged 44, Finance director and a member of executive committee of the Company. He is also financial director of Asia Orient. Mr. Lun has over 20 years of experience in accounting and finance. He is a holder of a 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.

Mr. Kwan Po Lam, Phileas, aged 49, executive director of the Company and Asia Orient. Mr. Kwan is a holder of a Bachelor of Business Administration degree. He joined the Group in 1986 and is responsible for property sales and leasing. He has over 20 years of experience in property sales, leasing and real estate management.

Mr. Loup, Nicholas James, aged 47, executive director, a member of remuneration committee and executive committee of the Company. Mr. Loup is managing director of Grosvenor Asia Pacific, responsible for managing Grosvenor’s operations in China and Japan, where they are active in property investment, development and fund management. He is also a non-executive director of Printemps China Department Stores Limited and also serves on the advisory board for Bridge Capital in India. He is a general committee member of the British Chamber of Commerce in Hong Kong. Prior to rejoining Grosvenor in 1994, Mr. Loup has been a director of Colliers Jardine Hong Kong and Trafalgar House Property (UK) respectively. He joined the Group in 1999.

#### *Non-executive Directors*

Mr. Liang Shangli, aged 87, is the founder and chairman of a property development company in the PRC. Prior to establishing the property development company in 1992, Mr. Liang worked for the Guangzhou Investment Group, a property development company in the PRC, as a chairman for over 10 years. He was a standing committee member of the Chinese People’s Political Congress Committee, the PRC and is the vice-chairman of the National Industrial and Commercial Association of the PRC and non-executive director of AS Hotel. He joined the Group in 2003.

Mr. Au Yat Chuen, Raymond, aged 61, is an associate member of the Institute of Chartered Accountants in Australia and an associate member of the Institute of Chartered Secretaries and Administrators (“ICSA”). Between 1979 and 1984, he has held senior financial positions in several major listed property companies. Since 1984, he has been in full time private practice as a certified public accountant. He joined the Group in 1991.

*Independent non-executive Directors*

Mr. Wong Chi Keung, aged 52 is a member of audit committee and remuneration committee of the Company. Mr. Wong holds a master’s degree in business administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants 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 advising on corporate finance for Legend Capital Partners, Inc. under the Securities and Futures Ordinance of Hong Kong.

Mr. Wong was as an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited, 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 Orient, Century City International Holdings Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, First Natural Foods Holdings Limited, FU JI Food and Catering Services Holdings Limited, Golden Eagle Retail Group Limited, Great Wall Motor Company Limited, International Entertainment Corporation, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of these companies are listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management. He joined the Group in 2004.

Mr. Koon Bok Ming, Alan, aged 66, a member of remuneration committee and chairman of audit committee of the Company. Mr. Koon is the CEO of a financial advisory firm and has over 30 years experience in international banking and project finance. He holds a bachelor’s degree in economics and a master’s degree in business administration. He joined the Group in 1999.

Mr. Leung Wai Keung, Richard, aged 45, a member of remuneration committee and audit committee of the Company. Mr. Leung is currently a Barrister-at-Law. Mr. Leung has about 9 years of experience in accounting and financial management in several firms and thereafter practicing as a barrister for 11 years. He is an independent non-executive director and a member of audit committee of AS Hotel. Mr. Leung is a member of HKICPA, HKICS, ACCA, ICSA and the Chartered Institute of Arbitrators. He was admitted to the High Court of Hong Kong as a barrister in 1994. He holds a master degree in accounting and finance from the University of Lancaster and obtained a bachelor of laws from Manchester Metropolitan University. He was the President of the Hong Kong Institute of Chartered Secretaries in 2006. In 2007, Mr. Leung has been appointed by the Government to be a member of the Guardianship Board, Registration of Persons Tribunal and the Board of Review. He joined the Group in 2004.

**11. BINDING EFFECT**

The Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

**12. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

A copy of each of the Rights Issue Documents, having attached thereto the written consent referred to under the paragraph headed “Qualification and consent of expert” in this appendix, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. A copy of the Prospectus has been, or will as soon as reasonably practicable be, filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended).

**13. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, none of the Directors had any existing nor proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).
- (b) During the period from 31st March 2007, being the date to which the latest published audited accounts of the Group were made up, to the Latest Practicable Date, each of Mr. Fung Siu To, Clement and Mr. Lun Pui Kan, through their respective controlled companies, leased certain residential units to a wholly-owned subsidiary of the Company for use as quarters at the respective monthly rental of HK\$80,000 and HK\$70,000. Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31st March 2007, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any contract or arrangement subsisting at the date of the Prospectus and which is significant in relation to the business of the Group taken as a whole.

**14. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:30 p.m. (Saturdays, Sundays and public holidays excepted) at the principal office of the Company in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong from the date of the Prospectus up to and including 29th February 2008:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts referred to in the paragraph headed “Material contracts” of this appendix;
- (c) the annual reports of the Company for the two years ended 31st March 2006 and 31st March 2007;
- (d) the interim report of the Company for the six months ended 30th September 2007;
- (e) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this Prospectus;
- (f) the written consent referred to in the paragraph headed “Qualification and consent of expert” of this appendix; and
- (g) the circular issued by the Company dated 9th August 2007, 6th September 2007 and 29th October 2007.