

Asia Standard Hotel Group Limited Stock Code: 292



Asia Standard Hotel Group Limited

(Incorporated in Bermuda with limited liability)

Annual Report
For the year ended
31st March 2007

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Corporate Information

Directors

Executive

Mr. Poon Jing (Chairman)
Dr. Lim Yin Cheng
(Deputy Chairman and
Chief Executive)

Mr. Fung Siu To, Clement Mr. Poon Tin Sau, Robert

Mr. Wong Shu Pui

Mr. Woo Wei Chun, Joseph

Non-executive

Mr. Liang Shangli

Independent Non-executive

Mr. Ip Chi Wai

Mr. Leung Wai Keung, Richard

Mr. Hung Yat Ming

Audit committee

Mr. Hung Yat Ming *(Chairman)* Mr. Leung Wai Keung, Richard Mr. Ip Chi Wai

Remuneration committee

Dr. Lim Yin Cheng *(Chairman)*Mr. Hung Yat Ming
Mr. Ip Chi Wai

Authorised representatives

Dr. Lim Yin Cheng Mr. Lee Tai Hay, Dominic

Company secretary

Mr. Lee Tai Hay, Dominic

Registered office

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

Principal office in Hong Kong

30th Floor, Asia Orient Tower,
Town Place,
33 Lockhart Road, Wanchai,
Hong Kong
Telephone 2866 3336
Facsimile 2866 3772
Website: http://www.asiastandardhotel.com

Principal bankers

Royal Bank of Canada

Bank of China (Hong Kong) Limited
China Construction Bank Corporation
Hong Kong Branch
CITIC Ka Wah Bank Limited
Industrial and Commercial Bank of
China (Asia) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited
Wing Hang Bank Limited
Chong Hing Bank Limited
HSBC Canada

Legal advisers

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

Appleby 5511 The Center, 99 Queen's Road Central, Hong Kong

Auditor

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

Share registrar in Bermuda

Butterfield Fund Services (Bermuda)
Limited
Rosebank Centre,
11 Bermudiana Road,
Pembroke,
Bermuda

Hong Kong branch share registrar and transfer office

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

Financial Highlights

For the year ended 31st March	2007	2006	Change
(in HK\$ million, except otherwise indicated)			
Consolidated profit and loss account			
Revenue	617	570	+8%
Gross operating profit *	161	136	+18%
Depreciation and amortisation	(75)	(73)	+3%
Finance costs	(45)	(54)	-17%
Profit/(loss) attributable to shareholders	28	(21)	N/A
Basic earnings/(loss) per share (HK cent)	0.30	(0.35)	N/A

^{*} Represents operating profit before non-cash accounting charges of depreciation and amortisation on hotel properties and fair value of share option expenses.

Consolidated balance sheet

Total assets	2,811	2,417	+16%
Net asset value	1,943	1,476	+32%
Net debt (including convertible bonds)	723	837	-14%

Supplementary information with hotel properties at valuations (note):			
Revalued total assets	4,287	3,717	+15%
Revalued net asset value	3,347	2,725	+23%
Revalued net asset value per share (HK\$)	0.30	0.43	-30%
Gearing – net debt to revalued net asset value (%)	22%	31%	-9%

Note: Hong Kong Financial Reporting Standards ("HKFRS") do not permit leasehold land other than investment properties to be carried at valuation. The Group considers that such treatment does not reflect the economic substance of its hotel property investments. Therefore the Group has presented supplementary unaudited financial information taking into account the fair market value of hotel properties in addition to the net asset value based on the financial statements prepared in accordance with HKFRS.

The hotel properties in Hong Kong and Canada were revalued by Knight Frank and Grant Thornton Management Consultants respectively, independent professional valuers, on an open market value basis as at 31st March 2007.

Chairman's Statement



I am pleased to report on a year with increased levels of profit from the hotel operations.

Total revenue of the Group for the year was up 8% at HK\$617 million (2006: HK\$570 million) whilst gross operating profit was up 18% to HK\$161 million, increase of HK\$25 million. The consolidated profit attributable to shareholders for the year ended 31st March 2007 was HK\$28 million (2006: loss of HK\$21 million), which equaled to earnings per share of HK0.30 cent per share (2006: loss of HK0.35 cent per

share). The increase in earnings was mainly attributable to the hotel operations where total revenue and gross operating profit increased by 15% and 21% respectively over last year.

Total borrowings were reduced by HK\$90 million. The gearing ratio against net asset value is 37%, down from 57% of last year. In terms of gearing measured against "revalued net asset value", it is presently at 22% level (2006: 31%).

We have begun the conversion process of our Causeway Bay acquisition and the

target opening is in the second half of 2008. The Group is actively exploring investment opportunities in Hong Kong, Macau and Mainland China.

The outlook for the hospitality industry in Hong Kong and in Vancouver remains buoyant and, is optimistic that the performance of our hotels for this year will continue to be encouraging.

The Board proposes a final dividend of HK0.26 cent per share. With the interim dividend of HK0.26 cent paid in February, the total dividend for 2007 is HK0.52 cent per share, representing an increase of 63% over the total dividends of HK0.32 cent paid for the 2006 financial year.

On behalf of the Board, I would like to express my gratitude to our staff for their contribution, and our customers, shareholders and the investment community for their support.

By Order of the Board

Poon Jing

Chairman

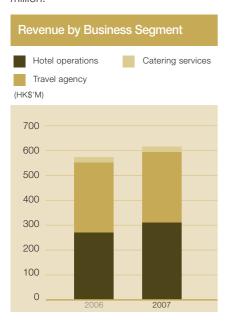
Hong Kong, 18th July 2007

Results

The Group's turnover and gross operating profit for the year ended 31st March 2007 amounted to HK\$617 million and HK\$161 million respectively; the latter showed an 18% increase when compared with last year. The increase was primarily due to the improvement in hotel businesses.

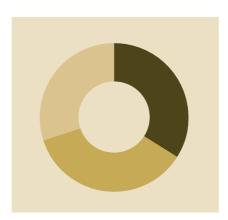
Business Review

The tourism industry made another new record in 2006 with over 25 million visitor arrivals, up 8.1% year-on-year. Most of the long haul and short haul markets such as the Americas, Europe, Australasia, Southeast Asian markets have recorded steady growth. Mainland was still the largest source market with arrivals increasing by 8.4% to more than HK\$13.6 million.



2007 Revenue by hotels





The Empire Hotel, Hong Kong

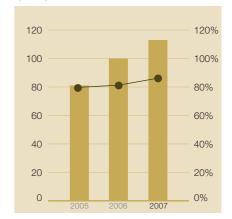
As the room renovation projects in the hotel has been completed, we have adjusted our business mix between various guest segments.

Empire Hong Kong's average room rate increased 11% and occupancy improved 4%. As a result, total revenue increased HK\$13 million to HK\$113 million, up 13%, and its gross operating profit increased HK\$9.8 million to HK\$70 million, up 16%.



The Empire Hotel Hong Kong

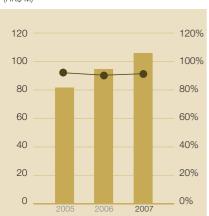






The Empire Hotel Kowloon

Revenue
Occupancy (%)
(HK\$'M)



The Empire Hotel, Kowloon

Empire Kowloon's average room rate increased 15% whilst occupancy improved 1% at 93% level. As a result, total revenue increased HK\$12 million to HK\$106 million, up 13%, and operating profit increased HK\$9.7 million to HK\$68 million, up 17%.

These positive results are attributed mainly to our improved room rate from the high yield corporate and leisure groups as well as individual travelers from PRC businesses.

The Empire Landmark Hotel, Vancouver

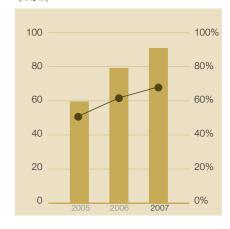
Empire Landmark's average room rate increased 10% whilst occupancy improved 4% to 67%. This together with a strong Canadian dollar which had appreciated by 5% when compared with the corresponding 12 months in previous year, has driven total revenue up 20% to HK\$93 million from HK\$78 million. Operating profit increased 40% to HK\$35 million.

Empire Landmark Hotel, the tallest hotel with the award-winning revolving "Cloud 9" restaurant in the heart of Vancouver, shall continue to reap the benefit of Canada's sustained economic growth in welcoming the 2010 Winter Olympics.



The Empire Landmark Hotel

Revenue
Occupancy (%)
(HK\$'M)



The New 280 rooms hotel in Causeway Bay

The Group acquired a 28 storey office building for converting into a 280 rooms hotel in Causeway Bay, Hong Kong. This new hotel will increase the portfolio from the current 1,035 rooms to 1,315 rooms. It will contribute to the profit and cash flow of the Group when it becomes fully operational, which is anticipated to be by around second half of 2008.

Travel Agency

The revenue of the travel agency from the year is HK\$282 million with gross operating profit increasing fourfold. The improved profitability performance was attributed to its business diversification into other higher yield segments of the business such as incentive and package tour.

Catering Business

The revenue of our franchised restaurants is HK\$23 million. Gross operating profit, however, dropped 6% to HK\$3 million. Our Shanghai store continues to show positive growth. The set back in profit was mainly due to higher operating costs of the Hong Kong store.

Financial Review

As at 31st March 2007, the shareholders' funds amounted to HK\$1,943 million. The increase by HK\$467 million over last year was primarily due to the new capital raised in May 2006 and the conversion of convertible bonds in March 2007.

The Group had in January 2007 issued an aggregate principal amount of HK\$300 million zero coupon convertible bonds due 2011 for the acquisition of the new hotel from Asia Standard International Group Limited, the ultimate holding company. During the year, a total of 1,428,571,428 shares were issued and allotted upon conversion of convertible bonds of HK\$150 million.

The consolidated net debt (including the aforesaid outstanding convertible bonds) was HK\$723 million, a decrease of HK\$114 million when compared with that at 31st March 2006. The reduction was in part due to early loan pre-payment through the rights issue. As a result, gearing on net asset value dropped significantly from 57% to the present 37%, and against revalued net asset value, from 31% to 22%.

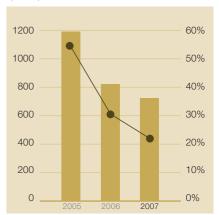
Approximately, 83% of the total debt is denominated in HK\$, over 46% of which have been hedged against interest rate fluctuations by various interest rate swap contracts of HK\$300 million in total. There is no principal repayment for the next three years for HK\$ denominated loans. The remaining 17% is the Vancouver property mortgage loan of HK\$136 million (2006: HK\$142 million) that was borrowed in Canadian dollar for exchange hedging purposes.

The aggregate net book value of land and hotel buildings pledged as securities for loans of the Group as at 31st March 2007 amounted to HK\$2,599 million (2006: HK\$2,202 million).

Total assets amounted to HK\$2,811 million, increased 16% when compared with HK\$2,417 million as at 31st March 2006. According to the prevailing accounting standards, the hotel properties are stated at cost less depreciation and impairment losses. In order to better reflect the economic substance of the Group's hotel property investments, the hotel properties in Hong Kong and Canada were revalued by independent professional valuers on an open market value basis. As at 31st March 2007, the total revalued amount of the four hotel properties was HK\$4,076 million, up 15% when compared with only three hotel properties being prepared on the same basis as at 31st March 2006.

Gearing Ratio (Net debt to revalued net asset value)





Human Resources

As at 31st March 2007, the total number of employees of the Company and its subsidiaries were 360. In addition to salary payment, other benefits include insurance, medical scheme and retirement plans, share option and others.

Options to subscribe for a total of 240,000,000 shares of the Company were granted under the share option scheme at an exercise price of HK\$0.1296 per share on 29th March 2007. Up to 31st March 2007, none of the share option granted has been exercised.

Future Prospects

The Group has performed well within buoyant hospitality markets in Hong Kong. We see significant potential value through the room renovation program made in our Empire Hong Kong Hotel as well as the new hotel in Causeway Bay, which is anticipated to be in operation by the second half of 2008. We look towards the future from a firm financial and

organisational base and are actively pursuing new opportunities for further growth and value creation, including our continuous effort in the search of investment opportunities and provision of management services in the PRC.

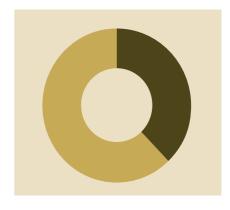
The outlook of the hotel industry in Hong Kong continues to be promising. The new Asia World Expo convention center at The Hong Kong Airport (Asia's largest at 753,000 sq ft), as well as the expansion plan at the existing Hong Kong Convention and Exhibition Center in Wanchai should further place Hong Kong's draw as a major M.I.C.E. market in Asia, attracting more business travelers to Hong Kong Disneyland Phase 2 and a new brand cruise terminal.

Similarly, our franchised restaurants will benefit from the thriving tourist industry here while our Shanghai restaurant is expected to grow in revenue and profitability alongside with Shanghai's vibrant economic growth.

The future prospects for our Vancouver hotel look equally optimistic because of the expected growth in Canada's tourism led by its sustained economic expansion in anticipation of the 2010 Winter Olympics. Canada is also an approved destination for PRC travelers.

Total borrowings as at 31 March 2007

- Borrowings hedged by interest rate swap contracts (38%)
- Borrowings with unhedged interest rates (62%)



Financial Summary

Year ended 31st March	2007	2006	2005	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(restated)	(restated)	(restated)
Revenue	617,279	569,792	569,248	425,966	448,215
Gross operating profit	160,540	135,547	104,699	36,026	71,255
Depreciation and amortisation	(74,939)	(72,741)	(71,799)	(77,209)	(77,443)
Finance costs	(44,674)	(54,280)	(37,695)	(41,073)	(46,845)
Profit/(loss) attributable to shareholders	27,605	(20,843)	29,207	(71,359)	(53,151)
					_
Total assets	2,810,692	2,416,761	2,540,136	2,543,117	2,584,162
Total liabilities	(868,051)	(940,276)	(1,313,106)	(1,356,379)	(1,342,788)
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Shareholders' funds	1,942,641	1,476,485	1,227,030	1,186,738	1,241,374

Note: The Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and HKAS (collectively "HKFRS") which are effective for accounting periods commencing on or after 1st January 2005. The 2003, 2004 and 2005 figures have been restated accordingly.

Hotel Properties

	Group's interest	Approx. site area (sq.ft.)	Approx. gross floor area (sq.ft.)
Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong	100%	10,600	184,000 (362 rooms)
 Empire Hotel Kowloon, 62 Kimberley Road, Tsimshatsui, Kowloon 	100%	11,400	220,000 (315 rooms)
3. Empire Landmark Hotel, 1400 Robson Street, Vancouver B. C., Canada	100%	41,000	420,000 (358 rooms)
4. New Hotel (coming soon)8 Wing Hing Street, Causeway Bay, Hong Kong	100%	6,190	108,000 (280 rooms)

Corporate Governance Report

Corporate governance practices

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

Board of Directors

The Board consists of six Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The posts of Chairman and Chief Executive are separate and are held by different individuals. The Chairman, Mr. Poon Jing is responsible for overseeing the functioning of the Board and the strategies and policies of the Group. The Chief Executive and Deputy Chairman, Dr. Lim Yin Cheng is responsible for managing the Group's business. The biographical details and relationship of the Directors are disclosed in the biography of Directors set out in the Directors' Report.

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

The Board meets quarterly and is responsible for the formulation and reviewing of long-term business directions and strategies, to monitor the operating and financial performance of the Group. It also considers and approves future strategic plans and budgets for the Group. The management is delegated with the authority to make decisions and responsible for daily operations of the Group under the leadership of the Chief Executive.

The management provides explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put forward to the Board for approval. The Chief Executive, working with the other Executive Directors and the head of each division, is responsible for managing the business of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for operations of the Group. All Executive Directors have made full and active contributions to the affairs of the Board.

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

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

Corporate Governance Report

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

Attendance at Board Meetings/

No. of

Name of director	Title	Board Meetings held
Mr. Poon Jing	Chairman	3/4
Dr. Lim Yin Cheng	Deputy Chairman and Chief Executive	4/4
Mr. Fung Siu To, Clement	Executive Director	4/4
Mr. Poon Tin Sau, Robert	Executive Director	3/4
Mr. Wong Shu Pui	Executive Director	4/4
Mr. Woo Wei Chun, Joseph	Executive Director (Appointed on 20th September 2006)	3/3
Mr. Liang Shangli	Non-executive director	0/4
Mr. Ip Chi Wai	Independent non-executive director	4/4
Mr. Leung Wai Keung, Richard	Independent non-executive director	3/4
Mr. Hung Yat Ming	Independent non-executive director	4/4

Remuneration committee

The Remuneration Committee currently comprises the Chief Executive (who also act as the Chairman of the Remuneration Committee), and two Independent Non-executive Directors, Mr. Ip Chi Wai and Mr. Hung Yat Ming. The duties of the Committee includes making recommendations to the Board on the remuneration policy and structure of the Directors and senior management, approving the remuneration, determining the remuneration packages of all Executive Directors and senior management and approving the compensation to Directors and senior management on termination or dismissal. The remuneration packages including basic salary, annual bonus, retirement and other benefit such as share options are commensurate with their job nature and experience level.

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

Audit committee

The Audit Committee members currently comprise all the Independent Non-executive Directors, Mr. Hung Yat Ming (as Chairman), Mr. Leung Wai Keung, Richard and Mr. Ip Chi Wai. The terms of reference adopted by the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee meets at least twice a year for review of the audited annual financial statements and the unaudited interim financial statements. During the year, the Audit Committee met twice to review the Company's financial reporting and the recommendation by the auditors on the issues of internal control. All the members had attended the meetings.

The Audit Committee has reviewed the audited financial statements for the year ended 31st March 2007.

Corporate Governance Report

Nomination of Directors

In considering the nomination of a new Director, the Board will take into account the qualification, ability, working experience, and professional ethics of the candidates. Currently the full Board is responsible for selection and approval of candidates for appointment as Executive Director to the Board. The Board will arrange meeting for nomination of Director on an as-needed basis. During the year, a new Director was recommended and appointed by the Board with the relevant experience and capabilities to maintain and improve the competitiveness of the Company. Thereafter, the appointed Director is subject to election by shareholders at the annual general meeting in his first year of appointment. The attendance record of the Board meetings is shown on page 12 in the section "Board of Directors".

Code of Conduct

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

Code on Corporate Governance Practices

During the year, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the listing of Securities on the Stock Exchange (the "Listing Rules").

Internal Control

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

Auditor remuneration

PricewaterhouseCoopers has been appointed as the auditor of the Company by the shareholders at the annual general meeting. The services provided by PricewaterhouseCoopers include audit, taxation related and other services. An amount of HK\$1,736,000 (2006: HK\$1,354,000) was charged to the financial statements of the Group for their audit services. Taxation services fees, capital market transactions, review on interim results and other services provided by PricewaterhouseCoopers to the Group amounted to HK\$1,330,000 (2006: HK\$198,000).

Investor relationship

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

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

Directors and Senior Management

Executive Directors

POON Jing

Age 52. Chairman of the Company, managing director, chief executive and chairman of the executive committee of Asia Standard International Group Limited ("ASI"). He is also the managing director and chief executive of Asia Orient Holdings Limited ("Asia Orient") and is an independent non-executive director of GZI Transport Limited. Mr. Poon is the founder of the Group. He is the brother-in-law of Mr. Fung Siu To, Clement and Dr. Lim Yin Cheng, a Director and Deputy Chairman of the Company, respectively. Mr. Poon is a brother of Mr. Poon Tin Sau, Robert, a Director of the Company.

LIM Yin Cheng

Age 62. Deputy Chairman, Chief Executive and Chairman of the Remuneration Committee of the Company, deputy chairman of ASI and Asia Orient. Dr. Lim is a holder of Bachelor of Science (Chemical Engineering) and Doctor of Philosophy degree. He has over 25 years of experience in engineering, project management and administration. He joined the Group in 1994. He is the brother-in-law of Mr. Poon Jing, the Chairman of the Company.

FUNG Siu To, Clement

Aged 58. Director of the Company and Chairman of ASI and Asia Orient, chairman of remuneration committee and a member of executive committee of ASI. Mr. Fung is a holder of Bachelor of Applied Science (Civil Engineering) degree. He is a fellow member of the Hong Kong Institute of Engineers. He joined the Group in 1994 and has over 25 years of experience in project management and construction. He is the brother-in-law of Mr. Poon Jing, the Chairman of the Company.

POON Tin Sau, Robert

Aged 61. Director of the Company. Mr. Poon was a restaurant entrepreneur in the USA during the period from 1970 to 1996 and joined the Group in 1996. He is a brother of Mr. Poon Jing, the Chairman of the Company.

WONG Shu Pui

Aged 52. Director of the Company and the Group General Manager since 2000. Mr. Wong is responsible for the management of the Group's hospitality operations, development of Group's marketing and sales strategy as well as its corporate services. Mr. Wong has almost 30 years' extensive experience in hotel industry for both local and overseas covering the U.S.A. and Australia and has held senior positions in a number of major international chain hotels in Hong Kong.

WOO Wei Chun, Joseph

Aged 43. Director and Group Financial Controller of the Company. Mr. Woo is registered as a certified public accountant in U.S.A. and is an associate member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). He holds a bachelor degree in Accounting with Computing and a master degree in Business Administration. Mr. Woo has over 20 years of experience in accounting and finance. He joined the Group in 2006.

Directors and Senior Management

Non-executive Director

LIANG Shangli

Aged 86. Mr. Liang is the founder and chairman of a property development company in the PRC. Prior to establishing the property development company in PRC 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 ASI. He joined the Group in 2000.

Independent Non-executive Directors

IP Chi Wai

Aged 39. Mr. Ip graduated from the University of Hong Kong with a bachelor's degree in law. He is a qualified solicitor in Hong Kong and has over ten years of experience in the legal profession. He is an independent Non-Executive Director, a member of Audit Committee and Remuneration Committee of the Company and Bio Cassava Technology Holdings Limited. He joined the Group in September 2003.

LEUNG Wai Keung, Richard

Age 44. A member of Audit Committee of the Company. Mr. Leung is currently a Barrister-at-Law. He has about 9 years of experience in accounting and financial management in several firms and thereafter practicing as a barrister for 11 years. 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. Recently 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. Mr. Leung joined the Group in 2004.

HUNG Yat Ming

Aged 55. Mr. Hung is the qualified accountant and company secretary of Capital Estate Limited, a company listed on The Stock Exchange of Hong Kong Limited. Mr. Hung has over 25 years of experience in audit, accounting and financial management in several firms in Sydney and Hong Kong and was executive director heading the accounting department of a Hong Kong listed company. Mr. Hung is a member of the Institute of Chartered Accountants of Scotland and HKICPA. He graduated from the University of Hong Kong with a bachelor degree in Mathematics and obtained a post-graduate diploma in Accountancy from the University of Strathclyde, Scotland. He is an Independent Non-Executive Director, Chairman of Audit Committee and a member of Remuneration Committee of the Company and Asia Orient. He joined the Group in September 2004.

Senior management

TSANG Chin Lap, Johnny

Aged 57. Mr. Tsang has over 35 years experience in hotel industry and has held senior positions as Director of Sales and General Manager in a number of international hotels in Hong Kong before being appointed as General Manager of Empire Landmark Hotel in Vancouver in 2003.

FUNG Pak Lap, Alan

Aged 48. Mr. Fung is a Director and General Manager of JBC Travel Company Limited ("JBC"), a wholly owned subsidiary of the Company. Mr. Fung has over 20 years experience in airline industry as he has worked extensively for a leading airline company in Hong Kong. Mr. Fung joined JBC in 1987.

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st March 2007.

Principal activities and analysis of operations

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 35 to the financial statements.

The activities of the Group are mainly based in Hong Kong, Canada and Mainland China. Analyses of the Group's revenue and contribution to operating profit by principal activities and by principal markets are set out in note 4 to the financial statements.

Results and appropriations

The results of the Group for the year ended 31st March 2007 are set out in the consolidated profit and loss account on page 26.

The Company paid an interim dividend of HK0.26 cent (2006: Nil) per share for the year.

The Board recommends the payment of a final dividend of HK0.26 cent (2006: HK.0.32 cent) per share to shareholders for the year ended 31st March 2007. A total amount of approximately HK\$32.5 million (2006: HK\$30.3 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 31st August 2007.

Total dividend for the year amounted to HK0.52 cent (2006: HK0.32 cent) per share. The details of dividends proposed during the year are set out in note 14 to the financial statements.

Financial summary

A financial summary of the results and of the assets and liabilities of the Group is set out on page 9.

Purchase, sale or redemption of listed securities

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

Property, plant and equipment and leasehold land

Details of the movements in property, plant and equipment and leasehold land of the Group are set out in note 16 to the financial statements.

Share capital

Details of the share capital of the Company are set out in note 24 to the financial statements.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to nil (2006: HK\$300,000).

Directors

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

Mr. Poon Jing

Dr. Lim Yin Cheng

Mr. Fung Siu To, Clement

Mr. Poon Tin Sau, Robert

Mr. Wong Shu Pui

Mr. Woo Wei Chun, Joseph (Appointed on 20th September 2006)

Mr. Liang Shangli

Mr. Ip Chi Wai

Mr. Leung Wai Keung, Richard

Mr. Hung Yat Ming

In accordance with Bye-laws, 99 and 102(B) of the Company's Bye-laws, one-third of the Directors and the Directors appointed by the Board during the year retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for reelection. The Chairman of the Board and the Managing Director of the Company shall not be subject to retirement by rotation. Messrs. Hung Yat Ming, Liang Shangli and Woo Wei Chun, Joseph will retire from office by rotation in accordance with the Bye-laws of the Company and Mr. Poon Jing will retire from office to comply with the Code on Corporate Governance Practices at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

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

Biographical details of directors and senior management

Biographical details of Directors and senior management are set out on pages 14 to 15.

Directors' interests in contracts

Save for contracts amongst Group companies, no other contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Arrangements to purchase shares or debentures

Apart from the share option scheme of the Company as disclosed under the heading "Share option scheme" below, and that of its holding company, Asia Standard International Group Limited ("ASI"), at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31st March 2007, the interests and short position of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of the Hong Kong Securities and Futures Ordinance (the "SFO") which (a) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(I) Long positions in shares

(a) The Company

	Number of shares held				
Director	Personal interest	Corporate interest	Total	Percentage of shares in issue (%)	
Poon Jing	383,434	7,282,488,211	7,282,871,645	65.73	

By virtue of his interest in the Company through Asia Orient Holdings Limited ("Asia Orient") and its subsidiaries as disclosed under the heading "Substantial shareholders and other persons' interests and short positions in shares and underlying shares." below, Mr. Poon is deemed to be interested in the shares of all of the Company's subsidiaries.

(b) Associated corporations

	Number of shares held				
					Percentage of
		Personal	Corporate		shares in issue
Associated corporation	Director	interest	interest	Total	(%)
Asia Standard International Group Limited ("ASI")	Poon Jing (Note 1)	6,248,502	2,967,345,774	2,973,594,276	42.99
Centop Investment Limited ("Centop") (Note 2)	Poon Jing and Fung Siu To, Clement	Nil	20	20	20
Centop (Note 3)	Poon Jing	Nil	80	80	80
Mark Honour Limited	Fung Siu To, Clement	9	Nil	9	9

Notes:

- By virtue of his controlling interest in Asia Orient, Mr. Poon is deemed to be interested in the shares of ASI held by subsidiaries
 of Asia Orient.
- 2. Centop is owned as to 80% by ASI and as to 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 has interest in the 20 shares held by Kingscore and duplicate the interest of the other.

(I) Long positions in shares (Continued)

(b) Associated corporations (Continued)

3. By virtue of his controlling interest in Asia Orient, Mr. Poon is deemed to be interested in the Company's subsidiaries and associated corporations, including the 80 shares of Centop held by ASI.

(II) Long positions in underlying shares

Interests in share options

(a) The Company

As at 31st March 2007, details of the share options granted to Directors under the share option scheme are as follows:

		Outstanding					Outstanding
		as at		Granted	Exercise		as at
		1st April	Adjustment	during	price		31st March
Name of director	Date of grant	2006	(Note)	the year	(HK\$)	Exercise period	2007
Wong Shu Pui	31st October 2005	4,000,000	465,909	_	0.19436	1st November 2005 to	4,465,909
		(Note)			(Note)	31st October 2015	(Note)
	29th March 2007	-	-	80,000,000	0.1296	29th March 2007 to	80,000,000
						28th March 2017	
Fung Siu To, Clement	29th March 2007	-	-	80,000,000	0.1296	29th March 2007 to	80,000,000
						28th March 2017	
Poon Tin Sau, Robert	29th March 2007	-	-	80,000,000	0.1296	29th March 2007 to	80,000,000
						28th March 2017	

Note: Options were granted on 31st October 2005 and exercisable from 1st November 2005 to 31st October 2015 at an exercise price of HK\$0.217 per share. Subsequent to the completion of rights issue of the Company on the basis of 1 rights share for every 2 existing shares held by the shareholders as of 19th April 2006, the exercise price of the share option has been adjusted from HK\$0.217 per share to HK\$0.19436 per share and the number of options has also been adjusted from 4,000,000 to 4,465,909 from 10th May 2006.

Save as disclosed above, during the year no option was exercised, cancelled or lapsed.

(II) Long positions in underlying shares (Continued)

Interests in share options (Continued)

(b) Associated corporation - ASI

Name of director	Outstanding as at 1st April 2006	Adjustment (Note)	Outstanding as at 31st March 2007
Poon Jing	5,000,000	155,440	5,155,440
Lim Yin Cheng	20,000,000	621,761	20,621,761
Fung Siu To, Clement	20,000,000	621,761	20,621,761
Wong Shu Pui	15,000,000	466,321	15,466,321

Note: Options were granted on 30th March 2005 and exercisable from 30th March 2005 to 29th March 2015 at an exercise price of HK\$0.325 per share. Subsequent to completion of the rights issue of ASI, the number of options granted to each of Messrs. Fung Siu To, Clement and Lim Yin Cheng were adjusted from 20,000,000 to 20,621,761 and the number of options granted to Mr. Poon Jing was adjusted from 5,000,000 to 5,155,440 and the number of options granted to Mr. Wong Shu Pui was adjusted from 15,000,000 to 15,466,321 and the subscription price was adjusted from HK\$0.325 per share to HK\$0.315 per share on 10th November 2006. During the year, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

(III) Interest in convertible bonds

Associated corporation - ASI

Name of director	Nature of Interest	Convertible bonds held (HK\$)	No. of underlying shares held	Percentage (%)
Poon Jing	Corporate (Note)	150,000,000	1,428,571,427	12.89

Note: As at 31st March 2007, Asia Standard Finance Company Limited and Asia Standard Development (Holdings) Limited, both subsidiaries of ASI, held convertible bonds of the Company of HK\$22,150,000 and HK\$127,850,000 respectively. By virtue of his controlling interest in Asia Orient, Mr Poon is deemed to be interested in such convertible bonds held by the subsidiaries of ASI.

Pursuant to the terms of the convertible bonds, the convertible bonds may be converted into shares of the Company at a conversion price of HK\$0.105 per share. Accordingly, the number of underlying shares that may be converted under the convertible bonds is 1,428,571,427.

Save as disclosed above, as at 31st March 2007, none of the Directors or the Chief Executive (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

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

As at 31st March 2007, according to the register of substantial shareholders kept by the Company under Section 336 of the SFO, the following parties (other than the Directors and the Chief Executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

(a) Long position in shares of the Company

	Number of shares	Percentage (%)
Asia Standard Finance Company Limited ("AS Finance")	1,428,571,428	12.89
Asia Standard International Limited ("ASIL")	6,947,859,720	62.70
ASI (Note 1)	6,955,645,519	62.78
Asia Orient Company Limited (Note 2)	7,282,488,211	65.73
Asia Orient Holdings (BVI) Limited (Note 3)	7,282,488,211	65.73
Asia Orient (Note 3)	7,282,488,211	65.73
Mr. Poon Jing (Note 4)	7,282,871,645	65.73

(b) Long positions in underlying shares of the Company

Convertible bonds

	Underlying shares Interest of HK\$150,000,000
Name	Convertible bonds
AS Finance (Note 5)	210,952,380
Asia Standard Development (Holdings) Limited ("ASDHL") (Note 5)	1,428,571,427
ASI (Notes 1 and 5)	1,428,571,427
Asia Orient Company Limited (Note 2)	1,428,571,427
Asia Orient Holdings (BVI) Limited (Note 3)	1,428,571,427
Asia Orient (Note 3)	1,428,571,427

Notes:

- (1) AS Finance and ASIL are the wholly owned subsidiaries of ASI and ASI is deemed to be interested in and duplicates all the shares held by AS Finance and ASIL.
- (2) Asia Orient Company Limited and its subsidiaries together hold more than one-third of the issued shares of ASI and is deemed to be interested in and duplicates the shares and convertible bonds held by ASI.
- (3) Asia Orient Company Limited is a wholly owned subsidiary of Asia Orient Holdings (BVI) Limited which in turn is a wholly owned subsidiary of Asia Orient. Asia Orient Holdings (BVI) Limited and Asia Orient are deemed to be interested in and duplicate the shares and convertible bonds held by Asia Orient Company Limited and its subsidiaries.
- (4) Mr. Poon Jing has personal interest in 383,434 shares and by virtue of his interest in Asia Orient, he is deemed to be interested in and duplicates the shares held by Asia Orient.
- (5) AS Finance is a wholly owned subsidiary of ASDHL which in turn is a wholly owned subsidiary of ASI. AS Finance and ASDHL hold convertible bonds of the Company of HK\$22,150,000 converted into 210,952,380 shares and HK\$127,850,000 converted into 1,217,619,047 shares respectively.

Each of AS Finance and ASDHL is a wholly owned subsidiary of ASI and ASI is deemed to be interested in and duplicate the convertible bonds held by ASDHL and AS Finance.

Save as disclosed above, as at 31st March 2007, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under Section 336 of the SFO.

Share option scheme

The share option scheme of Asia Standard Hotel adopted on 24th May 2000 ("Old Share Option Scheme") has been terminated pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28th August 2006 ("2006 AGM") without prejudice to the rights and benefits of and attached to those option granted thereunder which are outstanding as at that date. At the 2006 AGM, an ordinary resolution was duly passed under which a new share option scheme ("New Share Option Scheme") was adopted and approved by shareholders. According to the New Share Option Scheme, the board of directors of the Company may grant options to any director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiary or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, recognise and acknowledge the contributions of, motivate and maintain and ongoing relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Group.

The total number of shares available for issue upon exercise of all options to be granted under the New Share Option Scheme must not exceed 946,216,302 shares, representing about 7.6% of the shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under the New Share Option Scheme or any other share option scheme within any 12 months period, must not exceed 1% of the shares in issue from time to time.

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

The subscription price shall be at the discretion of the Board of Directors provided that it shall be not less than the highest of (i) the closing price of a share on the relevant date of grant; (ii) the average of the closing prices of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The share option scheme is effective for 10 years from 28th August 2006.

The following table discloses details of Company's options granted under the share option scheme:

Grantee	Outstanding as at 1st April 2006	Adjustment (Note a)	Granted during the year	Outstanding as at 31st March 2007
Old Chara Ontion Cabana	4 000 000	465,000		4.465.000
Old Share Option Scheme	4,000,000	465,909	_	4,465,909
Director	(Note a)			(Note a)
New Share Option Scheme	-	_	240,000,000	240,000,000
Directors			(Note b)	

Notes:

- (a) The options were granted on 31st October 2005 and exercisable from 1st November 2005 to 31st October 2015 at an exercise price of HK\$0.217 per share. Following the adjustment made to the number of option granted under Old Share Option Scheme and the subscription price thereof as a result of the rights issue of the Company on basis of 1 rights share for every 2 existing shares held by the shareholders as of 19th April 2006, the exercise price of the share option has been adjusted from HK\$0.217 per share to HK\$0.19436 per share and the number of options has also been adjusted from 4,000,000 to 4,465,909 on 10th May 2006.
- (b) The options were granted on 29th March 2007 and exercisable from 29th March 2007 to 28th March 2017 at an exercise price of HK\$0.1296 per share. The closing price of the shares immediately before the date of grant of such options is HK\$0.126.
- (c) No option was exercised, cancelled or lapsed during the year.
- (d) Please refer to 8(e) of notes to financial statements for the fair value of the share option.

Pre-emptive rights

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

Management contracts

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

Major customers and suppliers

During the year, turnover attributable to the Group's five largest customers and the Group's largest customer were 6.4% and 1.9% of the total turnover of the Group respectively. The percentage of purchases attributable to the Group's five largest suppliers and the Group's largest supplier were 46.8% and 24.3% respectively.

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

Connected Transactions

The following were connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"):

- On 1st February 2007, the Group has acquired the entire issued share capital of Maxi-Win Limited and Good Choice Limited at a total consideration of HK\$300 million, which is to be satisfied by the issue of zero coupon convertible bonds due 2011 by the Company, from Asia Standard Development (Holdings) Limited, a wholly-owned subsidiary of ASI. The acquired companies hold a 70% and 30% interest respectively in Master Asia Enterprises Limited which was an indirect wholly owned subsidiary of ASI and owns the Property at No. 8 Wing Hing Street, Causeway Bay, Hong Kong.
- 2. The Group has been leasing office and quarter from subsidiaries of ASI at a total rental of HK\$649,000 for the year ended 31st March 2007 (2006: HK\$495,000). ASI being a substantial shareholder, and its subsidiaries other than the Group, are connected persons within the meaning of Chapter 14 of the Listing Rules.

Subsequent events

Details of the subsequent events are disclosed in note 33 to the financial statements.

Independent non-executive Directors

Confirmation of independence has been received from each of the independent non-executive Directors of the Company and the Company considers all existing independent non-executive Directors are independent.

Sufficiency of public float

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

Auditor

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

On behalf of the Board

POON JING

Chairman

Hong Kong, 18th July 2007

Independent Auditor's Report

To the Shareholders of Asia Standard Hotel Group Limited

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Asia Standard Hotel Group Limited (the "Company") set out on pages 26 to 70, which comprise the balance sheets of the Company and the Group as at 31st March 2007, and the consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March 2007 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 18th July 2007

Consolidated Profit and Loss Account

For the year ended 31st March 2007

	Note	2007	2006
	Note	HK\$'000	HK\$'000
	,	0.17 070	500 700
Revenue	4	617,279	569,792
Cost of sales		(366,391)	(357,042)
Gross profit		250,888	212,750
Administrative expenses		(90,348)	(77,203)
Operating profit before other charges		160,540	135,547
Other charges	5	(82,619)	(90,241)
Operating profit	6	77,921	45,306
Interest income	9	2,832	2,683
Net gain/(loss) from financial assets	Ŭ	2,002	2,000
at fair value through profit or loss	10	1,871	(11,731)
Finance costs	11	(44,674)	(54,280)
Profit/(loss) before income tax		37,950	(18,022)
Income tax expense	12	(10,345)	(2,821)
Profit/(loss) attributable to shareholders	13	27,605	(20,843)
Total (1886) distributable to original original	, ,	27,000	(20,010)
Dividends	14	57,125	30,279
Earnings/(loss) per share	15		
Basic		HK 0.30 cent	HK (0.35) cent
Diluted		HK 0.29 cent	HK (0.35) cent

Consolidated Balance Sheet

As at 31st March 2007

	Note	2007	2006
		HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	16	888,009	877,179
Leasehold land	16	1,712,580	1,325,426
Goodwill	17	13,188	13,188
Deferred income tax assets	28	30,372	40,130
		2,644,149	2,255,923
Current assets			
Inventories		2,190	2,566
Derivative financial instruments	19	2,854	1,257
Financial assets at fair value through profit or loss	20	38,795	61,957
Trade and other receivables	21	53,843	50,181
Current income tax recoverable		_	200
Bank balances and cash	22	68,861	44,677
		166,543	160,838
Current liabilities			
Derivative financial instruments	19	1,619	_
Trade and other payables	23	63,063	47,480
Current income tax payable		11,560	10,973
Short term bank borrowings, secured	26	51,000	_
Current portion of borrowings, secured	26	13,161	17,943
		140,403	76,396
Net current assets		26,140	84,442
Total assets less current liabilities		2,670,289	2,340,365
Non-current liabilities			
Convertible bonds	27	116,162	_
Borrowings, secured	26	611,486	863,880
		727,648	863,880
Net assets		1,942,641	1,476,485
Equity			
Share capital	24	221,605	126,162
Reserves	25	1,721,036	1,350,323
		1,942,641	1,476,485
		1,072,041	1,470,4

Balance Sheet

As at 31st March 2007

	Note	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Subsidiaries	18	2,583,384	1,874,808
Deferred income tax assets	28	137	137
		2,583,521	1,874,945
Current assets			
Bank balances and cash	22	632	10,373
Current liabilities			
Trade and other payables	23	551	2,189
Amount due to subsidiaries	18	122,244	54,461
		122,795	56,650
Net current liabilities		(122,163)	(46,277)
Total assets less current liabilities		2,461,358	1,828,668
Non-current liabilities			
Convertible bonds	27	116,162	
Net assets		2,345,196	1,828,668
Equity			
Share capital	24	221,605	126,162
Reserves	25	2,123,591	1,702,506
		2,345,196	1,828,668

Consolidated Cash Flow Statement

For the year ended 31st March 2007

	Note	2007 HK\$'000	2006
			HK\$'000
Cash flows from operating activities			
Net cash generated from operations	34(a)	168,764	167,858
Interest paid	- (-)	(37,519)	(54,743
Interest element on finance leases		(23)	(30
Income tax refunded		200	
Net cash from operating activities		131,422	113,085
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		29	-
Addition of property, plant and equipment		(13,927)	(22,657)
Proceeds from disposal of financial assets at fair value			
through profit or loss		35,845	29,024
Proceeds from disposal of property, plant and equipment		15	-
Purchase of financial assets at fair value through profit or loss		(14,292)	(11,550
Interest received		2,832	3,347
Dividends received from financial assets			
at fair value through profit and loss		627	1,976
Net cash from investing activities		11,129	140
Cash flows from financing activities			
Net proceeds from issue of rights shares		281,804	-
Net proceeds from share placement		-	193,175
Net proceeds from share options exercised		-	53,382
Drawdown of short term bank borrowings		51,000	-
Drawdown of long term bank borrowings		180,000	-
Repayment of long term bank borrowings		(593,730)	(371,749
Capital element of finance lease payments		(98)	(105
Dividends paid		(36,536)	
Net cash used in financing activities		(117,560)	(125,297
Increase/(decrease) in cash and cash equivalents		24,991	(12,072)
Cash and cash equivalents at the beginning of the year		44,677	56,194
Changes in exchange rates		(807)	555
Cash and cash equivalents at the end of the year	22	68,861	44,677

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

	Note	2007 HK\$'000	2006 HK\$'000
Total equity at the beginning of the year		1,476,485	1,227,030
Net income directly recognised in equity:			
Currency translation differences	25	1,765	6,241
Profit/(loss) attributable to shareholders	25	27,605	(20,843)
Fair value of share options	25	7,680	17,500
Convertible bonds – equity component	25	67,676	_
Dividends	25	(54,880)	_
Issue of shares upon exercise of share options	24, 25	<u> </u>	53,382
Placement of new shares	24, 25	_	193,175
Issue of shares upon exercise of convertible bonds	24, 25	116,162	-
Issue of shares upon exercise of scrip dividend	24, 25	18,344	_
Issue of rights shares	24, 25	281,804	
Total equity at the end of the year		1,942,641	1,476,485

1 Summary of significant accounting policies

(a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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.

(b) The adoption of new/revised HKFRS

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

HKAS 21 (Amendment)

Net Investment in a Foreign Operation

HKAS 39 (Amendment) Cash Flow Hedge Accounting of Forecast Intragroup Transactions

HKAS 39 (Amendment) The Fair Value Option

HKAS 39 and HKFRS 4 (Amendment) Financial Guarantee Contracts

HK(IFRIC) - Int 4 Determining whether an Arrangement contains a Lease

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

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

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

Effective from 1st January 2007

HKAS 1 (Amendment) Presentation of Financial Statements : Capital Disclosures

HK (IFRIC) - Int 8 Scope of HKFRS 2

HK (IFRIC) - Int 9 Reassessment of Embedded Derivatives
HK (IFRIC) - Int 10 Interim Reporting and Impairment

HK (IFRIC) - Int 11 HKFRS 2 - Group and Treasury Share Transactions

HKFRS 7 Financial Instruments: Disclosures

Effective from 1st January 2009

HKFRS 8 Operating Segments

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

1. Summary of significant accounting policies (continued)

(c) Consolidation

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

All significant intra-group transactions and balances have been eliminated.

(d) Subsidiaries

Subsidiaries are all entities over 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. 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 interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are 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.

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 by the Company on the basis of dividend received and receivable.

(e) 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 providing 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.

1. Summary of significant accounting policies (continued)

(f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items and other costs incurred to bring the asset into its existing use and location.

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 is calculated using straight-line method to allocate the cost to their residual values over their estimated useful lives, as follows:

Hotel buildings Lower of underlying land lease term or 50 years
Plant and equipment 3 – 10 years

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

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

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

Freehold land is accounted for as property, plant and equipment and stated at cost less impairment. No depreciation is provided for freehold land.

(g) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment as well as when there is indication for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

1. Summary of significant accounting policies (continued)

(h) Inventories

Inventories comprise primarily food, beverages and operating supplies 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.

(i) Impairment of assets

Assets that have an indefinite useful life and are not subject to depreciation or 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 or 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. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Financial assets at fair value through profit or loss

The Group classifies its investments in securities as financial assets at fair value through profit or loss. This category has two sub-categories: financial assets held for trading, and those 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.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category including interest and dividend income are presented in the profit and loss account in the period in which they arise.

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.

(k) Derivative financial instruments

Derivative financial instruments mainly represents interest rate swaps and forward foreign exchange contract, are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at fair value. Changes in fair value are recognised in the profit and loss account. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contract is determined using forward exchange market rates at the balance sheet date.

1. Summary of significant accounting policies (continued)

(I) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, 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; 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.

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

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.

(m) 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 consolidated financial statements. However, if 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 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.

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, 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.

(n) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

(o) Finance leases

Assets leased under agreements that transfer substantially all the risks and rewards incident to ownership of the relevant assets to the Group are classified as finance leases. At the inception of a finance lease, the fair value of the asset or, if lower, the present value of the minimum lease payments is capitalised as a property, plant and equipment; the corresponding obligations, net of finance charges, is included under long term liabilities. Gross rental payable in respect of finance leases are apportioned between interest charges and a reduction of the lease obligations based on the interest rates implicit in the relevant leases.

1. Summary of significant accounting policies (continued)

(p) Operating leases

Leases on which a significant portion of risks and rewards of ownership of assets are retained by the lessors are accounted for as operating leases. Receipts or payments made under operating leases net of incentives received from the lessors, are charged to the profit and loss account on a straight line basis over the terms of the leases.

(q) 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 are expensed in the profit and loss account.

(r) 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. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

(s) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in ordinary course of the Group's activities. Revenue is shown, net of returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

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

Operating lease rental income is recognised on a straight line basis over the term of the lease.

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

Interest income is recognised on a time proportion basis that takes into account the principal amounts outstanding and the effective interest rates applicable.

Revenue from sale of financial assets at fair value through profit or loss is recognised when the significant risks and rewards of ownership have been transferred to the purchaser.

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

1. Summary of significant accounting policies (continued)

(t) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The 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 financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

(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 and other currency instruments designated as hedges of such investments, are taken to 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.

1. Summary of significant accounting policies (continued)

(u) 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 benefit schemes which are available to employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to these schemes are expensed as incurred.

(iii) Share-based compensation

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

(v) Borrowing costs

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

(w) Trade payable

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

(x) Dividend distribution

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

1. Summary of significant accounting policies (continued)

(y) Share capital

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

(z) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(aa) Related parties

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries 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.

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 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

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.

2. Financial risk management (continued)

(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 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.

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 be equal to 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 impairment of assets and income taxes.

(a) Impairment of assets

The Group tests 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.

(b) Income taxes

The Group is subject to income taxes in Hong Kong and other jurisdictions. Judgment 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 management's expectation of future taxable profits that will be available against which tax losses can be utilised. The outcome of their utilisation may be different.

(c) Share option valuation

The significant inputs into the Binomial option pricing model were share price of HK\$0.13 at the grant date, exercise price of HK\$0.1296, implied life of options of 1.6 years, annual risk-free interest rate of 4.302% and 1 year annualised daily volatility rate.

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 registered office is 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

(a) Revenue

The Group is principally engaged in hotel, catering services and travel agency operations. Revenue represents gross revenue from hotel, catering services, and travel agency operations.

	2007 HK\$'000	2006 HK\$'000
Hotel operating income	312,912	270,903
Catering income	22,570	22,441
Sale of air tickets and hotel reservation service	281,797	276,448
	617,279	569,792

(b) Segment information

Primary reporting format – business segments

The Group is organised into three main business segments:

Hotel operation – hotel operation in Hong Kong and Canada

Catering services - restaurant operation in Hong Kong and Mainland China

Travel agency - sale of air tickets and hotel reservation service in Hong Kong

There is no other significant identifiable separate business segment. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments. Segment assets consist primarily of property, plant and equipment, leasehold land, inventories, trade and other receivables and mainly exclude financial assets at fair value through profit and loss, derivative financial instruments, deferred income tax assets, bank balances and cash. Segment liabilities comprise mainly trade and other payables and exclude borrowings, derivative financial instruments, current income tax payable, convertible bonds, and bank overdrafts.

4. Revenue and segment information (continued)

(b) Segment information (continued)

Business segments

	Hotel	Catering	Travel	
	operation HK\$'000	services HK\$'000	agency HK\$'000	Total HK\$'000
	ПКФ 000	ПКФ 000	ПКФ 000	ПКФ 000
Year ended				
31st March 2007 Room rentals	026 570			
Food and beverages	236,572 51,354			
Ancillary services	9,795			
Rental income	15,191			
Segment revenue	312,912	22,570	281,797	617,279
		3,209	1,462	
Segment results Unallocated corporate expenses	91,233	3,209	1,402	95,904 (17,983)
Operating profit Interest income				77,921 2,832
Net gain from financial assets at fair value				2,002
through profit or loss				1,871
Finance costs				(44,674)
Profit before income tax				37,950
Income tax expense				(10,345)
Profit attributable to shareholders				27,605
	Hotel	Catering	Travel	T
	operation HK\$'000	services HK\$'000	agency HK\$'000	Total HK\$'000
	ΤΙΚΦ ΟΟΟ	Τ ΙΙ ΑΦ ΟΟΟ	ΤΙΙΨ ΟΟΟ	111/ψ 000
Year ended				
31st March 2006	004 705			
Room rentals	201,785			
Food and beverages Ancillary services	47,459 9,203			
Rental income	12,456			
	<u> </u>	00.444	070 440	F00 700
Segment revenue	270,903	22,441	276,448	569,792
Segment results	54,299	3,407	197	57,903
Unallocated corporate expenses				(12,597)
Operating profit				45,306
Interest income				2,683
Net loss from financial assets at fair value				
through profit or loss				(11,731)
Finance costs				(54,280)
Loss before income tax				(18,022)
Income tax expense				(2,821)
·				
Loss attributable to shareholders				(20,843)

4. Revenue and segment information (continued)

(b) Segment information (continued)

	Hotel operation HK\$'000	Catering services HK\$'000	Travel agency HK\$'000	Total HK\$'000
Year ended				
31st March 2007				
Segment assets	2,630,563	12,218	26,513	2,669,294
Unallocated corporate assets				141,398
Total assets				2,810,692
Segment liabilities	30,142	2,318	30,036	62,496
Unallocated corporate liabilities				805,555
Total liabilities				868,051
Depreciation	52,937	109	80	53,126
Amortisation of leasehold land	21,686	_	_	21,686
Capital expenditure	13,382	69	33	13,484
Year ended				
31st March 2006	0.005.004	10,000	00.770	0.000.000
Segment assets Unallocated corporate assets	2,235,384	12,220	20,779	2,268,383 148,378
Onallocated corporate assets				
Total assets				2,416,761
Segment liabilities	25,270	3,207	16,775	45,252
Unallocated corporate liabilities				895,024
Total liabilities				940,276
Depreciation	51,757	89	118	51,964
Amortisation of leasehold land	20,637	_	-	20,637
Capital expenditure	22,515	136	6	22,657

4. Revenue and segment information (continued)

(b) Segment information (continued)

Secondary reporting format – geographical segments

The Group's business segments operating in various geographical areas are as follows:

Hong Kong – all the Group's business segments

Canada – hotel and catering

Mainland China – catering

Geographical segments

	Operating	Total	Capital
Revenue	profit	assets	expenditure
HK\$'000	HK\$'000	HK\$'000	HK\$'000
515,192	59,257	2,488,173	11,231
92,791	16,209	310,060	2,652
9,296	2,455	12,459	44
617,279	77,921	2,810,692	13,927
483,393	34,938	2,098,734	19,873
77,575	8,519	307,976	2,727
8,824	1,849	10,051	57
569,792	45,306	2,416,761	22,657
	515,192 92,791 9,296 617,279 483,393 77,575 8,824	Revenue profit HK\$'000 515,192 59,257 92,791 16,209 9,296 2,455 617,279 77,921 483,393 77,575 8,519 8,824 1,849	Revenue profit assets HK\$'000 HK\$'000 HK\$'000 515,192 59,257 2,488,173 92,791 16,209 310,060 9,296 2,455 12,459 617,279 77,921 2,810,692 483,393 34,938 2,098,734 77,575 8,519 307,976 8,824 1,849 10,051

5. Other charges

	2007 HK\$'000	2006 HK\$'000
Depreciation of property, plant and equipment	53,253	52,104
Amortisation of leasehold land	21,686	20,637
Share option expense (note 8(e))	7,680	17,500
	82,619	90,241

6. Operating profit

7.

	2007 HK\$'000	2006 HK\$'000
Operating profit is stated after crediting and charging the following:		
Crediting		
Operating lease rental income for hotel buildings	15,025	12,457
Charging		
Staff costs, including Directors' emoluments (note 7)	91,342	91,800
Operating lease rental expense for land and buildings	5,275	4,986
Provision for bad and doubtful debts	4,088	2,940
Auditor remuneration	1,736	1,354
Cost of inventories sold	21,583	20,136
Staff costs		
	2007	2006
	HK\$'000	HK\$'000
Wages and salaries	80,693	71,622
Share option expenses	7,680	17,500
Termination benefit	70	42
Retirement benefit costs	2,899	2,636
	91,342	91,800

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

In Hong Kong, the Group participates in defined contribution schemes under the ORSO which are available to employees joining before 1st December 2000. Under these schemes, contributions 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. There were no fortfeitures utilised (2006: HK\$nil) for the year.

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% (2006: 5%) or a fixed sum and 4.95% (2006: 4.95%) respectively, of the employee's relevant income in accordance with the local legislative requirements.

The assets of all retirement schemes are held separately from those of the Group in independently administered funds.

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.

7. Staff costs (continued)

The Group's contributions to all these schemes are expensed as incurred. As at 31st March 2007, no forfeitures (2006: Nil) were available to reduce the Group's future contributions to the ORSO schemes.

Share option schemes

The Company has a share option scheme whereby options may be granted to employees of the Group including the Directors to subscribe for shares of the Company. Consideration to be paid on each grant of option is HK\$1.

On 29th March 2007, options to subscribe for a total 240,000,000 shares of the Company were granted under the share option scheme at an exercise price of HK\$0.1296 per share. The fair value of the share options granted amounted to HK\$7,680,000 were charged to consolidated profit an loss account.

At 31st March 2006, 250,000,000 options were granted under this share option scheme and the options for a total of 246,000,000 shares were exercised.

Share option expenses are included in other charges in the consolidated profit and loss account. The remaining staff costs are included in cost of sales and administrative expenses.

8. Directors' and senior management's emoluments

(a) Director's remuneration

The remuneration of each Director for the year ended 31st March 2007 is set out below:

		Salary,	Employer's		
		allowance	contribution	Share	
		and benefit	to pension	options	
	Fees	in kind	scheme	(note e)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Director					
Mr. Poon Jing	-	6,000	-	-	6,000
Dr. Lim Yin Cheng	-	2,000	-	-	2,000
Mr. Poon Tin Sau, Robert	-	904	35	2,560	3,499
Mr. Wong Shu Pui	-	1,240	50	2,560	3,850
Mr. Fung Siu To, Clement	-	1,500	-	2,560	4,060
Mr. Woo Wei Chun, Joseph	_	605	8	-	613
	-	12,249	93	7,680	20,022
Non-executive Director					
Mr. Ip Chi Wai	120	-	-	-	120
Mr. Hung Yat Ming	100	-	-	-	100
Mr. Leung Wai Keung, Richard	100	-	-	-	100
Mr. Liang Shangli	20	-	_	-	20
	340	-	_		340
Total for 31st March 2007	340	12,249	93	7,680	20,362

8. Directors' and senior management's emoluments (continued)

(a) Director's remuneration (continued)

The remuneration of each Director for the year ended 31st March 2006 is set out below:

		Salary,	Employer's	•	
		allowance	contribution	Share	
	Fees	and benefit in kind	to pension scheme	options	Total
	HK\$'000	HK\$'000	HK\$'000	(note e) HK\$'000	HK\$'000
Executive Director					
Mr. Poon Jing	_	5,000	-	-	5,000
Dr. Lim Yin Cheng	-	-	-	3,500	3,500
Mr. Wong Shu Pui	_	1,040	42	3,500	4,582
Mr. Poon Tin Sau, Robert	_	869	35	_	904
	-	6,909	77	7,000	13,986
Non-executive Director					
Mr. lp Chi Wai	120	_	_	_	120
Mr. Hung Yat Ming	100	_	_	_	100
Mr. Leung Wai Keung, Richard	100	_	_	_	100
Mr. Liang Shangli	20	_	_	_	20
	340	-	_	_	340
Total for 31st March 2006	340	6,909	77	7,000	14,326

⁽b) None of the Directors have waived the right to receive their emoluments.

⁽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.

8. Directors' and senior management's emoluments (continued)

(d) Five highest paid individuals

The five highest paid individuals in the Group for the year include five *(2006: three*) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one *(2006: three)* individual are as follows:

	2007	2006
	HK\$'000	HK\$'000
Salaries and other emoluments	2,000	1,805
Share options (note e)	-	7,000
	2,000	8,805

The emoluments of these individuals fell within the following bands:

	2007	2006
	Number	Number
Emolument bands		
HK\$1,500,001 - HK\$2,000,000	1	-
HK\$2,500,001 - HK\$3,500,000	-	1
HK\$3,500,001 - HK\$4,000,000	-	1
HK\$5,000,001 - HK\$5,500,000	-	1
	1	3

^{*} During 2007 and 2006, the emoluments paid and payable to the fifth and the sixth individuals were the same.

8. Directors' and senior management's emoluments (continued)

(e) Share options

The value of the share options granted to the Directors and employees under the share option scheme of the Company represents the fair value of these options charged to the profit and loss statement for the year in accordance with HKFRS 2. The fair value of options granted during the year determined using the Binomial option pricing model was HK\$7,680,000. The significant inputs into the model were share price of HK\$0.13 at the grant date, exercise price of HK\$0.1296, implied life of options of 1.6 years, annual risk-free interest rate of 4.302% and 1 year annualised daily volatility rate (note (i) and (ii)).

The options were granted on 29th March 2007 and exercisable from 30th March 2007 to 29th March 2017. Movements in the number of share options outstanding are as follows:

	2007	2006
	No. of options	No. of options
A	4 000 000	
At 1st April	4,000,000	_
Adjusted for rights issue (note (iii))	465,909	-
Granted	240,000,000	250,000,000
Exercised	-	(246,000,000)
At 31st March	244,465,909	4,000,000

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 of the fair values of share options granted in March 2007 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.
- (iii) Options were granted on 31st October 2005 and exercisable from 1st November 2005 to 31st October 2015 at an exercise price of HK\$0.217 per share. Subsequent to the completion of rights issue of the Company on the basis of 1 rights share for every 2 existing shares held by the shareholders as of 19th April 2006, the exercise price of the share option has been adjusted from HK\$0.217 per share to HK\$0.19436 per share and the number of outstanding options has also been adjusted from 4,000,000 shares to 4,465,909 shares from 10th May 2006.

Save as disclosed above no option was exercised, cancelled or lapsed during the year.

9. Interest income

	2007	2006
	HK\$'000	HK\$'000
hadana ad barana a		
Interest income		
Bank deposits	2,288	1,354
Others	544	1,329
	2,832	2,683

10. Net gain/(loss) from financial assets at fair value through profit or loss

	2007	2006
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss		
Realised gain/(loss)	972	(12,287)
Fair value gain/(loss)	272	(1,420)
Dividend income from listed equity securities	627	1,976
	1,871	(11,731)

11. Finance costs

	2007	2006
	HK\$'000	HK\$'000
Interest expense		
Bank loans and overdrafts	35,726	52,329
Finance lease obligations wholly repayable within five years	23	30
Other incidental borrowing costs	6,049	3,178
Fair value loss/(gain) on interest rate swaps	2,876	(1,257)
	44,674	54,280

12. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the year. No provision for Hong Kong profits tax was made in last year as there were no assessable profits for last year. No provision for overseas and Mainland China taxation has been made as there are no assessable profits for the year (2006: Nil).

	2007	2006
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current income tax	587	-
Deferred income tax (note 28)	9,758	3,521
Mainland China tax		
Deferred income tax (note 28)	-	(700)
Income tax expense	10,345	2,821

12. Income tax expense (continued)

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

	2007	2006
	HK\$'000	HK\$'000
Profit/(loss) before income tax	37,950	(18,022)
Calculation at a tax rate of 17.5% (2006: 17.5%)	6,641	(3,154)
Effect of different tax rates in other countries	(1,263)	(1,320)
Income not subject to income tax	(302)	(541)
Recognition of previously unrecognised temporary differences	-	90
Recognition of previously unrecognised tax losses	-	(871)
Expenses not deductible for tax purposes	8,222	7,777
Tax losses not recognised	1,092	4,229
Utilisation of previously unrecognised tax losses	(891)	(436)
Temporary differences not recognised	(3,154)	(2,953)
Income tax expense	10,345	2,821

13. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of profit of HK\$79,742,000 (2006: profit of HK\$81,887,000).

14. Dividends

	2007	2006
	HK\$'000	HK\$'000
Interim, paid, of HK0.26 cent (2006 : Nil) per share	24,602	-
Final, proposed, of HK0.26 cent (2006 : HK0.32 cent) per share	32,523	30,279
	57,125	30,279

At a meeting held on 18th July 2007, the Board has proposed a final dividend of HK 0.26 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.

15. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of HK\$27,605,000 (2006: loss of HK\$20,843,000) and on the weighted average of 9,270,960,859 (2006: 5,950,114,687, adjusted for the rights issue in May 2006) shares in issue during the year ended 31st March 2007.

The calculation of diluted earnings per share for the year ended 31st March 2007 is based on the profit attributable to shareholders of HK\$27,605,000 and 9,631,039,137 shares equalling to the weighted average number of 9,270,960,859 shares in issue during the year plus 360,078,278 potential shares deemed to be in issue assuming the convertible bonds had been converted.

The exercise of the outstanding share options would not have any dilutive effect on the earnings/(loss) per share in 2007 and 2006.

The diluted loss per share is equal to the basic loss per share in 2006.

16. Property, plant and equipment and leasehold land

Group

At 31st March 2007	794,694	93,315	1,712,580	2,600,589
Net book value				
At 31st March 2007	229,928	219,705	223,776	673,409
Disposals		(4,143)		(4,143)
Charge for the year	26,401	26,852	21,686	74,939
Exchange difference	1,541	964	-	2,505
At 31st March 2006	201,986	196,032	202,090	600,108
Accumulated depreciation and amortisation				
At 31st March 2007	1,024,622	313,020	1,936,356	3,273,998
Disposals	-	(4,143)	-	(4,143)
Additions	-	13,927	-	13,927
Acquisition	40,307	5,298	408,840	454,445
Exchange difference	5,746	1,310	-	7,056
At 31st March 2006	978,569	296,628	1,527,516	2,802,713
Cost				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	buildings	equipment	land	Total
	hotel	Plant and	Leasehold	
	land and			

16. Property, plant and equipment and leasehold land (continued)
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Group				
	Freehold land			
	and hotel	Plant and	Leasehold	
	buildings	equipment	land	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 31st March 2005	963,246	295,235	1,527,516	2,785,997
Exchange difference	15,323	2,455	-	17,778
Additions	-	22,657	-	22,657
Disposals	_	(23,719)	_	(23,719
At 31st March 2006	978,569	296,628	1,527,516	2,802,713
Accumulated depreciation and am	nortisation			
At 31st March 2005	172,053	191,497	181,453	545,003
Exchange difference	4,345	1,738	-	6,083
Charge for the year	25,588	26,516	20,637	72,741
Disposals	-	(23,719)	_	(23,719
At 31st March 2006	201,986	196,032	202,090	600,108
Net book value				
At 31st March 2006	776,583	100,596	1,325,426	2,202,605

Plant and equipment comprise furniture, fixtures and equipment, plant and machinery and motor vehicles.

The Group's leasehold land comprises:

	Group	
	2007	
	HK\$'000	HK\$'000
Leasehold land in Hong Kong		
Long term lease	1,098,942	696,446
Medium term lease	613,638	628,980
	1,712,580	1,325,426

16. Property, plant and equipment and leasehold land (continued)

	2007	2006
	HK\$'000	HK\$'000
book value of hotel properties comprise the followings:		
Freehold land and hotel buildings	794,694	776,583
Plant and equipment	91,794	99,507
erty, plant and equipment	886,488	876,090
Leasehold land	1,712,580	1,325,426
	2 599 068	2,201,516
	Plant and equipment perty, plant and equipment	HK\$'000 book value of hotel properties comprise the followings: Freehold land and hotel buildings Plant and equipment rerty, plant and equipment 886,488

Supplementary information with hotel properties at valuation:

The aggregate valuation of the hotel properties in Hong Kong and Canada were revalued by Knight Frank and Grant Thornton Management Consultants respectively, independent professional valuers, and amounted to HK\$4,075,614,000 (31st March 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 HKAS16 and HKAS17.

17. Goodwill

			HK\$'000
	Carrying value		
	At 31st March 2006 and 2007		13,188
8.	Subsidiaries		
	Asset/(liabilities)		
		2007	2006
		HK\$'000	HK\$'000
	Unlisted share, at cost	-	-
	Amounts due from subsidiaries	2,583,384	1,874,808
		2,583,384	1,874,808
	Amounts due to subsidiaries	(122,244)	(54,461)

Details of the principal subsidiaries are set out in note 35.

Amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

19. Derivative financial instruments

Assets/(liabilities)

	Grou	Group	
	2007	2006	
	HK\$'000	HK\$'000	
Interest rate swaps	(1,619)	1,257	
interest rate emaps	(1,010)	1,201	
Forward foreign exchange contracts	2,854	-	

The notional principal amounts of the outstanding interest rate swap contracts at 31st March 2007 were HK\$300,000,000 (2006: HK\$360,000,000). At 31st March 2007, the fixed interest rates vary from 4.2% to 4.83% (2006: 4.2% to 4.83%) per annum and the floating rates are HIBOR.

The notional principal amounts of the outstanding USD forward exchange contracts as at 31st March 2007 were US\$50,000,000 (2006: Nil).

20. Financial assets at fair value through profit or loss

	Group		
	2007		
	HK\$'000	HK\$'000	
Equity securities, listed in Hong Kong, at fair value	26,226	61,957	
Pledged United States treasury bills (note)	12,569	_	
	38,795	61,957	

Note: The United States treasury bills were pledged for forward foreign exchange contracts.

21. Trade and other receivables

Group		
2007 HK\$'000		
40,023	39,614	
5,630	5,535	
5,026	3,602	
3,164	1,430	
53,843	50,181	
	2007 HK\$'000 40,023 5,630 5,026 3,164	

21. Trade and other receivables (continued)

An ageing analysis of trade receivables net of provision for doubtful debts, which are included in trade and other receivables is as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
0 day to 60 days	38,485	38,132
61 days to 120 days	1,382	1,482
More than 120 days	156	_
	40,023	39,614

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.

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

The carrying amounts of the trade receivables of the Group are denominated in the following currencies:

		Group
	2007	2006
	HK\$'000	HK\$'000
Hong Kong dollar	36,543	37,263
Canadian dollar	3,423	2,278
Renminbi	57	73
	40,023	39,614

22. Bank balances and cash

	Group		Co	mpany
	2007 2006		2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand	40,867	32,270	632	2,857
Short-term bank deposits	27,994	12,407	-	7,516
	68,861	44,677	632	10,373

The effective interest rate on short-term bank deposits was 1.9% to 4% (2006: 0.75% to 3.75%) per annum for the Group and nil (2006: 3.75%) per annum for the Company. These deposits have an average maturity of 83 days (2006: 48 days) for the Group and nil (2006: 65 days) for the Company.

23. Trade and other payables

	Group		Comp	oany
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	30,360	18,408	_	-
Amount due to a related company (note)	_	868	_	_
Accrued expenses	29,025	26,624	551	2,189
Other payable	3,678	1,580	-	
	63,063	47,480	551	2,189

Note: The amount due to a related company was unsecured, interest free and had no fixed terms of repayment.

An ageing analysis of trade payables, which are included in trade and other payables, is as follows:

	Group	
	2007 2006	
HK\$	'000 HK\$'000	
0 day to 60 days 29	,656 17,309	
61 days to 120 days	406 33	
More than 120 days	298 1,066	
	,360 18,408	

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

The carrying amounts of the trade payables of the Group are denominated in the following currencies:

	C	Group	
	2007	2006	
	HK\$'000	HK\$'000	
Hong Kong dollar	28,637	16,741	
Canadian dollar	1,565	1,666	
Renminbi	158	1	
	30,360	18,408	

24. Share capital

	Number of shares of	
	HK\$0.02 per share	HK\$'000
Authorised:		
At 31st March 2006 and 2007	25,000,000,000	500,000
Issued and fully paid:		
At 31st March 2005	5,052,108,681	101,042
Share option exercised	246,000,000	4,920
Share placement	1,010,000,000	20,200
At 31st March 2006	6,308,108,681	126,162
Rights issue (note a)	3,154,054,340	63,081
Scrip dividend (note b)	189,500,280	3,790
Conversion of convertible bonds (note c)	1,428,571,428	28,572
At 31st March 2007	11,080,234,729	221,605

Notes:

- (a) In May 2006, the Company issued 3,154,054,340 rights shares at the subscription price of HK\$0.09 per rights share on the basis of one rights share of every two existing shares held as of 19th April 2006. Net proceeds were approximately HK\$281,804,000 and were used for repaying bank borrowings.
- (b) In February 2007, 189,500,280 new shares were allotted and issued at HK\$0.0026 per share in lieu of interim dividend for the six months ended 30th September 2006.
- (c) In March 2007, the indirect wholly owned subsidiaries of ASI have converted totally 1,428,571,428 shares of the Company at a conversion price of HK\$0.105 per share.

Options to subscribe for a total of 240,000,000 shares of the Company were granted under the share option scheme at an exercise price of HK\$0.1296 per share on 29th March 2007 (note 8(e)). No option was exercised during the year.

25. Reserves

Group

			Convertible				
			bonds-		Share		
	Share	Contributed	equity	Exchange	options	Revenue	
	premium	surplus	component	reserve	reserve	reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2005	299,770	899,333	_	38,100	_	(111,215)	1,125,988
Translation difference	_	_	_	6,241	_	_	6,241
Share options granted	_	_	_	_	17,500	_	17,500
Exercise of share options	48,462	_	_	_	(17,220)	17,220	48,462
Placement of new shares	172,975	_	_	_	_	_	172,975
Loss for the year	-	-	-	-	-	(20,843)	(20,843)
At 31st March 2006	521,207	899,333	-	44,341	280	(114,838)	1,350,323
Issue of shares upon exercise							
of scrip dividend	14,554	-	-	-	-	_	14,554
Dividend paid	-	-	_	-	-	(54,880)	(54,880)
Convertible bonds -							
equity component (note 27)	-	-	67,676	-	-	-	67,676
Issue of shares upon exercise							
of convertible bonds	121,428	-	(33,838)	-	-	-	87,590
Translation difference	-	-	_	1,765	-	-	1,765
Issue of rights shares	218,723	-	_	-	-	-	218,723
Profit for the year	-	-	-	-	-	27,605	27,605
Share options granted	-	-	_	-	7,680	_	7,680
At 31st March 2007	875,912	899,333	33,838	46,106	7,960	(142,113)	1,721,036
Representing:							
Reserves	875,912	899,333	33,838	46,106	7,960	(174,636)	1,688,513
Proposed final dividend		_				32,523	32,523
At 31st March 2007	875,912	899,333	33,838	46,106	7,960	(142,113)	1,721,036

25. Reserves (continued)

Company

			Convertible			
	01		bonds-	Share 	_	
	Share	Contributed	equity	option	Revenue	
	premium	surplus	component HK\$'000	reserve	reserve	Total
	HK\$'000	HK\$'000	HK\$ 000	HK\$'000	HK\$'000	HK\$'000
At 31st March 2005	299,770	1,088,229	_	_	(6,317)	1,381,682
Share options granted	_	_	_	17,500	_	17,500
Exercise of share options	48,462	_	-	(17,220)	17,220	48,462
Placement of new shares	172,975	_	-	_	_	172,975
Profit for the year	_	-	-	_	81,887	81,887
At 31st March 2006	521,207	1,088,229	-	280	92,790	1,702,506
Issue of shares upon exercise						
of scrip dividend	14,554	_	-	_	_	14,554
Dividend paid	-	_	_	_	(54,880)	(54,880)
Share options granted	-	_	-	7,680	_	7,680
Issue of rights shares	218,723	_	_	_	_	218,723
Convertible bonds -						
equity component (note 27)	-	_	67,676	_	_	67,676
Issue of shares upon exercise						
of convertible bonds	121,428	_	(33,838)	_	_	87,590
Profit for the year	_	-	-	-	79,742	79,742
At 31st March 2007	875,912	1,088,229	33,838	7,960	117,652	2,123,591
Representing:						
Reserves	875,912	1,088,229	33,838	7,960	85,129	2,091,068
Proposed final dividend	_	_	-	-	32,523	32,523
At 31st March 2007	875,912	1,088,229	33,838	7,960	117,652	2,123,591

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is also distributable. Accordingly, the total distributable reserves of the Company as at 31st March 2007 amounted to HK\$1,247,679,000 (2006: HK\$1,181,299,000).

26. Borrowings

	Group	
	2007	2006
	HK\$'000	HK\$'000
Short term bank borrowing, secured	51,000	_
Long term bank borrowing, secured	624,647	881,823
	675,647	881,823
The maturity of long term bank borrowings is as follows:		
Bank loans, secured (note a)		
Repayable within one year	13,071	17,846
Repayable within one to two years	13,071	18,475
Repayable within two to five years	81,714	114,323
Repayable after five years	516,645	730,939
	624,501	881,583
Obligations under finance leases wholly repayable		
within five years (note b)	146	240
	624,647	881,823
Current portion included in current liabilities	(13,161)	(17,943
	611,486	863,880

⁽a) The bank loans are secured by mortgages of the Group's hotel properties (note 16), floating charges over all the assets of certain subsidiaries and corporate guarantees given by the Company.

(b) At 31st March 2007, the Group's finance lease liabilities were repayable as follows:

	Present value		Minimum payments	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	90	97	98	112
In the second year	56	88	58	97
In the third to fifth year	-	55	-	57
	146	240	156	266

26. Borrowings (continued)

(c) The carrying amounts of the borrowings are denominated in the following currencies:

	G	Group	
	2007	2006	
	HK\$'000	HK\$'000	
Hong Kong dollar	540,591	739,945	
Canadian dollar	135,056	141,878	
	675,647	881,823	

(d) The effective interest rates of the borrowing at the balance sheet date ranging from 4.53% to 7% (2006: 5.07% to 6.5%) per annum. The interest rates of the borrowings are not subject to contractual repricing.

The carrying amounts of borrowings approximate their fair values.

27. Convertible bonds

On 1st February 2007, the Company issued HK\$127,850,000 convertible bonds at 100% of the principal amount to Asia Standard Development Ltd ("ASDL"), and HK\$172,150,000 convertible bonds at 100% of the principal amount to Asia Standard Finance Company Limited ("ASFCL"), as consideration of the acquisition of Master Asia Enterprises Limited ("Master Asia") (note 34(b)). Both ASDL and ASFCL were indirect wholly owned subsidiaries of ASI, the ultimate holding company of the Company.

The bond holders have the right at any time after the first business day after the date of the convertible bonds up to 30 days before the maturity of the convertible bonds to convert all or any part of their convertible bonds into shares at an initial conversion price of HK\$0.105 per share.

Conversion may occur at any time between 1st February 2007 and 31st January 2011. If the notes have not been converted, they will be redeemed on 1st February 2011 at the principal amount of the convertible bonds plus redemption premium equal to 3% of the principal amount.

The convertible bonds contain two components, liability and equity elements. The equity element is presented in equity heading "convertible bonds – equity component"

27. Convertible bonds (continued)

The movement of the liability component of the convertible bonds for the year is set out below:

	HK\$'000
Proceeds of issue	300,000
Equity component	(67,676)
Liability component at date of issue	232,324
Conversion during the year	(116,162)
Liability component at 31st March 2007	116,162

During the year, ASFCL converted the convertible bonds of an aggregate principal amount of HK\$150,000,000 into 1,428,571,428 ordinary shares of the Company of HK\$0.02 each.

As at 31st March 2007, an aggregate principal amount of convertible bonds of HK\$150,000,000 remained outstanding.

In April 2007, ASFCL converted all its remaining convertible bonds in an aggregate principal amount of HK\$22,150,000 into 210,952,380 ordinary shares of the Company of HK\$0.02 each, and ASDL converted an aggregate principal amount of HK\$127,850,000 convertible bonds into 1,217,619,047 ordinary shares of the Company of HK\$0.02 each.

28. Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates.

The movement of the net deferred income tax assets is as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
At the beginning of the year	40,130	42,951
Recognised in the profit and loss account (note 12)	(9,758)	(2,821)
At the end of the year	30,372	40,130

28. Deferred income tax (continued)

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

Group

			Ac	celerated tax depreciation
				HK\$'000
Deferred income tax liabilities				
At 1st April 2005				37,875
Recognised in the profit and loss account				407
At 1st April 2006				38,282
Recognised in the profit and loss account				1,522
At 31st March 2007				39,804
	Accelerated			
	accounting depreciation	Tax losses	Provision	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred income tax assets				
At 1st April 2005	406	80,416	4	80,826
Recognised in the profit and loss account	(14)	(2,396)	(4)	(2,414)
At 31st March 2006	392	78,020	_	78,412
Recognised in the profit and loss account	(61)	(8,175)	_	(8,236)
At 31st March 2007	331	69,845	-	70,176

28. Deferred income tax (continued)

Company

	Tax losses	
	2007	2006
	HK\$'000	HK\$'000
Deferred income tax assets		
At the beginning of the year	137	778
Recognised in the profit and loss account		(641)
At the end of the year	137	137

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets with current income tax liabilities and when the deferred income tax relates to the same authority. The following amounts, determined after appropriate offsetting, are shown separately on the balance sheet.

	Group		Company					
	2007	2007	2007 2006	2007 2006 2007	2007 2006 2007	2007 2006 20	2006 2007 2	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000				
Deferred income tax assets	70,176	78,412	137	137				
Deferred income tax liabilities	(39,804)	(38,282)	_	_				
	30,372	40,130	137	137				

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\$26 million (2006: HK\$22 million) in respect of losses amounting to HK\$115 million (2006: HK\$70 million) that can be carried forward against future taxable income. Except for tax losses of HK\$78 million (2006: HK\$8 million) which have no expiry date, the balance will expire at various dates up to and including 2026 (2006: 2026).

29. Operating lease arrangements

(a) Lessor

The Group leases out certain part of its hotel properties under operating leases which typically run for lease terms between 2 and 6 years.

The future aggregate minimum lease receivable under non-cancellable operating leases is as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Within one year	11,173	10,578
In the second to fifth years inclusive	19,129	24,726
After the fifth year	-	2,895
	30,302	38,199

As at 31st March 2007, the Company had no operating lease receivable arrangements (2006: Nil).

(b) Lessee

Future aggregate minimum lease payable under non-cancellable operating leases in respect of land and buildings is as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
AACH .	4.040	F 007
Within one year	4,818	5,037
In the second to fifth years inclusive	7,150	3,400
	11,968	8,437

As at 31st March 2007, the Company had no operating lease payable arrangements (2006: Nil).

30. Capital commitments

Capital commitments at the balance sheet date are as follows:

	2007 HK\$'000	2006 HK\$'000
Property, plant and equipment		
Contracted but not provided for	1,300	-
Authorised but not contracted for	96,700	
	98,000	-

31. Financial guarantee

	Company	
	2007	2006
	HK\$'000	HK\$'000
Guarantees for the banking and loan facilities of		
subsidiaries	676,740	887,392

As at 31st March 2007, the Group had no contingent liabilities. The Directors consider that the subsidiaries are financially resourceful in settling the obligations.

32. Related party transactions

The major shareholders of the Group are Asia Standard International Group Limited ("ASIGL") and Asia Orient Holdings Limited ("Asia Orient"), companies incorporated in Bermuda and listed in Hong Kong. ASIGL directly own 62.78% of the Company's shares and Asia Orient owns effectively 2.95% of the Company's shares. The remaining 34.27% shares are widely held.

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

	Group	
	2007	2006
	HK\$'000	HK\$'000
Sales and purchases of goods and services		
Income from ASIGL		
Hotel services	63	11
Travel agency service	596	429
Income from/(expenses to) fellow subsidiaries		
Travel agency service	37	32
Operating lease rental expense for properties	(649)	(495)
Management service expenses	(977)	(934)
Income from Asia Orient		
Hotel services	2	3

(b) Acquisition of a property

As further detailed in note 34(b) to the financial statements, the Group in February 2007 acquired 100% interest in Master Asia Enterprises Limited from Asia Standard International which held 62.78% interest in the Group at the time of acquisition. The principal activity of Master Asia Enterprises Limited is holding of a commercial building in Causeway Bay and the Group planned to convert it into a 280 rooms hotel. It is anticipated that the conversion work will be completed in the next financial year.

33. Subsequent events

In April 2007, the entire remaining convertible bonds as held by Asia Standard International Group Limited, the ultimate holding company, in an aggregate principal amount of HK\$150,000,000 were converted into 1,428,571,427 ordinary shares of the Company of HK\$0.02 each.

34. Notes to consolidated cash flow statement

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

	2007	2006
	HK\$'000	HK\$'000
Profits/(loss) before income tax	37,950	(18,022)
Depreciation	53,253	52,104
Amortisation of leasehold land	21,686	20,637
Interest income	(2,832)	(2,683)
Dividend income	(627)	(1,976)
Finance costs	41,798	55,537
Realised (gain)/loss on financial assets at fair value through profit or loss	(972)	12,287
Gain on disposal of property, plant and equipment	(15)	_
Fair value (gain)/loss on financial assets at fair value through profit or loss	(272)	1,420
Fair value on share options granted	7,680	17,500
Fair value loss/(gain) on derivative financial instruments	2,876	(1,257)
Operating profit before working capital changes	160,525	135,547
Decrease in inventories	376	124
(Increase)/decrease in trade and other receivables	(2,546)	31,158
Increase in trade and other payables	10,409	1,029
Net cash generated from operations	168,764	167,858

(b) Major non-cash transaction

In February 2007 the Group acquired 100% interest in Master Asia Enterprises Limited ("Master Asia") from ASI satisfied by issuance of convertible bonds of HK\$300,000,000 (note 27) and assumption of loan of HK\$150,000,000. The principal activity of Master Asia is holding of a commercial building in Causeway Bay that the Group planned to convert into a 280 rooms hotel. It is anticipated that the conversion work will be completed within 2008.

35. Principal subsidiaries

A list of the Group's principal subsidiaries which in the opinion of the Directors, principally affect the results and/or net assets of the Group, are as follows:

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

			Issued and fully paid ordinary share capital/
Name		Principal activity	registered capital
Incorporated in Llong Kong			
Incorporated in Hong Kong Asia Standard Hotel (Holdings) Limited		Investment holding	HK\$2
Grace Profit Enterprises Limited		Investment holding	HK\$2
'		•	· ·
JBC Travel Company Limited		Travel agency	HK\$2,500,000
Perfect Wave Limited		Catering operation	HK\$2
Stone Pole Limited		Hotel investment and operation	HK\$10
Vinstar Development Limited		Hotel investment and operation	HK\$2
Master Asia Enterprises Limited		Hotel holding	HK\$10,000
Incorporated in British Virgin Islands			
Empire Hotel Investment Limited		Investment holding	US\$1
Enrich Enterprise Limited #		Hotel investment	US\$1
Global Gateway Corp. #		Hotel operation	US\$1
Glory Ventures Enterprises Inc. #		Hotel investment	US\$1
Greatime Limited		Securities investment	US\$1
Superite Limited		Securities investment	US\$1
Onrich Enterprise Limited		Securities investment	US\$1
Incorporated in People's Republic of Ch	nina		
Shanghai Hong Hua TGIF Restaurant		Catering operation	RMB17,384,640
Co. Limited (95% owned) ##			
# Operates in Canada	##	A cooperative joint venture operates in Mainland China	

36. Ultimate holding company

The Directors regard Asia Standard International Group Limited, incorporated in Bermuda and listed in Hong Kong, as being the ultimate holding company.

37. Approval of financial statements

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