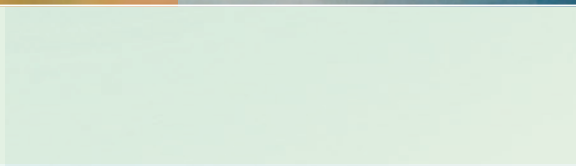




ASIA STANDARD HOTEL GROUP LIMITED

Stock Code: 292

Annual Report **2008**



Asia Standard Hotel Group Limited
(Incorporated in Bermuda with limited liability)

Annual Report
For the year ended
31st March 2008

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Corporate Information

Directors

Executive

Mr. Poon Jing (*Chairman*)

Dr. Lim Yin Cheng

(*Deputy Chairman and Chief Executive*)

Mr. Fung Siu To, Clement

Mr. Poon Tin Sau, Robert

Mr. Woo Wei Chun, Joseph

Mr. Wong Shu Pui

(Passed away in July 2007)

Non-executive

Mr. Liang Shangli

(Resigned on 28th February 2008)

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

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

The Bank of East Asia (Canada)

HSBC Canada

Royal Bank of Canada

Legal advisers

Stephenson Harwood & Lo

35th Floor, Bank of China Tower,

1 Garden Road,

Central,

Hong Kong

Appleby

8th Floor,

Bank of America Tower,

12 Harcourt Road,

Central,

Hong Kong

Auditor

PricewaterhouseCoopers

Certified Public Accountants

22nd Floor, Prince's Building,

Central, Hong Kong

Share registrar in Bermuda

Butterfield Fund Services (Bermuda)
Limited

Rosebank Centre,

11 Bermudiana Road,

Pembroke HM08, Bermuda

Hong Kong branch share registrar and transfer office

Computershare Hong Kong Investor
Services Limited

Shops 1712-1716, 17th Floor,

Hopewell Centre,

183 Queen's Road East,

Hong Kong

Financial Highlights

For the year ended 31st March	2008	2007	Change
(in HK\$ million, except otherwise indicated)			
Consolidated profit and loss account			
Revenue	665	619	+7%
Gross operating profit *	200	162	+23%
Depreciation and amortisation	(68)	(75)	-9%
Finance costs	(40)	(45)	-11%
Profit attributable to shareholders	96	28	+243%
Basic earnings per share (HK cent)	0.76	0.30	+153%

* Represents operating profit before non-cash accounting charges of depreciation and amortisation on hotel properties, impairment of goodwill, share options expense, fair value gain or loss on financial assets at fair value through profit or loss and warrant liabilities.

Consolidated balance sheet

Total assets	3,190	2,811	+13%
Net asset value	2,068	1,943	+6%
Net debt	900	723	+24%

Supplementary information with hotel properties at valuations (note):

Revalued total assets	5,062	4,287	+18%
Revalued net asset value	3,599	3,347	+8%
Revalued net asset value per share (HK\$)	0.28	0.30	-7%
Gearing – net debt to revalued net asset value (%)	25%	22%	+3%

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 and the corresponding deferred tax 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 2008.

Chairman's Statement

I am pleased to report the Group's result to the shareholders.

Group revenue for the year increased 7% to HK\$665 million (2007: HK\$619 million), and gross operating profit increased 23% to HK\$200 million. The consolidated profit attributable to shareholders for the year ended 31st March 2008 amounted to HK\$96 million (2007: HK\$28 million), which equaled to earnings per share of HK0.76 cent (2007: HK0.30 cent) per share.

Total borrowings were at HK\$984 million, and the gearing ratio measured against revalued net asset value is 25% (2007: 22%).

Our new project, Empire Hotel Causeway Bay is progressing, and the target opening time is in the first quarter of 2009. The renovation and expansion project for adding 28 rooms with spa facilities in our Empire Hotel Kowloon is also targeted to complete by end of 2008. In addition, our Vancouver Hotel is under planning for a renovation program for its room operations.

The Board proposes a final dividend of HK0.07 cent in scrip per share.

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

By Order of the Board

Poon Jing

Chairman

Hong Kong, 10th July 2008



Management Discussion and Analysis



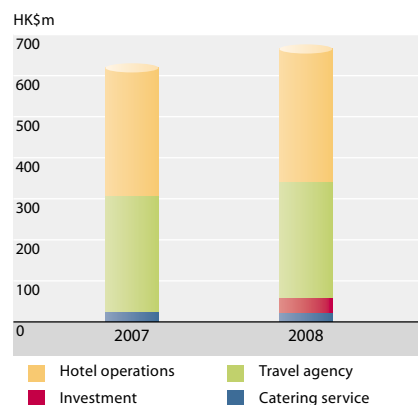
Results

The Group's revenue and profit attributable to shareholders for the twelve months ended 31st March 2008 amounted to HK\$665 million and HK\$96 million respectively. The increase in the profit attributable to shareholders over last year was in part due to fair value changes of financial liabilities at the balance sheet date.

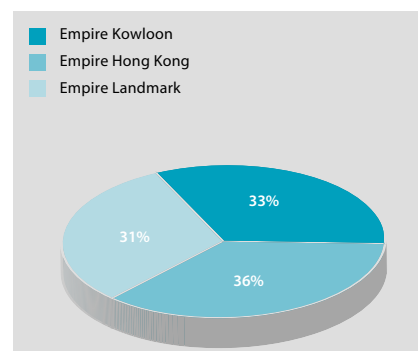
Business Review

Visitor arrivals to Hong Kong in 2007 reached a record high of more than 28 million, an increase of 11.6% on 2006's arrivals. Arrivals from Mainland China passed the 15-million mark for the first time, 13.9% more than in 2006. Among the long-haul market regions, Europe, Africa and the Middle East led the field with arrivals growing by 14.2%, followed by The Americas and Australia, New Zealand and South Pacific. As for short-haul markets, South & Southeast Asia enjoyed solid gain of 8.6% to become Hong Kong's second largest source market region. The cumulative arrivals for the first quarter of 2008 saw a 10% growth on the same period last year.

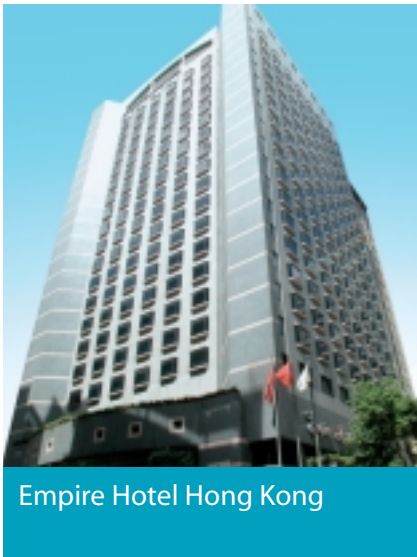
Revenue by Business Segment



2008 Revenue by hotels



Management Discussion and Analysis

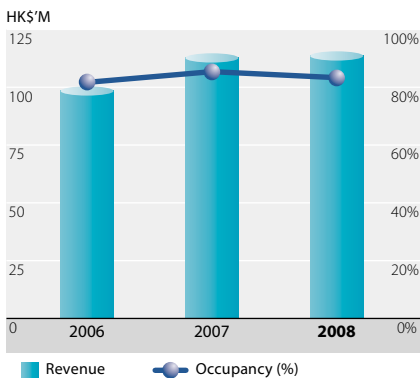


Empire Hotel Hong Kong

Empire Hotel Hong Kong

Empire Hong Kong's average room rate increased 6% and occupancy rate at 84%. Total revenue amounted to HK\$114 million whilst its gross operating profit increased 6% to HK\$73 million. The improved yield was primarily due to its strategic focus on higher yield commercial and corporate segment. With a number of refurbishment projects planned for in the coming year, the hotel would be in a promising position to earn market share further in the higher yield business segment.

Empire Hotel Hong Kong

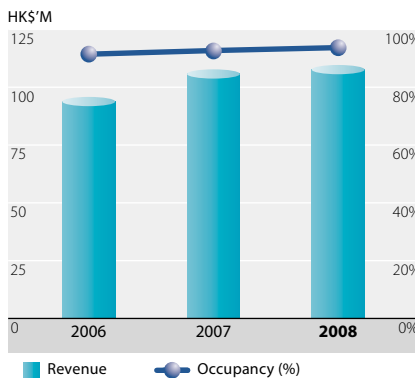


Empire Hotel Kowloon

Empire Hotel Kowloon

Empire Kowloon's average rate increased 5% while maintaining a very healthy occupancy rate of 94%, leading to increased revenue at HK\$108 million. Gross operating profit amounted to HK\$69 million. The expansion project for adding 28 rooms with spa facilities has commenced, and the target opening time is around end of 2008. These creations will further increase the hotel capacity by 9%, from 315 rooms to 343 rooms.

Empire Hotel Kowloon



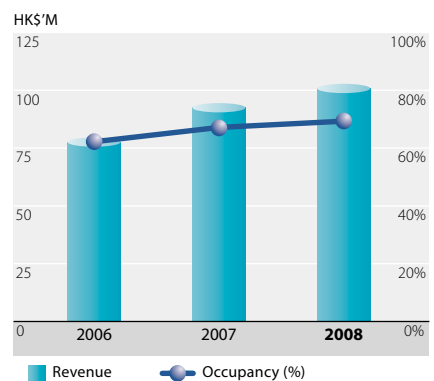
Empire Landmark Hotel Vancouver

Empire Landmark Hotel Vancouver

Empire Landmark's average rate remained the same for the year but occupancy improved 3% to 69%. Coupled with a strong Canadian dollar, total revenue increased HK\$8 million to HK\$101 million, up 9%. Gross operating profit also increased 10% to HK\$38 million. An extensive renovation and upgrading work has been planned to carry out progressively in the next 2 years to enhance its quality and facilities to be competitive among its peers.

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.

Empire Landmark Hotel Vancouver



Management Discussion and Analysis



Empire Hotel Causeway Bay



TGI Friday's

Travel and Catering

Revenues for the travel and catering amounted to HK\$283 million and HK\$20 million respectively.

Financial Review

As at 31st March 2008, total assets amounted to HK\$3,190 million, increased 13% when compared with HK\$2,811 million as at 31st March 2007. Appraised by independent professional valuers on an open market value basis, the total revalued amount of the four hotel properties as at 31st March 2008 was HK\$4,455 million, up 9% when compared with that prepared on the same basis as at 31st March 2007.

The New 280 rooms hotel in Causeway Bay

Creation of this new hotel is approached with the application of advanced, intelligent, user-friendly concepts with green touch wherever possible, together with designer spa facilities that are completely complementary to our guests. Management considers this new hotel, upon delivery in 2009, will be exciting and appreciated by various segments in the travelling world.

The Group's room portfolio will increase 30% from the current 1,036 rooms to 1,344 rooms as a direct result.

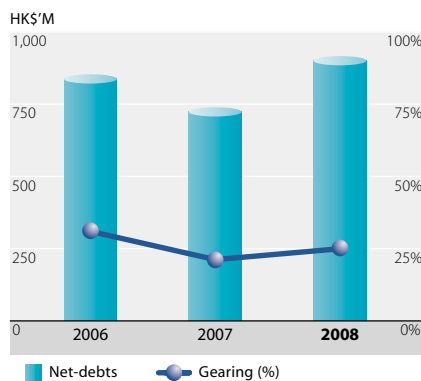
Management Discussion and Analysis

The shareholders' funds amounted to HK\$2,068 million, increased by HK\$125 million over last year. The increase was mainly due to profit for the year and the conversion of all outstanding convertible bonds in April 2007, offset by a debit reserve from the issue of bonus warrants. Taking into account the market value of the hotel properties, the revalued net asset value of the Group would become HK\$3,599 million.

The Group has long term securities investment of HK\$314 million and other financial assets of HK\$88 million. This segment of business generated a profit of HK\$13 million, compared with a gain of HK\$2 million last year.

The consolidated net debt was HK\$900 million, increased by HK\$177 million when compared with that at 31st March 2007. The corresponding gearing on net asset value increased from 37% to the present 43%, and against revalued net asset value, from 22% to 25%. Subsequent to the balance sheet date, the Group has completed a 10 year new long term bank facility, part of which was to refinance its HK\$200 million short term borrowings then outstanding.

Gearing Ratio



86% of the total debt is denominated in HK dollar, the remaining is the Vancouver property mortgage loan of HK\$118 million (2007: HK\$136 million) that was borrowed in Canadian dollar, the local currency. Total interest rate swap contracts of HK\$300 million were entered for hedging purposes against our borrowings which are all at floating interest rate.

The aggregate net book value of hotel properties pledged as securities for loans of the Group as at 31st March 2008 amounted to HK\$2,583 million (2007: HK\$2,599 million).

Human Resources

As at 31st March 2008, the total number of employees of the Company and its subsidiaries were 421. In addition to salary payment, other additional benefits include insurance, medical scheme and retirement plans and others.

Options to subscribe for a total of 700,000,000 shares of the Company at an exercise price of HK\$0.13 per share were granted on 2nd April 2007 under the share option scheme. Up to 31st March 2008, none of the option shares granted have been exercised.

Future Prospects

The Group has performed well within buoyant hospitality markets in Hong Kong. With timely asset enhancement initiatives carried out by our hotels and the continuous economic growth in Mainland China, the Directors are confident in the medium to long term prospects of the Group.

Significant potential value is seen in the new 280 rooms' boutique hotel in Causeway Bay, which is anticipated to be in operation in the first quarter of 2009.

Prospects for our Vancouver hotel look equally optimistic because of the expected growth in Canada's tourism led by its sustained economic expansion, and in anticipation of the 2010 Winter Olympics.

Five-year Financial Summary

Year ended 31st March	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000 (restated)	2004 HK\$'000 (restated)
Revenue	664,848	618,878	559,481	592,002	438,736
Gross operating profit	199,544	162,139	125,236	127,453	48,796
Depreciation and amortisation	(68,364)	(74,939)	(72,741)	(71,799)	(77,209)
Finance costs	(39,629)	(44,674)	(54,280)	(37,695)	(41,073)
Profit/(loss) attributable to shareholders	96,270	27,605	(20,843)	29,207	(71,359)
Year ended 31st March	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000 (restated)	2004 HK\$'000 (restated)
Total assets	3,189,859	2,810,692	2,416,761	2,540,136	2,543,117
Total liabilities	(1,121,572)	(868,051)	(940,276)	(1,313,106)	(1,356,379)
Equity	2,068,287	1,942,641	1,476,485	1,227,030	1,186,738

Note: The Group has changed certain of its accounting policies following its adoption of new/revised HKFRS which are effective for accounting periods commencing on or after 1st January 2005. The 2004 and 2005 figures have been restated accordingly.

Hotel Properties

	Group's interest	Approx. site area (sq.ft.)	Approx. gross floor area (sq.ft.)
1. Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong	100%	10,600	184,000 (362 rooms)
2. 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. Empire Hotel Causeway Bay (coming soon), 8 Wing Hing Street, Causeway Bay, Hong Kong	100%	6,200	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 five Executive Directors 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 on page 16.

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

Corporate Governance Report

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

The Board acknowledges that it is its responsibility to prepare the financial statements and to present a balanced, clear and comprehensive assessment to annual and interim reports, other financial disclosures required under the 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.

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

Name of director	Title	Attendance at Board Meetings/ No. of 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	2/4
Mr. Woo Wei Chun, Joseph	Executive Director	4/4
Mr Wong Shu Pui	Executive Director (Passed away in July 2007)	0/4
Mr. Liang Shangli	Non-executive director (resigned on 28th February 2008)	0/4
Mr. Ip Chi Wai	Independent non-executive director	3/4
Mr. Leung Wai Keung, Richard	Independent non-executive director	4/4
Mr. Hung Yat Ming	Independent non-executive director	4/4

Corporate Governance Report

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 Remuneration Committee held one meeting, which all members had attended, to review, discuss and approve the remuneration packages 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 "HKICPA"). The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee meets at least twice a year for review of the annual financial statements and the unaudited interim financial statements. During the year, the Audit Committee met twice to review the Company's financial reporting and the recommendation by the auditor on the issues of internal control. All the members had attended the meetings.

The Audit Committee has reviewed the annual financial statements for the year ended 31st March 2008.

Corporate Governance Report

Investment Committee

The Group's securities investments activities were managed centrally at the corporate level by the Investment Committee. The Investment Committee members currently comprise three of the Executive Directors and the Group's authorised representative, Mr. Poon Jing (as Chairman), Dr. Lim Yin Cheng, Mr. Woo Wei Chun, Joseph and Mr. Lee Tai Hay, Dominic.

The principal activities of the Investment Committee include the decision making, review and supervision of the Group's investing activities. The Investment Committee meets at least twice a week.

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.

Code of Conduct regarding securities transactions by directors

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 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.

Corporate Governance Report

Auditor's remuneration

PricewaterhouseCoopers has been appointed as the auditor of the Company by the shareholders at the annual general meeting. The services provided by PricewaterhouseCoopers include audit, taxation related and other services. An amount of HK\$2,193,000 (2007: HK\$1,736,000) 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\$216,000 (2007: HK\$1,330,000).

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 53. 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"). 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 63. 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 59. 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.

Directors and Senior Management



POON Tin Sau, Robert

Aged 62. 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.



WOO Wei Chun, Joseph

Aged 44. 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

Independent Non-executive Directors

IP Chi Wai

Aged 40. 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 45. A member of the Audit Committee of the Company. Mr. Leung is currently a Barrister-at-Law. Mr. Leung has about 9 years of experience in accounting and financial management in several firms and thereafter practicing as a barrister for 12 years. He is an independent non-executive director and a member of audit committee of ASI. 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 56. Mr. Hung is currently a financial consultant. Mr. Hung has over 25 years of experience in audit, accounting and financial management in several firms in Sydney and Hong Kong and is a financial controller of a Hong Kong listed company. 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 and a member of the Audit Committee of the Company and Asia Orient. He joined the Group in September 2004.

Senior management

NG Siew Seng, Richard

Aged 56, Group General Manager of the Company and Director of a subsidiary of the Company. Mr. Ng is responsible for the development and management of the Hotel Group's hospitality operations. With over 3 decade's extensive experience in hotel and travel industry for both local and overseas markets, Mr. Ng has held senior marketing and operational positions in a number of major international chain hotels and travel agents in Hong Kong and Macau. He joined the Group in September 2007.

TSANG Chin Lap, Johnny

Aged 58. 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 49. 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.

Report of the Directors

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

Principal activities and analysis of operations

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 38 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 5 to the financial statements.

Results and appropriations

The results of the Group for the year ended 31st March 2008 are set out in the consolidated profit and loss account on page 32.

The Company paid an interim dividend of HK0.26 cent (2007: HK0.26 cent) per share for the year.

The Board recommends the payment of a final scrip dividend of HK0.07 cent (2007: HK0.26 cent) per share to shareholders for the year ended 31st March 2008 by way of issue of new shares to the shareholders whose names appear on the Company's Register of Members on 26th August 2008 ("Record Date"). A total amount of approximately HK\$9 million (2007: HK\$32.5 million), will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 31st August 2008.

Total dividend for the year amounted to HK0.33 cent (2007: HK0.52 cent) per share. The details of dividends proposed during the year are set out in note 14 to the financial statements.

Financial summary

A five-year 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 has 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 movements in share capital of the Company are set out in note 26 to the financial statements.

Report of the Directors

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 27 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$1,655,000 (2007: Nil).

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. Woo Wei Chun, Joseph

Mr. Ip Chi Wai

Mr. Leung Wai Keung, Richard

Mr. Hung Yat Ming

Mr. Wong Shu Pui (Passed away in July 2007)

Mr. Liang Shangli (Resigned on 28th February 2008)

Messrs. Fung Siu To, Clement, Poon Tin Sau, Robert and Leung Wai Keung, Richard will retire from office by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election in accordance with the Bye-laws of the Company.

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

Biographical details of directors and senior management

Biographical details of Directors and senior management are set out on pages 16 to 18.

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.

Report of the Directors

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 2008, 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules were as follows:

(I) Long positions in shares

(a) The Company

Name of Director	Number of shares held			Percentage of shares in issue (%)
	Personal interest	Corporate interest	Total	
Poon Jing	403,383	9,121,284,139	9,121,687,522	70.67

By virtue of his interest in the Company through 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.

Report of the Directors

(I) Long positions in shares (continued)

b) Associated corporations

Name of Director	Associated corporation	Number of shares held			Percentage of shares in issue (%)
		Personal interest	Corporate interest	Total	
Poon Jing	ASI (Note 1)	9,397,533	4,888,401,048	4,897,798,581	45.03
Poon Jing and Fung Siu To, Clement	Centop Investment Limited ("Centop") (Note 2)	–	20	20	20
Poon Jing	Centop (Note 3)	–	80	80	80
Fung Siu To, Clement	Mark Honour Limited	9	–	9	9

Notes:

1. By virtue of his controlling interest in Asia Orient, Mr. Poon is deemed to be interested in the 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 have interest in the 20 shares held by Kingscore and duplicate the interest of the other.
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.

Report of the Directors

(II) Long positions in underlying shares

Interests in share options

(a) The Company

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

Name of Director	Date of grant	Exercise price (HK\$)	Exercisable period	Number of share options			
				outstanding as at 1st April 2007	granted during the year	lapsed during the year	outstanding as at 31st March 2008
Administrator of a deceased director, Wong Shu Pui	31st October 2005	0.19436 (Note)	1st November 2005 to 31st October 2015	4,465,909 (Note)	-	(4,465,909)	-
	29th March 2007	0.1296	29th March 2007 to 28th March 2017	80,000,000	-	(80,000,000)	-
Fung Siu To, Clement	29th March 2007	0.1296	29th March 2007 to 28th March 2017	80,000,000	-	-	80,000,000
Poon Tin Sau, Robert	29th March 2007	0.1296	29th March 2007 to 28th March 2017	80,000,000	-	-	80,000,000
Lim Yin Cheng	2nd April 2007	0.130	2nd April 2007 to 1st April 2017	-	80,000,000	-	80,000,000
Woo Wei Chun, Joseph	2nd April 2007	0.130	2nd April 2007 to 1st April 2017	-	80,000,000	-	80,000,000

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 shares to 4,465,909 shares from 10th May 2006.

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

Report of the Directors

(II) Long positions in underlying shares (continued)

Interests in share options (continued)

(b) Associated corporation – ASI

Name of Director	Number of Shares options		
	outstanding as at 1st April 2007	lapsed during the year	outstanding as at 31st March 2008
Poon Jing	5,155,440	–	5,155,440
Lim Yin Cheng	20,621,761	–	20,621,761
Fung Siu To, Clement	20,621,761	–	20,621,761
Administrator of a deceased director, Wong Shu Pui	15,466,321	(15,466,321)	–

Share 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 share options granted to each of Messrs. Fung Siu To, Clement and Lim Yin Cheng were adjusted from 20,000,000 shares to 20,621,761 shares and the number of share options granted to Mr. Poon Jing was adjusted from 5,000,000 shares to 5,155,440 shares 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 share option was granted to the Directors and the options granted to the Directors have not been exercised or cancelled.

Interests in warrants

Details of interest in warrants of the Company and its associated corporations are as follows:

(a) The Company

Name of Director	Number of underlying shares subject to the warrants		
	Personal interest	Corporate interest	Total
Poon Jing	76,686	1,742,211,916	1,742,288,602

The warrants of the Company are exercisable from 7th September 2007 to 6th September 2010 at an initial subscription price of HK\$0.146 per share. Following the reset arrangement on 6th March 2008, the exercise price of the warrants was adjusted to HK\$0.084 per share.

Report of the Directors

(II) Long positions in underlying shares (continued)

Interests in warrants (continued)

(b) Associated corporations – ASI

Name of Director	Number of underlying shares subject to the warrants		Total
	Personal interest	Corporate interest	
Poon Jing	1,415,675	729,156,442	730,572,117

The warrants are exercisable from 7th September 2007 to 6th September 2008 at an initial subscription price of HK\$0.29 per share. As a result of the rights issue of the Company on the basis of 1 rights share for every 2 shares held by the shareholders as of 13th February 2008 ("Rights Issue"), the subscription price was adjusted from HK\$0.29 to HK\$0.256. Following the reset adjustment pursuant to the terms of the warrants, the subscription price was adjusted from HK\$0.256 to HK\$0.179 per share on 6th March 2008.

Save as disclosed above, as at 31st March 2008, 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.

Report of the Directors

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

As at 31st March 2008, 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

Name	Number of shares	Percentage (%)
Asia Standard Development (Holdings) Limited ("ASDHL")	2,957,888,314	22.91
Asia Standard International Limited ("ASIL")	5,772,774,195	44.72
ASI (Note 1)	8,738,777,562	67.70
Asia Orient Holdings (BVI) Limited (Note 2)	9,121,284,139	70.66
Asia Orient (Note 3)	9,121,284,139	70.66

(b) Long positions in underlying shares of the Company

Interest in warrants

Name	Number of underlying shares subject to the warrants
ASDHL	571,428,570
ASIL	1,103,857,657
ASI	1,676,843,387
Asia Orient Holdings (BVI) Limited (Note 2)	1,742,211,916
Asia Orient (Note 3)	1,742,211,916

Notes:

- (1) ASDHL and ASIL are the wholly owned subsidiaries of ASI and ASI is deemed to be interested in and duplicates all the shares held by ASDHL and ASIL.
- (2) Asia Orient Holdings (BVI) 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 the warrants held by ASI.
- (3) Asia Orient Holdings (BVI) Limited is a wholly owned subsidiary of Asia Orient. Asia Orient is deemed to be interested in and duplicates the shares and the warrants held by Asia Orient Holdings (BVI) Limited and its subsidiaries.

Report of the Directors

Save as disclosed above, as at 31st March 2008, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under Section 336 of the SFO.

Share option scheme

The share option scheme of the Company 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 the Company may grant share 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 an 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 share options to be granted under the New Share Option Scheme must not exceed 1,250,880,615 shares, representing about 9.7% 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 share options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled share options) under any share 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 share option for a certain period before exercising the share option unless otherwise determined by the Directors. The exercisable period should be any period determined by the Board but in any event the exercise period should be no 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 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 New Share Option Scheme is effective for 10 years from 28th August 2006.

Report of the Directors

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

Grantee	Number of share options			outstanding as at 31st March 2008
	outstanding as at 1st April 2007	lapsed during the year	granted during the year	
Old Share Option Scheme Administrator of a deceased Director	4,465,909 (Note a)	(4,465,909)	–	–
New Share Option Scheme Directors and Administrator of a deceased Directors	240,000,000 (Note b)	(80,000,000)	160,000,000 (Note c)	320,000,000
New Share Option Scheme Directors of an associated company	–	–	160,000,000 (Note c)	160,000,000
New Share Option Scheme Employees of an associated company	–	–	380,000,000 (Note c)	380,000,000

Notes:

- (a) The share 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 share 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) These share options were granted on 2nd April 2007 and exercisable from 2nd April 2007 to 1st April 2017 at an exercise price of HK\$0.13 per share. The closing price of the shares immediately before the date of grant of such share options is HK\$0.13.
- (d) No share option was exercised or cancelled during the year.
- (e) Please refer to note 8 to the financial statements for the fair value of the share options.

Report of the Directors

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, revenue attributable to the Group's five largest customers and the Group's largest customer were 9% and 2.7% of the total revenue of the Group respectively. The percentage of purchases attributable to the Group's five largest suppliers and the Group's largest supplier were 62.4% and 34.4% 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 Listing Rules:

The Group has been leasing an office from a subsidiary of ASI at a total rental of HK\$1,457,000 for the year ended 31st March 2008 (2007: HK\$649,000). 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 35 to the financial statements.

Independent Non-Executive Directors

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

Report of the Directors

Sufficiency of public float

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

Auditor

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

On behalf of the Board

POON JING

Chairman

Hong Kong, 10th July 2008

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") and its subsidiaries (collectively, the "Group") set out on pages 32 to 90, which comprise the balance sheets of the Company and of the Group as at 31st March 2008, and the consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10th July 2008

Consolidated Profit and Loss Account

For the year ended 31st March 2008

	Note	2008 HK\$'000	2007 HK\$'000
Turnover	5, 7	1,097,994	653,124
Revenue	5, 7	664,848	618,878
Cost of sales	7	(370,837)	(366,391)
Gross profit		294,011	252,487
Administrative expenses	7	(94,467)	(90,348)
Operating profit before other income and charges		199,544	162,139
Other income and charges	6	(52,364)	(82,347)
Operating profit		147,180	79,792
Interest income	10	2,671	2,832
Finance costs	11	(39,629)	(44,674)
Profit before income tax		110,222	37,950
Income tax expense	12	(13,952)	(10,345)
Profit attributable to shareholders	13	96,270	27,605
Dividends	14	42,141	57,125
Earnings per share	15		
Basic		HK 0.76 cent	HK 0.30 cent
Diluted		HK 0.76 cent	HK 0.29 cent

Consolidated Balance Sheet

As at 31st March 2008

	Note	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Property, plant and equipment	16	899,114	888,009
Leasehold land	16	1,685,653	1,712,580
Goodwill	17	9,640	13,188
Deferred income tax assets	29	18,883	30,372
Available-for-sale investments	18	313,976	–
		2,927,266	2,644,149
Current assets			
Inventories		2,268	2,190
Derivative financial instruments	20	–	2,854
Financial assets at fair value through profit or loss	21	88,108	38,795
Trade and other receivables	22	88,101	53,843
Bank balances and cash	23	84,116	68,861
		262,593	166,543
Current liabilities			
Derivative financial instruments	20	18,332	1,619
Trade and other payables	24	51,540	63,063
Current income tax payable		14,025	11,560
Short term borrowings	28	378,295	51,000
Current portion of borrowings	28	11,075	13,161
		473,267	140,403
Net current (liabilities)/assets		(210,674)	26,140
Total assets less current liabilities		2,716,592	2,670,289
Non-current liabilities			
Convertible bonds	30	–	116,162
Warrant liabilities	25	51,325	–
Borrowings	28	594,373	611,486
Deferred income tax liabilities	29	2,607	–
		648,305	727,648
Net assets		2,068,287	1,942,641
Equity			
Share capital	26	258,164	221,605
Reserves	27	1,810,123	1,721,036
		2,068,287	1,942,641

Lim Yin Cheng
Director

Fung Siu To, Clement
Director

Balance Sheet

As at 31st March 2008

	Note	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Subsidiaries	19	2,664,312	2,583,384
Deferred income tax assets	29	137	137
		2,664,449	2,583,521
Current assets			
Prepayments	22	777	–
Bank balances and cash	23	2,974	632
		3,751	632
Current liabilities			
Trade and other payables	24	1,063	551
Amounts due to subsidiaries	19	122,239	122,244
Short term borrowings – unsecured	28	20,000	–
		143,302	122,795
Net current liabilities		(139,551)	(122,163)
Total assets less current liabilities		2,524,898	2,461,358
Non-current liabilities			
Convertible bonds	30	–	116,162
Warrant liabilities	25	51,325	–
		51,325	116,162
Net assets		2,473,573	2,345,196
Equity			
Share capital	26	258,164	221,605
Reserves	27	2,215,409	2,123,591
		2,473,573	2,345,196

Lim Yin Cheng
Director

Fung Siu To, Clement
Director

Consolidated Cash Flow Statement

For the year ended 31st March 2008

	Note	2008 HK\$'000	2007 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	36	91,957	190,317
Interest paid		(39,001)	(37,519)
Interest element on finance leases		(18)	(23)
Income tax refunded		2	200
		52,940	152,975
Cash flows used in investing activities			
Acquisition of subsidiary, net of cash acquired		–	29
Purchase of property, plant and equipment		(15,094)	(13,927)
Increase in pledged deposits		(18,816)	–
Proceeds from disposal of derivative financial instruments		2,854	–
Proceeds from disposal of property, plant and equipment		587	15
Purchase of available-for-sale investments		(205,894)	–
Interest received		2,666	2,832
Dividends received		1,725	627
		(231,972)	(10,424)
Cash flows from/(used in) financing activities			
Net proceeds from issue of rights shares		–	281,804
Drawdown of short term borrowings		234,000	51,000
Drawdown of long term borrowings		128,139	180,000
Repayment of long term borrowings		(164,389)	(593,730)
Capital element of finance lease payments		(100)	(98)
Dividends paid		(24,142)	(36,536)
Exercise of warrants		17	–
		173,525	(117,560)
(Decrease)/increase in cash and cash equivalents		(5,507)	24,991
Cash and cash equivalents at the beginning of the year		68,861	44,677
Changes in exchange rates		1,946	(807)
Cash and cash equivalents at the end of the year	23	65,300	68,861

Consolidated Statement of Changes in Equity

For the year ended 31st March 2008

	Note	2008 HK\$'000	2007 HK\$'000
Total equity at the beginning of the year		1,942,641	1,476,485
Net income directly recognised in equity:			
Exchange differences	27	19,475	1,765
Share options expense	27	22,400	7,680
Convertible bonds – equity component	27	–	67,676
Fair value gain on available-for-sale investments, net of deferred tax	27	12,291	–
Issue of shares upon exercise of warrants	26, 27	22	–
Issue of shares upon exercise of convertible bonds	26, 27	116,162	116,162
Issue of shares upon exercise of scrip dividend	26, 27	41,486	18,344
Issue of rights shares	26, 27	–	281,804
Issue of warrants	25, 27	(116,832)	–
Net income recognised directly in equity		95,004	493,431
Profit for the year	27	96,270	27,605
Total recognised income for the year		191,274	521,036
Dividend	27	(65,628)	(54,880)
Total equity at the end of the year		2,068,287	1,942,641

Notes to the Financial Statements

1 Basis of preparation

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

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

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

2 Principal accounting policies

(a) The adoption of new/revised HKFRS

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

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

The Group has assessed the impact of the adoption of these standard, amendment and interpretations and considered that there were no significant impact on the Group's results and financial position and no substantial changes in the Group's accounting policies, except that additional disclosures relating to capital management and financial instruments are required under HKAS 1 (Amendment) and HKFRS 7 respectively.

Notes to the Financial Statements

2 Principal accounting policies (continued)

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

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

Effective from 1st January 2008

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

Effective from 1st July 2008

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

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

Effective from 1st July 2009

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

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

(b) Basis of consolidation

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

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(b) Basis of consolidation (continued)

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

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

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

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

(c) Subsidiaries

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

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(d) 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.

(e) 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 in Hong Kong	Lower of underlying land lease term or 50 years
Hotel buildings in Overseas	25 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 amortisation is provided for freehold land.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(f) Goodwill

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

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill 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. Impairment losses recognised on goodwill are not reversed.

(g) 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.

(h) 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.

(i) Financial assets

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(i) Financial assets (continued)

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

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

(ii) *Loans and receivables*

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

(iii) *Available-for-sale investments*

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. These are classified as non-current assets.

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

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 included in the profit and loss account in the period in which they arise. Dividends on available-for-sale equity instruments are recognised in the profit and loss account as part of income when the Company’s right to receive payments is established. Change in the fair value of available-for-sale investments are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investments.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(i) Financial assets (continued)

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

Derivatives financial instruments mainly represents interest rate swaps and forward foreign exchange contracts are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

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

(j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; 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 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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(k) Current and deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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.

(l) 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.

(m) 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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(n) 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.

(o) Leasehold land

The up-front prepayments made for leasehold land are amortised on a straight-line basis over the period of the lease and are charged to profit and loss account. In the course of hotel properties conversion, the amortisation charge of leasehold land is included as part of the costs of hotel properties under conversion. Where there is impairment, impairment are expensed in the profit and loss account.

(p) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the profit and loss account. Trade and other receivables in the consolidated balance sheet are stated net of such provision.

(q) 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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(q) Revenue recognition (continued)

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 using the effective interest method.

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

(r) Translation of foreign currencies

(i) *Functional and presentation currency*

Items included in the financial statements of the Group's companies are measured using the currency of the primary economic environment in which the Group's companies 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.

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

Translation differences on non-monetary 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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(r) Translation of foreign currencies (continued)

(iii) Group companies

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings 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.

(s) Employee benefits

(i) Employee leave entitlements

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

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(s) Employee benefits (continued)

(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 (for example, profitability and sales growth targets). 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 consolidated profit and loss account with a corresponding adjustment to equity.

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

(t) Borrowing costs

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

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

(u) Trade payables

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

(v) Warrant liabilities

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(w) 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 as applicable.

(x) 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.

(y) 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.

(z) 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.

3. Financial risk management and fair value estimation

3.1 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.

At 31st March 2008, the Group had outstanding HK\$20,110,000 (2007: Nil) Japanese Yen loan, if the Hong Kong dollar had strengthened/weakened by 1% against the Japanese Yen with all other variables held constant, post tax profit for the year would have been HK\$166,000 (2007: Nil) higher/lower.

Notes to the Financial Statements

3. Financial risk management and fair value estimation (continued)

3.1 Financial risk management (continued)

(a) Market risk (continued)

(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, available-for-sale investments and derivative financial instruments for purchase of listed securities. The Group is not exposed to commodity price risk.

The Group's equity investments in equity of other entities are publicly traded in the Hong Kong Stock Exchange. For every 1% increase/decrease in the prices of financial assets at fair value through profit or loss and available-for-sale investments, post tax profit for the year and equity would increase/decrease by HK\$727,000 (2007: HK\$216,000) and HK\$2,590,000 (2007: Nil) respectively.

The Group's derivative financial instruments and warrants are not publicly traded in the Hong Kong Stock Exchange. For every 1% increase/decrease in price of the underlying shares with all other variables held constant, post tax profit for the year would increase/decrease HK\$424,000 (2007: Nil) and HK\$695,000 (2007: Nil) respectively.

(b) Credit risk

The Group has no significant concentrations of 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.

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

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

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

(c) Liquidity risk

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

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

Notes to the Financial Statements

3. Financial risk management and fair value estimation (continued)

3.1 Financial risk management (continued)

(c) Liquidity risk (continued)

Certain borrowings were refinanced subsequent to year end. Details are set out in note 35.

Management monitors rolling forecasts of the Group's liquidity reserve comprises undrawn borrowing facility and cash and cash equivalents (note 23) on the basis of expected cash flow.

(d) Interest rate risk

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

The Group manages certain of its interest rate risk from 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.

3.2 Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio against net assets and revalued net assets. Net assets ("Net assets") are the net assets as shown in the consolidated balance sheet prepared in accordance with HKFRS where revalued net assets ("Revalued net assets") are prepared having taken into account the fair value of hotel properties, net of relevant deferred taxes, in addition to the Net assets. According to the Group's accounting policies, no properties other than investment properties are to be carried at valuation. Details of the valuation of the hotel properties, prepared for readers' information only, are set out in note 16(f) to the financial statements.

The gearing ratio against Net assets is calculated as net debt divided by Net assets and the gearing ratio against Revalued net assets is calculated as net debt divided by Revalued net assets. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less bank balances and cash.

Notes to the Financial Statements

3. Financial risk management and fair value estimation (continued)

3.2 Capital risk management (continued)

The gearing ratios at 31st March 2008 and 2007 were as follows:

	2008 HK\$'000	2007 HK\$'000
Total borrowings (<i>note 28</i>) and convertible bonds (<i>note 30</i>)	983,743	791,809
Less: Bank balances and cash (<i>note 23</i>)	(84,116)	(68,861)
Net debt	899,627	722,948
Net assets	2,068,287	1,942,641
Gearing ratio against net assets	43%	37%
Revalued net assets	3,599,000	3,347,000
Gearing ratio against Revalued net assets	25%	22%

3.3 Fair value estimation

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

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

The carrying amounts of trade and other receivables, financial assets at fair value through profit or loss, derivative financial instruments, bank balances and cash and trade and other payables are assumed to approximate their fair values. The fair value of other financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Notes to the Financial Statements

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group 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 are set out below:

(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) Fair value of warrants

The fair value of warrants that are not traded in an active market is determined by using valuation techniques. The Group uses Lattice model and make assumptions that are mainly based on market conditions existing at each balance sheet date.

(d) Share options 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\$0.13, implied life of options of 1.6 years, annual risk-free interest rate of 4.302% and 1 year annualised daily volatility rate.

(e) Fair values of derivative financial instruments

The fair values of derivative financial instruments that are not traded in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the fair values of derivative financial instruments.

Notes to the Financial Statements

5. Turnover and segment information

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

(a) Turnover

The Group is principally engaged in hotel, catering services, travel agency operations and securities investment.

Turnover comprises revenue from hotel, catering services, travel agency operations, together with gross proceeds from securities investments.

Revenue includes revenue from hotel, catering services, travel agency operations, dividend income and net realised gains/losses on sale of financial assets at fair value through profit or loss.

	2008 HK\$'000	2007 HK\$'000
Hotel operating income	325,212	312,912
Catering income	20,349	22,570
Sale of air ticket and hotel reservation service	282,817	281,797
Investment	469,616	35,845
Turnover	1,097,994	653,124

(b) Segment information

Primary reporting format – business segments

The Group is organised into the following 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
Investment	–	Investment in financial instruments

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, available-for-sale investments and derivative financial instruments, excluding deferred income tax assets, bank balances and cash. Segment liabilities comprise trade and other payables and derivative financial instruments for purchase of listed securities, excluding borrowings, current income tax payable, warrant liabilities, convertible bonds, interest rate swaps, and bank overdrafts.

Notes to the Financial Statements

5. Turnover and segment information (continued)

(b) Segment information (continued)

Primary reporting format – business segments (continued)

	Hotel operation	Catering services	Travel agency	Investment	Other operations	Total
2008 (in HK\$'000)						
Room rentals	252,108					
Food and beverages	47,874					
Ancillary services	10,849					
Rental income	14,381					
Turnover	325,212	20,349	282,817	469,616	–	1,097,994
Segment revenue	325,212	20,349	282,817	36,470	–	664,848
Contribution to segment results	180,400	1,763	(162)	36,470	–	218,471
Other income and charges	(68,177)	(39)	(3,608)	(23,554)	43,014	(52,364)
Unallocated corporate expenses						(18,927)
Operating profit						147,180
Interest income						2,671
Finance costs						(39,629)
Profit before income tax						110,222
Income tax expense						(13,952)
Profit attributable to shareholders						96,270

Notes to the Financial Statements

5. Turnover and segment information (continued)

(b) Segment information (continued)

Primary reporting format – business segments (continued)

	Hotel operation	Catering services	Travel agency	Investment	Other operations	Total
2007 (in HK\$'000)						
Room rentals	236,572					
Food and beverages	51,354					
Ancillary services	9,795					
Rental income	15,191					
Turnover	312,912	22,570	281,797	35,845	–	653,124
Segment revenue	312,912	22,570	281,797	1,599	–	618,878
Contribution to segment results	173,542	3,314	1,422	1,599	–	179,877
Other income and charges	(74,623)	(109)	(80)	272	(7,807)	(82,347)
Unallocated corporate expenses						(17,738)
Operating profit						79,792
Interest income						2,832
Finance costs						(44,674)
Profit before income tax						37,950
Income tax expense						(10,345)
Profit attributable to shareholders						27,605

Notes to the Financial Statements

5. Turnover and segment information (continued)

(b) Segment information (continued)

Primary reporting format – business segments (continued)

	Hotel operation	Catering services	Travel agency	Investment	Other operations	Total
2008 (in HK\$'000)						
Segment assets	2,616,782	12,594	19,061	407,145	31,278	3,086,860
Unallocated corporate assets						102,999
Total assets						3,189,859
Segment liabilities	31,917	2,379	16,125	13,395	1,119	64,935
Unallocated corporate liabilities						1,056,637
Total liabilities						1,121,572
Depreciation	46,491	40	60	–	88	46,679
Amortisation of leasehold land	21,685	–	–	–	–	21,685
Capital expenditure	24,256	57	45	–	–	24,358
2007 (in HK\$'000)						
Segment assets	2,630,563	12,218	26,513	41,649	516	2,711,459
Unallocated corporate assets						99,233
Total assets						2,810,692
Segment liabilities	30,142	2,318	30,036	–	567	63,063
Unallocated corporate liabilities						804,988
Total liabilities						868,051
Depreciation	52,937	109	80	–	127	53,253
Amortisation of leasehold land	21,686	–	–	–	–	21,686
Capital expenditure	13,382	69	33	–	443	13,927

Notes to the Financial Statements

5. Turnover 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

	Turnover	Segment revenue	Operating profit	Total assets	Capital expenditure
2008 (in HK\$'000)					
Hong Kong	987,810	554,664	127,799	2,863,086	22,788
Canada	101,440	101,440	17,302	311,129	1,570
Mainland China	8,744	8,744	2,079	15,644	–
	1,097,994	664,848	147,180	3,189,859	24,358
2007 (in HK\$'000)					
Hong Kong	551,037	516,791	61,128	2,488,173	11,231
Canada	92,791	92,791	16,209	310,060	2,652
Mainland China	9,296	9,296	2,455	12,459	44
	653,124	618,878	79,792	2,810,692	13,927

Notes to the Financial Statements

6. Other income and charges

	2008 HK\$'000	2007 HK\$'000
Depreciation of property, plant and equipment	(46,679)	(53,253)
Amortisation of leasehold land	(21,685)	(21,686)
Impairment of goodwill (<i>note 17</i>)	(3,548)	–
Share options expense (<i>note 8</i>)	(22,400)	(7,680)
Fair value gain on warrant liabilities (<i>note 25</i>)	65,502	–
Fair value (loss)/gain on financial assets at fair value through profit or loss	(10,159)	272
Fair value loss on derivative financial instruments	(13,395)	–
	(52,364)	(82,347)

7. Income and expenses by nature

	2008 HK\$'000	2007 HK\$'000
Income		
Operating lease rental income for hotel buildings	14,381	15,025
Dividend income	1,725	627
Net realised gain on financial assets at fair value through profit or loss	34,745	972
Gain on disposal of property, plant and equipment	582	15
Expenses		
Cost of goods sold	249,849	232,455
Provision for impairment of trade receivables	1,370	4,088

Notes to the Financial Statements

8. Staff costs

	2008 HK\$'000	2007 HK\$'000
Wages and salaries	84,812	80,693
Share options expense (<i>note 6</i>)	22,400	7,680
Termination benefit	153	70
Retirement benefit costs	3,057	2,899
	110,422	91,342

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

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 forfeitures utilised (2007: Nil) for the year. As at 31st March 2008, no forfeitures (2007: Nil) were available to reduce the Group's future contributions to the ORSO schemes.

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% (2007: 5%) or a fixed sum and 4.95% (2007: 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.

The Group's contributions to all these schemes are expensed as incurred.

Notes to the Financial Statements

8. Staff costs (continued)

Share option schemes

The Company has a share option scheme whereby share 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 share option is HK\$1.

The movement of share options outstanding during the year is as follows:

Date of grant	Exercise price per share	Expiry date	Number of share options			outstanding at 31st March 2008
			outstanding at 1st April 2007	granted during the year (note a)	lapsed during the year (note d)	
31st October 2005	HK\$0.19436	31st October 2015				
Directors			4,465,909	–	(4,465,909)	–
29th March 2007						
Directors	HK\$0.1296	28th March 2017	240,000,000	–	(80,000,000)	160,000,000
2nd April 2007	HK\$0.1300	1st April 2017				
Directors			–	160,000,000	–	160,000,000
Others			–	540,000,000	–	540,000,000
			–	700,000,000	–	700,000,000
			244,465,909	700,000,000	(84,465,909)	860,000,000

Notes:

- (a) The fair value of options granted during the year determined using the Binomial option pricing model was HK\$22,400,000 (2007: 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\$0.13, implied life of options of 1.6 years, annual risk-free interest rate of 4.3% and 1 year annualised daily volatility rate (notes (b) and (c)).
- (b) 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.
- (c) The calculation of the fair values of share options granted in April 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.
- (d) The fair value of HK\$2,840,000 (2007: Nil) in respect of the share options lapsed during the year was transferred from share options reserve to revenue reserve.

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

Notes to the Financial Statements

9. Directors' and senior management's emoluments

(a) Director's remuneration

The remuneration of each Director for the year ended 31st March 2008 is set out below:-

	Fees HK\$'000	Salary allowance and benefit in kind HK\$'000	Employer's contribution to retirement benefit scheme HK\$'000	Share options expense (note e) HK\$'000	Total HK\$'000
Executive Director					
Mr. Poon Jing	-	7,500	-	-	7,500
Dr. Lim Yin Cheng	-	200	-	2,560	2,760
Mr. Poon Tin Sau, Robert	-	869	36	-	905
Mr. Fung Siu To, Clement	-	2,000	-	-	2,000
Mr. Woo Wei Chun, Joseph	-	1,120	12	2,560	3,692
Mr. Wong Shu Pui (deceased)	-	340	17	-	357
	-	12,029	65	5,120	17,214
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 (resigned)	100	-	-	-	100
	420	-	-	-	420
Total for 31st March 2008	420	12,029	65	5,120	17,634

Notes to the Financial Statements

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

(a) Director's remuneration (continued)

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

	Fees HK\$'000	Salary allowance and benefit in kind HK\$'000	Employer's contribution to retirement benefit scheme HK\$'000	Share options expense (note e) HK\$'000	Total 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

(b) None of the Directors have waived the right to receive their emoluments (2007: Nil).

(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 are an inducement to join or upon joining the Group or as compensation for loss of office (2007: Nil).

Notes to the Financial Statements

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

(d) The five highest paid individuals in the Group for the year include three (2007: four) Directors whose emoluments are already reflected in the analysis presented above. The emoluments payable to the remaining two (2007: one) individuals are as follows:

	2008 HK\$'000	2007 HK\$'000
Salaries and other emoluments	920	2,000
Share options expense	5,120	–
	6,040	2,000

The emoluments of these individuals fell within the following bands:

	2008 Number	2007 Number
Emolument bands		
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,500,001 – HK\$3,500,000	2	–
	2	1

(e) Share options

The value of the share options granted to the Directors represents the fair value of these options charged to the profit and loss account for the year in accordance with HKFRS 2.

10. Interest income

	2008 HK\$'000	2007 HK\$'000
Interest income		
Bank deposits	1,713	2,288
Others	958	544
	2,671	2,832

Notes to the Financial Statements

11. Finance costs

	2008 HK\$'000	2007 HK\$'000
Interest expenses		
Bank loans and overdrafts	36,454	35,726
Finance lease obligations wholly repayable within five years	18	23
Other incidental borrowing costs	3,861	6,049
Fair value loss on interest rate swaps	3,318	2,876
	43,651	44,674
Interest capitalised under property, plant and equipment	(4,022)	–
	39,629	44,674

To the extent funds are borrowed generally and used for the purpose of financing the hotel properties under conversion, the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation as part of the costs of these properties is 11% (2007: Nil) per annum.

12. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits for the year. No provision for overseas and Mainland China taxation has been made as there are no assessable profits for the year (2007: Nil).

	2008 HK\$'000	2007 HK\$'000
Hong Kong profits tax		
Current income tax	2,463	587
Deferred income tax (<i>note 29</i>)	11,489	9,758
Income tax expense	13,952	10,345

Notes to the Financial Statements

12. Income tax expense (continued)

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

	2008 HK\$'000	2007 HK\$'000
Profit before income tax	110,222	37,950
Calculation at a tax rate of 17.5% (2007: 17.5%)	19,289	6,641
Effect of different tax rates in other countries	(1,402)	(1,263)
Income not subject to income tax	(11,919)	(302)
Expenses not deductible for tax purposes	9,693	8,222
Tax losses not recognised	2,151	1,092
Utilisation of previously unrecognised tax losses	(4,430)	(891)
Temporary differences not recognised	570	(3,154)
Income tax expense	13,952	10,345

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\$130,767,000 (2007: HK\$79,742,000).

14. Dividends

	2008 HK\$'000	2007 HK\$'000
Interim, paid, of HK0.26 cent (2007: HK0.26 cent) per share	33,105	24,602
Final, proposed, of HK0.07 cent (2007: HK0.26 cent) per share	9,036	32,523
	42,141	57,125

At a meeting held on 10th July 2008, the Board has proposed the payment of a final dividend of HK0.07 cent per share in scrip. This proposed dividend is not reflected in the financial statements, but will be reflected as an appropriation of revenue reserve in the year ending 31st March 2009.

Notes to the Financial Statements

15. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$96,270,000 (2007: HK\$27,605,000) and on the weighted average of 12,605,196,985 (2007: 9,270,960,859) shares in issue during the year ended 31st March 2008.

The outstanding warrants and share options did not have dilutive effect on the earnings per share for the year ended 31st March 2008.

The diluted earnings per share is equal to the basic earnings per share for the year ended 31st March 2008.

The calculation of diluted earnings per share for the year ended 31st March 2007 was 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 outstanding share options did not have dilutive effect on the earnings per share for the year ended 31st March 2007.

Notes to the Financial Statements

16. Property, plant and equipment and leasehold land

Group

	Freehold land and hotel buildings HK\$'000	Plant and equipment HK\$'000 <i>(note a)</i>	Sub-total HK\$'000	Leasehold land HK\$'000 <i>(note b)</i>	Total HK\$'000
Cost					
At 1st April 2007	1,024,622	313,020	1,337,642	1,936,356	3,273,998
Exchange differences	46,771	8,430	55,201	–	55,201
Additions	–	24,358	24,358	–	24,358
Disposals	–	(707)	(707)	–	(707)
At 31st March 2008	1,071,393	345,101	1,416,494	1,936,356	3,352,850
Accumulated depreciation and amortisation					
At 1st April 2007	229,928	219,705	449,633	223,776	673,409
Exchange differences	15,400	6,370	21,770	–	21,770
Capitalised in property, plant and equipment	–	–	–	5,242	5,242
Recognised in the profit and loss account	27,841	18,838	46,679	21,685	68,364
Charge for the year	27,841	18,838	46,679	26,927	73,606
Disposals	–	(702)	(702)	–	(702)
At 31st March 2008	273,169	244,211	517,380	250,703	768,083
Net book value					
At 31st March 2008	798,224	100,890	899,114	1,685,653	2,584,767

Notes to the Financial Statements

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

Group

	Freehold land and hotel buildings HK\$'000	Plant and equipment HK\$'000 (note a)	Sub-total HK'000	Leasehold land HK\$'000 (note b)	Total HK\$'000
Cost					
At 1st April 2006	978,569	296,628	1,275,197	1,527,516	2,802,713
Exchange differences	5,746	1,310	7,056	–	7,056
Acquisition	40,307	5,298	45,605	408,840	454,445
Additions	–	13,927	13,927	–	13,927
Disposals	–	(4,143)	(4,143)	–	(4,143)
At 31st March 2007	1,024,622	313,020	1,337,642	1,936,356	3,273,998
Accumulated depreciation and amortisation					
At 1st April 2006	201,986	196,032	398,018	202,090	600,108
Exchange differences	1,541	964	2,505	–	2,505
Charge for the year	26,401	26,852	53,253	21,686	74,939
Disposals	–	(4,143)	(4,143)	–	(4,143)
At 31st March 2007	229,928	219,705	449,633	223,776	673,409
Net book value					
At 31st March 2007	794,694	93,315	888,009	1,712,580	2,600,589

Notes:

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

(b) The Group's leasehold land comprise:

	Group	
	2008 HK\$'000	2007 HK\$'000
Leasehold land in Hong Kong		
Long term lease	1,087,356	1,098,942
Medium term lease	598,297	613,638
	1,685,653	1,712,580

Notes to the Financial Statements

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

(c) Net book value of hotel properties comprise the following:

	2008 HK\$'000	2007 HK\$'000
Freehold land and hotel buildings	798,224	794,694
Plant and equipment	99,174	91,794
Property, plant and equipment	897,398	886,488
Leasehold land	1,685,653	1,712,580
	2,583,051	2,599,068

(d) At 31st March 2008, hotel properties and leasehold land were pledged to banks to secure bank borrowings of HK\$870,559,000 (2007: HK\$675,647,000) (note 28(a)).

(e) As at 31st March 2008, hotel properties under conversion amounted to HK\$467,802,000 (2007: Nil).

(f) 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\$4,455,139,000 (2007: HK\$4,075,614,000).

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

17. Goodwill

	2008 HK\$'000	2007 HK\$'000
Carrying value		
At 1st April	13,188	13,188
Impairment charge (note 6)	(3,548)	–
At 31st March	9,640	13,188

Notes to the Financial Statements

18. Available-for-sale investments

	Group	
	2008 HK\$'000	2007 HK\$'000
Equity securities		
Listed in Hong Kong	313,976	–

Notes:

- (a) As at 31st March 2008, available-for-sale investments of HK\$116,480,000 (2007: Nil) were pledged as securities for the short term bank borrowings (note 28(a)).
- (b) There were no disposals or impairment provisions on available-for-sale investment during the year (2007: Nil).

19. Subsidiaries

	2008 HK\$'000	2007 HK\$'000
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	2,664,312	2,583,384
	2,664,312	2,583,384
Amounts due to subsidiaries	(122,239)	(122,244)

Details of the principal subsidiaries are set out in note 38.

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

Notes to the Financial Statements

20. Derivative financial instruments

	Group			
	2008		2007	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Forward foreign exchange contracts (<i>note a</i>)	–	–	2,854	–
Interest rate swaps (<i>note b</i>)	–	4,937	–	1,619
Derivative financial instruments for purchase of listed securities (<i>note c</i>)	–	13,395	–	–
	–	18,332	2,854	1,619

Notes:

- (a) As at 31st March 2008, there were no outstanding forward exchange contracts. As at 31st March 2007 the notional principal amounts of the outstanding USD forward exchange contracts were US\$50,000,000.
- (b) The notional principal amounts of the outstanding interest rate swaps at 31st March 2008 were HK\$300,000,000 (2007: HK\$300,000,000). At 31st March 2008, the fixed interest rates vary from 2.77% to 4.83% (2007: 4.2% to 4.83%) per annum and the main floating rates are HIBOR.
- (c) The derivative financial instruments for purchase of listed securities were secured by fixed deposits of the Group (note 23(b)).

21. Financial assets at fair value through profit or loss

	Group	
	2008 HK\$'000	2007 HK\$'000
Equity securities, listed in Hong Kong, at fair value	88,108	26,226
Pledged United States treasury bills (<i>note</i>)	–	12,569
	88,108	38,795

Note:

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

Notes to the Financial Statements

22. Trade and other receivables

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade receivables				
– Fully performing	27,842	31,282	–	–
– Past due but not impaired (<i>note b</i>)	9,257	8,741	–	–
– Impaired and provided for	115	129	–	–
	37,214	40,152	–	–
Less: provision for impairment	(115)	(129)	–	–
Trade receivables – net (<i>note a</i>)	37,099	40,023	–	–
Prepayments	8,381	5,630	777	–
Utility and other deposits	5,762	5,026	–	–
Other receivables (<i>note f</i>)	36,859	3,164	–	–
	88,101	53,843	777	–

Notes:

(a) An ageing analysis of trade receivables net of provision for impairment is as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
0 – 60 days	36,002	38,485
61 – 120 days	1,082	1,382
Over 120 days	15	156
	37,099	40,023

Notes to the Financial Statements

22. Trade and other receivables (continued)

(b) The majority of past due but not impaired trade receivables are less than 120 days. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008 HK\$'000	2007 HK\$'000
0 – 60 days	9,013	8,497
Over 60 days	244	244
	9,257	8,741

(c) The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

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

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

	Group	
	2008 HK\$'000	2007 HK\$'000
Hong Kong dollar	34,171	36,543
Canadian dollar	2,861	3,423
Renminbi	67	57
	37,099	40,023

(f) Other receivables include loans receivable of HK\$30,000,000 (2007: Nil) which were interest bearing at 2% above prime rate per annum and repayable within one year.

(g) The creation and release of provision for impaired receivables have been included in "administrative expenses" in the profit and loss account. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(h) The other classes within trade and other receivables do not contain impaired assets.

(i) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Notes to the Financial Statements

23. Bank balances and cash

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Cash at bank and in hand	51,587	40,867	2,974	632
Short-term bank deposits	13,713	27,994	–	–
Cash and cash equivalents	65,300	68,861	2,974	632
Pledged deposits (note b)	18,816	–	–	–
Total cash and cash balances	84,116	68,861	2,974	632

Notes:

- (a) The carrying amounts of the cash and bank balances of the Group are denominated in the following currencies:

	Group	
	2008 HK\$'000	2007 HK\$'000
Hong Kong dollar	39,628	35,953
Canadian dollar	1,772	15,991
US dollar	30,646	7,892
Renminbi	12,070	9,025
	84,116	68,861

- (b) At 31st March 2008, cash and bank balances amounted to HK\$18,816,000 (2007: Nil) were pledged as securities for the derivative financial instruments for purchase of listed securities (note 20 (c)).

Notes to the Financial Statements

24. Trade and other payables

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables (<i>note a</i>)	16,710	30,360	–	–
Accrued expenses	28,645	29,025	1,063	551
Other payables	6,185	3,678	–	–
	51,540	63,063	1,063	551

Notes:

(a) The ageing analysis of trade payables is as follows:

	Group	
	2008	2007
	HK\$'000	HK\$'000
0 – 60 days	16,364	29,656
61 – 120 days	33	406
Over 120 days	313	298
	16,710	30,360

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

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

	Group	
	2008	2007
	HK\$'000	HK\$'000
Hong Kong dollar	14,958	28,637
Canadian dollar	1,513	1,565
Renminbi	239	158
	16,710	30,360

Notes to the Financial Statements

25. Warrant liabilities

On 7th September 2007, the Company issued bonus warrants to shareholders on the basis of one warrant for every five shares of the Company. The initial subscription price was at HK\$0.146 per share and the warrants are exercisable at any time within three years from the date of issue. Apart from the adjustments upon occurrence of the usual adjustment events, the subscription price is subject to the reset adjustment at the end of each six months period from the date of issue of the warrants and a final reset adjustment on the tenth business day before the date of expiration of the warrants. The subscription price was adjusted from HK\$0.146 to HK\$0.084 per share on 6th March 2008.

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

	HK\$'000
At 1st April 2007	–
Issue of warrants (<i>note 27</i>)	116,832
Fair value gain credited to profit and loss account (<i>note 6</i>)	(65,502)
Exercise of warrants (<i>note 27</i>)	(5)
At 31st March 2008	51,325

Notes to the Financial Statements

26. Share capital

	Number of shares of HK\$0.02 per share	Amount HK\$'000
Authorised:		
At 1st April 2007	25,000,000,000	500,000
Increase in authorised share capital (<i>note a</i>)	10,000,000,000	200,000
At 31st March 2008	35,000,000,000	700,000
Issued and fully paid:		
At 1st April 2006	6,308,108,681	126,162
Rights issue	3,154,054,340	63,081
Scrip dividend	189,500,280	3,790
Conversion of convertible bonds	1,428,571,428	28,572
At 31st March 2007	11,080,234,729	221,605
Conversion of convertible bonds (<i>note b</i>)	1,428,571,427	28,571
Final scrip dividend (<i>note c</i>)	223,946,076	4,479
Interim scrip dividend (<i>note d</i>)	175,335,305	3,507
Exercise of warrants (<i>note e</i>)	119,104	2
At 31st March 2008	12,908,206,641	258,164

Notes:

- (a) On 31st August 2007, an ordinary resolution was passed at the Annual General Meeting to increase the Company's authorised share capital from 25,000,000,000 shares to 35,000,000,000 shares of HK\$0.02 each.
- (b) In April 2007, convertible bond of the Company was converted into totally 1,428,571,427 shares of the Company at a conversion price of HK\$0.105 per share.
- (c) In October 2007, 223,946,076 new shares were allotted and issued at HK0.26 cent per share in lieu of final dividend for the year ended 31st March 2007.
- (d) In February 2008, 175,335,305 new shares were allotted and issued at HK0.26 cent per share in lieu of interim dividend for the six months ended 30th September 2007.
- (e) In September 2007, 2,501,761,231 warrants were issued, and 119,104 warrants were exercised at HK\$0.146 per share during the year. 2,501,642,127 warrants are outstanding at 31st March 2008.

Notes to the Financial Statements

27. Reserves

Group

	Share premium	Contributed surplus	Convertible bonds-equity component	Available-for-sale investment reserve	Exchange reserve	Share options reserve	Warrant reserve	Revenue reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2006	521,207	899,333	-	-	44,341	280	-	(114,838)	1,350,323
Exchange differences	-	-	-	-	1,765	-	-	-	1,765
Issue of shares upon exercise of scrip dividend	14,554	-	-	-	-	-	-	-	14,554
Convertible bonds – equity component	-	-	67,676	-	-	-	-	-	67,676
Issue of shares upon exercise of convertible bonds	121,428	-	(33,838)	-	-	-	-	-	87,590
Issue of rights shares	218,723	-	-	-	-	-	-	-	218,723
Profit for the year	-	-	-	-	-	-	-	27,605	27,605
Dividend paid	-	-	-	-	-	-	-	(54,880)	(54,880)
Share options expense	-	-	-	-	-	7,680	-	-	7,680
At 31st March 2007	875,912	899,333	33,838	-	46,106	7,960	-	(142,113)	1,721,036
Exchange differences	-	-	-	-	19,475	-	-	-	19,475
Issue of shares upon exercise of scrip dividend	33,500	-	-	-	-	-	-	-	33,500
Issue of shares upon exercise of convertible bonds	121,429	-	(33,838)	-	-	-	-	-	87,591
Issue of warrants (note 25)	-	-	-	-	-	-	(116,832)	-	(116,832)
Issue of shares upon exercise of warrants (note 25)	15	-	-	-	-	-	5	-	20
Fair value gain on investments	-	-	-	14,898	-	-	-	-	14,898
Less: provision for deferred tax (note 29)	-	-	-	(2,607)	-	-	-	-	(2,607)
Share options expense	-	-	-	-	-	22,400	-	-	22,400
Share options lapsed	-	-	-	-	-	(2,840)	-	2,840	-
Profit for the year	-	-	-	-	-	-	-	96,270	96,270
Dividend paid	-	-	-	-	-	-	-	(65,628)	(65,628)
At 31st March 2008	1,030,856	899,333	-	12,291	65,581	27,520	(116,827)	(108,631)	1,810,123
Representing:									
Reserves	1,030,856	899,333	-	12,291	65,581	27,520	(116,827)	(117,667)	1,801,087
Proposed final dividend	-	-	-	-	-	-	-	9,036	9,036
At 31st March 2008	1,030,856	899,333	-	12,291	65,581	27,520	(116,827)	(108,631)	1,810,123

Notes to the Financial Statements

27. Reserves (continued)

Company

	Share premium	Contributed surplus	Convertible bonds-equity component	Share option reserve	Warrant reserve	Revenue reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
Convertible bonds – equity component	–	–	67,676	–	–	–	67,676
Issue of shares upon exercise of convertible bonds	121,428	–	(33,838)	–	–	–	87,590
Issue of rights shares	218,723	–	–	–	–	–	218,723
Profit for the year	–	–	–	–	–	79,742	79,742
Dividend paid	–	–	–	–	–	(54,880)	(54,880)
Share options expense	–	–	–	7,680	–	–	7,680
At 31st March 2007	875,912	1,088,229	33,838	7,960	–	117,652	2,123,591
Issue of shares upon exercise of scrip dividend	33,500	–	–	–	–	–	33,500
Issue of shares upon exercise of convertible bonds	121,429	–	(33,838)	–	–	–	87,591
Issue of warrants (note 25)	–	–	–	–	(116,832)	–	(116,832)
Issue of shares upon exercise of warrants (note 25)	15	–	–	–	5	–	20
Share options expense	–	–	–	22,400	–	–	22,400
Share options lapsed	–	–	–	(2,840)	–	2,840	–
Profit for the year	–	–	–	–	–	130,767	130,767
Dividend paid	–	–	–	–	–	(65,628)	(65,628)
At 31st March 2008	1,030,856	1,088,229	–	27,520	(116,827)	185,631	2,215,409
Representing:							
Reserves	1,030,856	1,088,229	–	27,520	(116,827)	176,595	2,206,373
Proposed final dividend	–	–	–	–	–	9,036	9,036
At 31st March 2008	1,030,856	1,088,229	–	27,520	(116,827)	185,631	2,215,409

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 2008 amounted to HK\$1,184,553,000 (2007: HK\$1,247,679,000).

Notes to the Financial Statements

28. Borrowings

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Short term bank borrowings, unsecured	20,000	–	20,000	–
Short term bank and other borrowings, secured (note a)	358,295	51,000	–	–
	378,295	51,000	20,000	–
Long term bank borrowings, secured (notes a & b)	605,385	624,501	–	–
Obligations under finance leases (notes b & c)	63	146	–	–
	983,743	675,647	20,000	–

Notes:

- (a) The short term bank borrowings of HK\$265,111,000 (2007: HK\$51,000,000) and the bank borrowings of HK\$605,385,000 (2007: HK\$624,501,000) are secured by mortgages of the Group's hotel properties and leasehold land (note 16(d)), floating charges over all the assets of certain subsidiaries and corporate guarantees given by the Company. The short term other borrowings of HK\$93,184,000 (2007: Nil) are secured by certain available-for-sale investments (note 18(a)).
- (b) The maturity of long term bank borrowings and obligations under finance leases is as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
Bank borrowings not wholly repayable within five years		
Repayable within one year	11,012	13,071
Repayable within one to two years	11,012	13,071
Repayable within two to five years	122,038	81,714
Repayable after five years	461,323	516,645
	605,385	624,501
Obligations under finance leases wholly repayable within five years	63	146
	605,448	624,647
Current portion included in current liabilities	(11,075)	(13,161)
	594,373	611,486

Notes to the Financial Statements

28. Borrowings (continued)

(c) At 31st March 2008, the Group's obligations under finance leases were repayable as follows:

	Present value		Minimum payments	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	63	90	65	98
In the second year	–	56	–	58
	63	146	65	156

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

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollar	845,184	540,591	20,000	–
Canadian dollar	118,449	135,056	–	–
Japanese Yen	20,110	–	–	–
	983,743	675,647	20,000	–

(e) The effective interest rates of the borrowings at the balance sheet date ranged from 1.29% to 4.95% (2007: 4.53% to 7%) per annum. The interest rates of the borrowings are not subject to contractual repricing.

(f) The carrying amount of borrowings approximate their fair values.

Notes to the Financial Statements

29. 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	
	2008 HK\$'000	2007 HK\$'000
At 1st April	30,372	40,130
Recognised in the profit and loss account (<i>note 12</i>)	(11,489)	(9,758)
Recognised in equity (<i>note 27</i>)	(2,607)	–
At 31st March	16,276	30,372

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

Deferred income tax liabilities

	Fair value gain	Accelerated tax depreciation	Total
	HK\$'000	HK\$'000	HK\$'000
At 1st April 2006	–	38,282	38,282
Recognised in the profit and loss account	–	1,522	1,522
At 1st April 2007	–	39,804	39,804
Recognised in the profit and loss account	–	(53)	(53)
Recognised in equity	2,607	–	2,607
At 31st March 2008	2,607	39,751	42,358

Notes to the Financial Statements

29. Deferred income tax (continued)

Deferred income tax assets

	Accelerated accounting depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st April 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
Recognised in the profit and loss account	(35)	(11,507)	(11,542)
At 31st March 2008	296	58,338	58,634

Company

Deferred income tax assets

	Tax losses HK\$'000	HK\$'000
At 1st April 2007 and 31st March 2008	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	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Deferred income tax assets	18,883	30,372	137	137
Deferred income tax liabilities	(2,607)	–	–	–
	16,276	30,372	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\$14 million (2007: HK\$26 million) in respect of losses amounting to HK\$61 million (2007: HK\$115 million) that can be carried forward against future taxable income. Except for tax losses of HK\$20 million (2007: HK\$78 million) which have no expiry date, the balance will expire at various dates up to and including 2026 (2007: 2026).

Notes to the Financial Statements

30. 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. Both ASDL and ASFCL are indirect wholly owned subsidiaries of Asia Standard International Group Limited ("ASI"), the ultimate holding company of the Company.

The bond holders had 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 might occur at any time between 1st February 2007 and 31st January 2011. If the bonds had not been converted, they would 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 contained two components, liability and equity elements. The equity element was presented in equity heading "convertible bonds – equity component".

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

	HK\$'000
Proceeds of issue	300,000
Equity component (<i>note 27</i>)	(67,676)
Liability component	232,324
Exercise of convertible bonds	(116,162)
Liability component at 31st March 2007	116,162
Exercise of convertible bonds	(116,162)
Liability component at 31st March 2008	–

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 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 HK\$0.02 each.

Notes to the Financial Statements

31. 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 4 years.

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

	Group	
	2008	2007
	HK\$'000	HK\$'000
Within one year	8,731	11,173
In the second to fifth years inclusive	16,652	19,129
	25,383	30,302

As at 31st March 2008, the Company had no operating lease receivable arrangements (2007: Nil).

(b) Lessee

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

	Group	
	2008	2007
	HK\$'000	HK\$'000
Within one year	3,784	4,818
In the second to fifth years inclusive	3,250	7,150
	7,034	11,968

As at 31st March 2008, the Company had no operating lease payable arrangements (2007: Nil).

Notes to the Financial Statements

32. Capital commitments

Capital commitments at the balance sheet date are as follows:

	2008 HK\$'000	2007 HK\$'000
Property, plant and equipment		
Contracted but not provided for	111,900	1,300
Authorised but not contracted for	29,827	96,700
	141,727	98,000

33. Financial guarantee

	Company	
	2008 HK\$'000	2007 HK\$'000
Guarantees for the banking and loan facilities of Subsidiaries	870,496	676,740

As at 31st March 2008, the Group had no contingent liabilities (2007: Nil). The Directors consider that the subsidiaries are financially resourceful in settling the obligations.

Notes to the Financial Statements

34. Related party transactions

The major shareholders of the Group are ASI and Asia Orient Holdings Limited ("Asia Orient"), companies incorporated in Bermuda and listed in Hong Kong. ASI directly own 67.70% of the Company's shares and Asia Orient owns effectively 2.96% of the Company's shares. The remaining 29.34% shares are widely held.

In addition to the related party information shown elsewhere in the financial statements, the following transactions were carried out with related parties at terms mutually agreed between the transacted parties:

Sales and purchases of goods and services the transacted parties	2008 HK\$'000	2007 HK\$'000
Income from ASI		
Hotel services	–	63
Travel agency service	900	596
Income from/(expenses to) fellow subsidiaries		
Travel agency service	–	37
Operating lease rental expense for properties	(1,457)	(649)
Management service expenses	(973)	(977)
Income from Asia Orient		
Hotel services	6	2

35. Subsequent events

Subsequent to the balance sheet date, the Group completed a 10 year HK\$380 million new long term bank facility and HK\$320 million new short term bank facility. The new long term bank facility is used primarily to refinance the long term bank borrowings of approximately HK\$180 million and short term bank borrowings of approximately HK\$200 million then outstanding, and the new short term bank facility is to provide additional working capital for the Group.

Notes to the Financial Statements

36. Reconciliation of profit before income tax to net cash generated from operations:

	2008 HK\$'000	2007 HK\$'000
Profit before income tax	110,222	37,950
Depreciation of property, plant and equipment	46,679	53,253
Amortisation of leasehold land	21,685	21,686
Impairment of goodwill	3,548	–
Interest income	(2,671)	(2,832)
Dividend income	(1,725)	(627)
Finance costs	36,311	41,798
Net realised gain on financial assets at fair value through profit or loss	(34,745)	(972)
Gain on disposal of property, plant and equipment	(582)	(15)
Fair value loss/(gain) on financial assets at fair value through profit or loss	10,159	(272)
Share options expense	22,400	7,680
Fair value loss on interest rate swaps	3,318	2,876
Fair value loss on derivative financial instruments	13,395	–
Fair value gain on warrant liabilities	(65,502)	–
Operating profit before working capital changes	162,492	160,525
(Increase)/decrease in inventories	(78)	376
Increase in trade and other receivables	(34,253)	(2,546)
(Decrease)/increase in trade and other payables	(11,518)	10,409
(Increase)/decrease in financial assets at fair value through profit or loss	(24,686)	21,553
Net cash generated from operations	91,957	190,317

37. Comparative figures

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

Notes to the Financial Statements

38. Principal subsidiaries

A list of the Group's principal subsidiaries which are 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)

Name	Principal activity	Issued and fully paid ordinary share capital/ registered capital
<i>Incorporated in Hong Kong</i>		
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
<i>Incorporated in the British Virgin Islands</i>		
Asia Standard Hotel (BVI) Limited *	Investment holding	US\$1
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
<i>Incorporated in the People's Republic of China</i>		
Shanghai Hong Hua TGIF Restaurant Co. Limited (95% owned) ##	Catering operation	RMB17,384,640

Operates in Canada

Operates in Mainland China, cooperative joint venture

* Directly wholly owned by the Group

39. Ultimate holding company

The Directors regard ASI, incorporated in Bermuda and listed in Hong Kong, as being the ultimate holding company.

40. Approval of financial statements

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