



Asia Orient Holdings Limited

Stock Code : 214



Annual Report



2007



Asia Orient Holdings Limited

(Incorporated in Bermuda with limited liability)

Annual Report

For the year ended

31st March 2007

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Corporate Information

Directors

Executive

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

Non-executive

Mr. Chan Sze Hung

Independent non-executive

Mr. Cheung Kwok Wah, Ken
 Mr. Wong Chi Keung
 Mr. Hung Yat Ming

Audit committee

Mr. Hung Yat Ming (*Chairman*)
 Mr. Cheung Kwok Wah, Ken
 Mr. Wong Chi Keung

Remuneration committee

Mr. Fung Siu To, Clement (*Chairman*)
 Mr. Wong Chi Keung
 Mr. Hung Yat Ming

Authorised representatives

Mr. Fung Siu To, Clement
 Mr. Lun Pui Kan

Company secretary

Ms. Chiu Yuk Ching

Registered office

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

Principal office in Hong Kong

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

Principal bankers

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

Legal advisers

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

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

Auditor

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

Share registrar in Bermuda

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

Hong Kong branch share registrar and transfer office

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

Financial Highlights

For the year ended 31st March	2007	2006	Change (%)
(in HK\$ million, except otherwise indicated)			
Consolidated profit and loss account			
Turnover	119	45	+164%
Operating profit/(loss)	45	(14)	N/A
Share of profits of associated companies	123	66	+86%
Profit attributable to shareholders of the Company	168	56	+200%
Earning per share (HK\$)			
Basic	0.44	0.21	+110%
Diluted	0.44	0.21	+110%
Consolidated balance sheet			
Total assets	2,062	1,726	+19%
Net assets	2,013	1,672	+20%
Net assets per share (HK\$)	5.22	6.57	-21%
Net cash	115	106	+9%
Gearing	Net cash	Net cash	N/A

Chairman's Statement



I am pleased to report that the Group has recorded profit for the year of HK\$168 million, three times that of last year.

The Group's major investment, 43% stake in Asia Standard International Group Ltd, achieved a 70% increase in profit attributable to shareholders of HK\$288 million, with profit from development sales and investment properties appreciation gain being the main contributors. The hotel subsidiary of Asia Standard also reports a HK\$28 million net profit as opposed to last year's HK\$21 million loss.

We are confident on the property markets, both Hong Kong and Mainland. The falling unemployment rate, low mortgage interest rate, increased affordability, positive economic outlook together with continued economic support from Mainland central government, all point towards a solid demand in the local property market.

We expect the trend of strong influx of visitors to be continued in the coming years, with Hong Kong positioned as the financial and business centre of the region, and the continuation of the Individual Visit Scheme by Mainland.

The Group will continue to support and increase its investment in Asia Standard, which in turn is actively exploring different opportunities to invest in the property and hotel market in Hong Kong and the PRC.

By Order of the Board
Fung Siu To, Clement
Chairman

Hong Kong, 18th July 2007

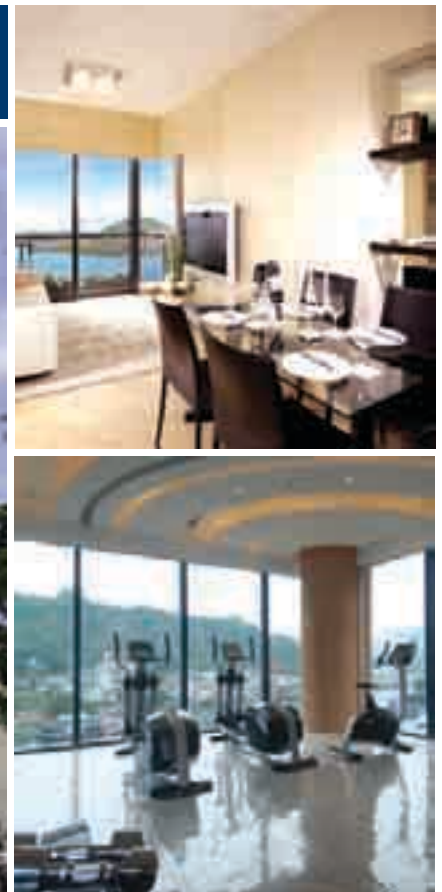
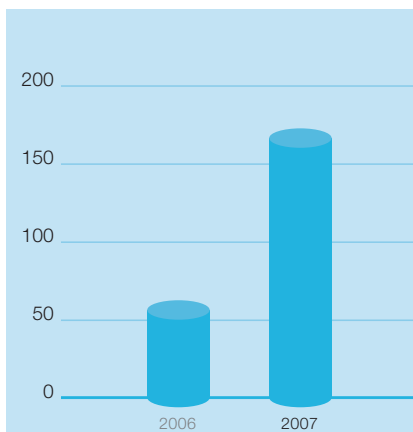
Business and Financial Review

Result

Profit attributable to shareholders increase to HK\$168 million as compared to HK\$56 million last year, the increase resulted mainly from the sharing of the improved performance of Asia Standard International Group Limited (“Asia Standard”), and the gain arising from the acquisition of additional interest in it.

Profit attributable to shareholders

HK\$ million



Asia Standard

The Group’s shareholdings in Asia Standard increased from 40.98% to 42.9% during the year. The listed associated company achieved HK\$288 million (2006: HK\$168 million) profit attributable to shareholders during the year at a turnover of HK\$1,374 million (2006: HK\$744 million).

Property sales, leasing and development

Asia Standard completed two residential developments during the year, and together with other inventory units, recognised HK\$652 million property sales for the year, increased from last years’ HK\$75 million.

It is now progressing on the superstructure construction stage of its residential developments in Aberdeen and Ting Kau, Hong Kong which are expected to be launched in the coming financial year and the year subsequent. Currently, Asia Standard has approximately 1 million sq.ft. gross floor area of properties under development.

Business and Financial Review



Green Orchid



Empire Hotel Hong Kong



The associated company achieved a 6% attributable rental increment from its investment properties portfolio, with the disposal of an investment property.

Hotel

Hotel group's gross operating profit increased by 18% from HK\$136 million to HK\$161 million. It reported a HK\$28

million profit for the year compared to last year's loss of HK\$21 million.

The two Hong Kong based Empire hotels achieved a 13% combined revenue increment against that of last year. Empire Landmark in Canada also experienced a 20% revenue increase, taking into account of exchange rate effect.

Hotel group's net borrowings were down by HK\$114 million, a 14% decrease to HK\$723 million.

The hotel group is undertaking a renovation project of a 280-room hotel in Causeway Bay, Hong Kong. The newly acquired hotel is expected to commence operation in second half 2008.

Business and Financial Review

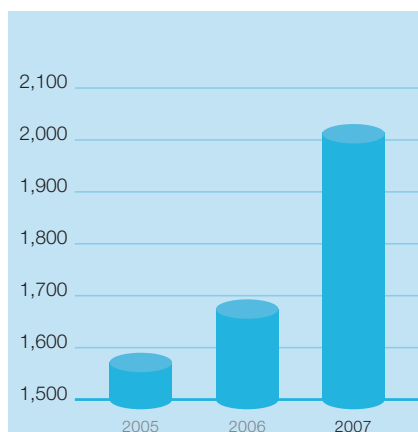
Financial Review

The Group was at net cash position at current financial year end and last year.

At 31st March 2007, the Group's net asset value increased to HK\$2.01 billion, an increase of HK\$341 million (20%) from HK\$1.67 billion of 31st March 2006.

Net Assets

HK\$ million



Certain listed investments were pledged to secure general banking facilities of the Group. The Group did not provide any guarantees to banks and financial institutions on credit facilities to jointly controlled entities, associated companies and third parties.

Employees and Remuneration Policies

At 31st March 2007, the Group employed 203 full time employees with most of them working for building management and related logistics services. Their remuneration packages, which are commensurate with job nature and experience level, include basic salary, annual bonus, share options, retirement and other benefits.

Future Prospects

Property market continues to advance with low mortgage rates, rising personal income and increasing affordability. Management is confident that its investments in Asia Standard would bring favourable returns as and when its results reflect the expanding economy of Hong Kong.

Hotel performance is very encouraging resulting from the continuing favourable effect of economic expansion, Disney Theme Park, conferences and exhibitions hosted by Hong Kong, and the increasing importance of China. Visitors' arrivals to Hong Kong for the year of 2006 reached 25 million, 8% higher than last year. We believe there will be growing attraction in Hong Kong with its privileged position as a door to the mainland.

Management is actively exploring investment opportunities in mainland China.

Five-year Financial Summary

Year ended 31st March	2007 HK\$M	2006 HK\$M	2005 HK\$M (restated)	2004 HK\$M (restated)	2003 HK\$M (restated)
RESULTS					
Turnover	119	45	553	767	1,214
Profit/(loss) attributable to shareholders of the Company	168	56	(52)	(259)	(466)
ASSETS AND LIABILITIES					
Total assets	2,062	1,726	1,679	6,629	7,048
Total liabilities	(49)	(54)	(110)	(3,409)	(3,537)
Minority interests	-	-	-	(1,597)	(1,654)
Total equity	2,013	1,672	1,569	1,623	1,857

Notes:

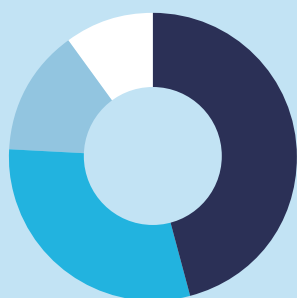
- Subsequent to the reduction of interests in Asia Standard International Group Limited to below 50% in January 2005, Asia Standard changed from a subsidiary to an associated company and accordingly its results and assets and liabilities were consolidated up to December 2004 and equity accounted for thereafter.
- Over the past five years, the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standard ("HKFRS") which are effective for accounting periods commencing on or after 1st January 2005. HKFRS was adopted in 2006 with 2003, 2004 and 2005 figures restated in accordance with the relevant requirements of new/revised HKFRS.

Principal Properties

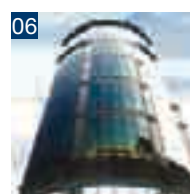
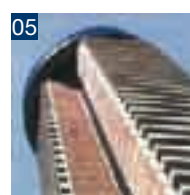
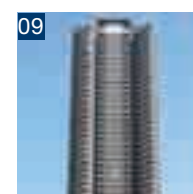
As at 31st March 2007

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

- Properties held for/under development for sale (46%)
- Hotel properties (30%)
- Investment properties (14%)
- Completed properties held for sale (10%)

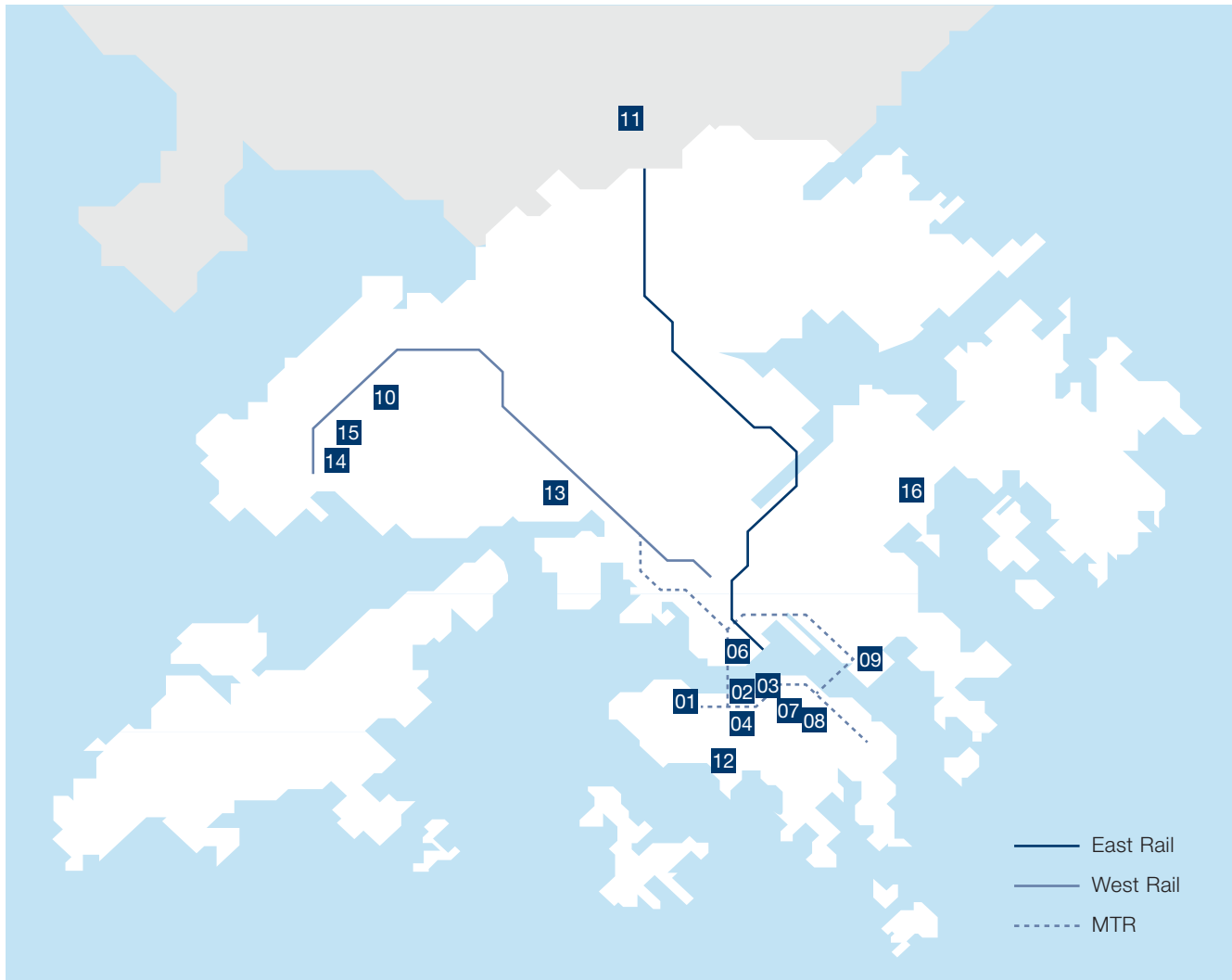


	Attributed GFA to Asia Standard (sq. ft.)
Investment properties	282,000
Hotel properties	585,000
Completed properties held for sale	195,000
Properties held for/under development for sale	883,000
Total	1,945,000



Principal Properties

As at 31st March 2007



Our properties

- | | | |
|--|--------------------------------------|----------------------------|
| 01 Asia Standard Tower | 07 8 Wing Hing Street | 13 Castle Peak Road |
| 02 Asia Orient Tower | 08 28 Marble Road | 14 Lam Tei |
| 03 Goldmark | 09 Canaryside | 15 Hung Shui Kiu |
| 04 Empire Hotel | 10 Green Orchid | 16 Sha Ha |
| 05 Empire Landmark Hotel, Vancouver | 11 Oriental Garden | |
| 06 Empire Hotel Kowloon | 12 238-242 Aberdeen Main Road | |

Principal Properties

As at 31st March 2007

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

Properties	Group's interests	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type
I Investment properties				
01 Asia Standard Tower 59-65 Queen's Road Central, Hong Kong.	42.9%	7,800	133,000	Commercial
02 Asia Orient Tower Town Place, 33 Lockhart Road, Wanchai, Hong Kong.	42.9%	7,300	114,000	Commercial
03 Goldmark 502 Hennessy Road, Causeway Bay, Hong Kong.	14.2%	6,300	106,000	Commercial
II Hotel properties				
04 Empire Hotel 33 Hennessy Road, Wanchai, Hong Kong.	29.9%	10,600	184,000 (362 rooms)	Hotel
05 Empire Landmark Hotel 1400 Robson Street, Vancouver B.C., Canada.	29.9%	41,000	420,000 (358 rooms)	Hotel
06 Empire Hotel Kowloon 62 Kimberley Road, Tsimshatsui, Kowloon.	29.9%	11,400	220,000 (315 rooms)	Hotel
07 A new hotel (Coming soon) 8 Wing Hing Street, Causeway Bay, Hong Kong.	29.9%	6,200	108,000 (280 rooms)	Hotel

Principal Properties

As at 31st March 2007

Properties	Group's interests	Approx. gross floor area (sq. ft.)	Type
III Completed properties held for sale			
Hong Kong			
08 Portion of office floors at 28 Marble Road, North Point, Hong Kong.	34.3%	40,000	Commercial
09 Canaryside, 8 Shung Shun Street, Lei Yue Mun, Kowloon.	42.9%	92,000	Commercial/ Residential
10 Green Orchid, Ping Shan, Yuen Long New Territories.	42.9%	7,000	Residential
People's Republic of China			
11 Oriental Garden Nos. H212-28 Dong Feng Fang, Luo Hu District, Shenzhen, PRC.	17.7%	154,000	Commercial/ Residential

Properties	Group's interests	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type	Stage and estimated date of completion
IV Properties held for/under development for sale					
Hong Kong					
12 238-242 Aberdeen Main Road, Hong Kong.	42.9%	16,200	143,000	Commercial/ Residential	Superstructure (2008)
13 Castle Peak Road, Yau Kam Tau, New Territories.	21.5%	83,600	200,000	Residential	Foundation (2009)
14 Lam Tei, Tuen Mun, New Territories.	42.9%	19,000	79,000	Commercial/ Residential	Planning (2010)
15 Hung Shui Kiu, Yuen Long, New Territories.	34.3%	101,000	595,000	Commercial/ Residential	Planning (2010)
16 Sha Ha, Sai Kung, New Territories.	3.2%	630,000	1,133,000	Residential	Planning (2010)

Corporate Governance Report

Corporate Governance Practices

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

Board of Directors

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

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

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

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

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

Corporate Governance Report

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

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

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

Remuneration Committee

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

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

Audit Committee

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

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

Corporate Governance Report

Code of Conduct

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

Code on Corporate Governance Practices

During the year, the Company has complied with the code provisions of the Code on the 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.

Auditor's remuneration

PricewaterhouseCoopers has been appointed as the auditor of the Company by the shareholders at the annual general meeting. The services provided by PricewaterhouseCoopers include audit, taxation related and other services. A statement by PricewaterhouseCoopers about their reporting responsibilities is included in the Report of Independent Auditor on pages 27 of this annual report.

An amount of HK\$813,000 (2006: HK\$914,000) was charged to the financial statements of the Group for their statutory audit services. Taxation services and review on interim results provided by the auditors for the Group amounted to HK\$100,000 (2006: HK\$138,000).

Investor relationship

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

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

Directors' Profile

Executive Directors

FUNG Siu To, Clement

Age 58. Chairman of the Company and the Remuneration Committee. He is the chairman of the listed associated company, Asia Standard International Group Limited ("Asia Standard") and is an executive director of the listed associated company, Asia Standard Hotel Group Limited ("AS Hotel"). Mr. Fung is a holder of a Bachelor of Applied Science (Civil Engineering) degree and is also a fellow member of the Hong Kong Institution of Engineers. He joined the Company and its subsidiaries (together the "Group") in 1988 and has over 25 years of experience in project management and construction. He is the brother-in-law of Mr. Poon Jing, Managing Director.

LIM Yin Cheng

Age 62. Deputy Chairman of the Company and Asia Standard, deputy chairman and chief executive of AS Hotel. Dr. Lim is a holder of Bachelor of Science (Chemical Engineering) and Doctor of Philosophy degrees. He has over 25 years of experience in engineering, project management and administration. He joined the Group in 1992. He is the brother-in-law of Mr. Poon Jing, Managing Director.

POON Jing

Age 52. Managing Director and Chief Executive of the Company and Asia Standard, chairman of AS Hotel. Mr. Poon is an Independent non-executive director of GZI Transport Limited. He is the brother-in-law of Mr. Fung Siu To, Clement and Dr. Lim Yin Cheng, the Chairman and Deputy Chairman respectively.

Lun Pui Kan

Age 44. Finance Director of the Company and Asia Standard. Mr. Lun has over 20 years of experience in accounting and finance. He is a holder of a Bachelor of Science (Engineering) degree and is an associate member of The Hong Kong Institute of Certified Public Accountants ("HKICPA") and a fellow member of The Association of Chartered Certified Accountants ("ACCA"). He joined the Group in 1994.

KWAN Po Lam, Phileas

Age 48. Executive Director of the Company and Asia Standard. Mr. Kwan is a holder of a Bachelor of Business Administration degree. He joined the Group in 1986 and is responsible for property sales and leasing. He has over 20 years of experience in property sales, leasing and real estate management.

Directors' Profile

Non-executive Director

CHAN Sze Hung

Age 54. Non-executive Director of the Company. Mr. Chan graduated from the University of Hong Kong with a degree in law. He joined a legal firm for approximately four years prior to becoming a principal partner of Chan, Lau & Wai. He has over 25 years of experience in the legal profession. Mr. Chan is also an independent non-executive director of Mascotte Holdings Limited, Heritage International Holdings Limited and Radford Capital Investment Limited, all of these companies are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). He joined the Group in June 1996.

Independent Non-executive Directors

CHEUNG Kwok Wah, Ken

Age 50. Independent Non-executive Director and a member of Audit Committee of the Company. Mr. Cheung has over 20 years of experience in the finance field. He joined the Group in June 1996.

WONG Chi Keung

Aged 52. Independent Non-executive Director, a member of Audit Committee and Remuneration Committee of the Company and Asia Standard. Mr. Wong holds a master's degree in business administration from the University of Adelaide in Australia. He is a fellow

member of HKICPA, ACCA and CPA Australia; an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management and advising on securities and corporate finance activities for Legend Capital Partners, Inc. under the Securities and Futures Ordinance of Hong Kong.

Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited, which is a listed company on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Century City International Holdings Limited, China Special Steel Holdings Company Limited, China Ting Group Holdings Limited, FU JI Food and Catering Services Holdings Limited, Golden Eagle Retail Group Limited, Great Wall Motor Company Limited, International Entertainment Corporation, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of these companies are listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management. He joined the Group in 2004.

HUNG Yat Ming

Age 55. Independent Non-executive Director, the Chairman of Audit Committee and a member of Remuneration Committee of the Company. He is also an independent non-executive director of AS Hotel. Mr. Hung graduated from the University of Hong Kong with a Bachelor degree in Mathematics and obtained a post-graduate diploma in Accountancy from the University of Strathclyde, Scotland. He has over 25 years of experience in audit, accounting and financial management in several firms in Sydney and Hong Kong and is a financial controller of a Hong Kong listed company. He is a member of the Institute of Chartered Accountants of Scotland and HKICPA. He joined the Group in September 2004.

Note:

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

Report of the Directors

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

Principal activities and geographical analyses of operations

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 34 to the financial statements.

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

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 28.

The Company paid an interim dividend of HK3.2 cents per share (2006: Nil), totalling HK\$12,219,000 (2006: Nil).

The Board recommends a distribution HK2.0 cents per share (2006: Nil), totalling HK\$11,572,000 for the year ended 31st March 2007 (2006: Nil).

Financial summary

A five-year financial summary of the results and of the assets and liabilities of the Group is set out on page 8.

Property, plant and equipment

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

Share capital

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

Reserves

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

Principal properties

Details of the principal properties of the associated companies are set out on pages 9 to 12.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$nil (2006: HK\$400,000).

Report of the Directors

Directors

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

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

In accordance with Bye-Laws 99 and 102(B) of the Company's Bye-Laws, one third of the Directors and the Directors appointed by the Board during the year retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The Managing Director and the Chairman shall not be subject to retirement by rotation. Dr. Lim Yin Cheng and Mr. Wong Chi Keung will retire from office by rotation in accordance with the Bye-Laws of the Company and Mr. Fung Siu To, Clement will retire from office to comply with the Code on Corporate Governance Practices at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

Biographical details of directors

Biographical details of Directors and senior management are set out on pages 16 to 17.

Directors' interests in contracts

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

Arrangements to purchase shares or debentures

Apart from the share option scheme of the Company as disclosed on page 24, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

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

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

(I) Long position in shares

(a) The Company

Director	Number of shares held			Total	Percentage of shares in issue (%)
	Personal interest	Corporate interest	Family interest		
Poon Jing	61,840,911	59,118,278	2,171,959	123,131,148	31.92
Fung Siu To, Clement	6,185,847	–	–	6,185,847	1.60

(b) Associated corporations

Director	Associated Corporation	Number of shares held			Total	Percentage of shares in issue (%)
		Personal interest	Corporate interest			
Poon Jing	Asia Standard International Group Limited ("Asia Standard")	6,248,502	2,967,345,774 (Note 1)		2,973,594,276	42.99
Poon Jing	Asia Standard Hotel Group Limited ("AS Hotel")	383,434	7,282,488,211 (Note 1)		7,282,871,645	65.73
Poon Jing and Fung Siu To, Clement	Centop Investment Limited ("Centop")	–	20 (Note 2)		20	20
Poon Jing	Centop	–	80 (Note 3)		80	80
Fung Siu To, Clement	Mark Honour Limited	9	–		9	9

Report of the Directors

Notes:

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

In addition, by virtue of his interest in the Company, Mr. Poon is deemed to be interested in the shares of all the Company's subsidiaries and associated corporations.

(II) Long positions in underlying shares

Interest in share options

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

(a) The Company

Name of director	Outstanding as at 1st April 2006 (Note 1)	Adjustment (Note 1)	Cancelled during the year (Note 1)	Granted during the year (Note 2)	Outstanding as at 31st March 2007
Fung Siu To, Clement	1,718,000	212,262	(1,930,262)	1,900,000	1,900,000
Lim Yin Cheng	1,718,000	212,262	(1,930,262)	1,900,000	1,900,000
Lun Pui Kan	1,718,000	212,262	(1,930,262)	1,900,000	1,900,000
Kwan Po Lam, Phileas	1,718,000	212,262	(1,930,262)	1,900,000	1,900,000

Notes:

1. Options were granted on 12th February 2004 and exercisable during the period from 12th February 2004 to 11th February 2014 at exercise price of HK\$3.3 per share. Following the adjustments made to the number of options granted under the share option scheme and the subscription price thereof as a result of the rights issue of the Company on the basis of 1 rights share for every 2 shares held by shareholders as of 21st March 2006 ("Rights Issue"), the number of options granted to each of Fung Siu To, Clement, Lim Yin Cheng, Lun Pui Kan and Kwan Po Lam, Phileas were adjusted from 1,718,000 to 1,930,262 and the subscription price was adjusted from HK\$3.3 per share to HK\$2.9371 per share on 10th April 2006.
2. Options were granted on 29th March 2007 and exercisable from 29th March 2007 to 28th March 2017 at an exercise price of HK\$1.602 per share.
3. During the year, no option granted to the Directors had been exercised or lapsed.

Report of the Directors

(b) Associated corporations

– Asia Standard

Name of director	Outstanding as at 1st April 2006 (Note)	Adjustment (Note)	Outstanding as at 31st March 2007
Fung Siu To, Clement	20,000,000	621,761	20,621,761
Poon Jing	5,000,000	155,440	5,155,440
Lim Yin Cheng	20,000,000	621,761	20,621,761
Lun Pui Kan	20,000,000	621,761	20,621,761
Kwan Po Lam, Phileas	20,000,000	621,761	20,621,761

Note: Options were granted on 30th March 2005 and exercisable during the period from 30th March 2005 to 29th March 2015 at exercise price of HK\$0.325 per share. Following the adjustments made to the number of options granted under the share option scheme and the subscription price thereof as a result of the rights issue of the Asia Standard on the basis of 1 rights share for every 3 shares held by shareholders as of 18th October 2006, the number of options granted to each of Fung Siu To, Clement, Lim Yin Cheng, Lun Pui Kan and Kwan Po Lam, Phileas were adjusted from 20,000,000 to 20,621,761, the number of options granted to Mr. Poon Jing was adjusted from 5,000,000 to 5,155,440 and the subscription price was adjusted from HK\$0.325 per share to HK\$0.315 per share on 10th November 2006.

– AS Hotel

Name of director	Outstanding as at 1st April 2006	Date of Grant	Exercise Price (HK\$)	Exercise Period	Granted during the year	Outstanding as at 31st March 2007
Fung Siu To, Clement	–	29th March 2007	0.1296	29th March 2007 to 28th March 2017	80,000,000	80,000,000

During the year, the share options granted to the Director have not been exercised, cancelled or lapsed.

Report of the Directors

(III) Interests in convertible bonds

Associated corporation

– AS Hotel

Name of director	Nature of Interests	Convertible bonds held (HK\$)	Number of underlying shares held	Percentage (%)
Poon Jing	Corporate (Note)	150,000,000	1,428,571,427	12.89

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

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

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

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

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31st March 2007, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

Long position in shares of the Company

Name	Number of shares held	Percentage (%)
Heston Holdings Limited ("Heston") (Note 1)	20,544,618	5.33
Teddington Holdings Limited ("Teddington") (Note 1)	24,661,195	6.39
Dalton Investments LLC ("Dalton")	50,351,584	13.05
Clearwater Insurance Company ("Clearwater Insurance") (Note 2)	23,792,405	6.17

Report of the Directors

Notes:

1. Mr. Poon, his family interest and the companies wholly owned by him namely Teddington, Heston and Full Speed Investments Ltd. together hold 123,131,148 shares. The interest of Teddington and Heston duplicate the interest of Mr. Poon disclosed under the heading "Directors and Chief Executive's interests and short positions in shares, underlying shares and debentures".
2. Dalton is the investment adviser for Clearwater Insurance. The interest of Clearwater Insurance duplicate the interest of Dalton disclosed above.

Share option scheme

The Company adopted the current share option scheme on 11th November 2002. According to this share option scheme, the board of Directors of the Company may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiaries or any invested entities, their discretionary trust or the companies owned by them. The purpose was to provide incentives, acknowledge the contributions of, motivate and maintain relationship with the eligible participants.

At the date of this report, the total number of shares available for issue upon exercise of all options to be granted under the share option scheme must not exceed 38,183,695 shares, representing approximately 9.9% of the shares in issue. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under the share option scheme or any other share option scheme within any 12 months period, must not exceed 1% of the shares in issue from time to time.

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

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

Report of the Directors

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

Grantee	Date of grant	Exercise price (HK\$) (Note 1)	Outstanding as at 1st April 2006	Adjustment (Note 1)	Cancelled during the year (Note 1)	Granted during the year	Outstanding as at 31st March 2007
Directors	12th February 2004 (Note 1)	2.9371	6,872,000	849,048	(7,721,048)	-	-
Employees	25th February 2005 (Note 1)	2.5766	5,400,000	667,180	(6,067,180)	-	-
Employees	8th April 2005 (Note 1)	2.1583	2,700,000	333,590	(3,033,590)	-	-
Directors	29th March 2007	1.602	-	-	-	7,600,000 (Notes 2 to 5)	7,600,000
Employees	29th March 2007	1.602	-	-	-	23,900,000 (Notes 2 to 5)	23,900,000
Directors of associated corporation	29th March 2007	1.602	-	-	-	6,200,000 (Notes 2 to 5)	6,200,000

Notes:

- Subsequent to completion of the Rights Issue on 10th April 2006, the outstanding share options granted and the subscription price thereof were adjusted as below:

Date of grant	Option before adjustment	Option after adjustment	Subscription price before adjustment (HK\$)	Subscription price after adjustment (HK\$)
12th February 2004	6,872,000	7,721,048	3.300	2.9371
25th February 2005	5,400,000	6,067,180	2.895	2.5766
8th April 2005	2,700,000	3,033,590	2.425	2.1583

These options were cancelled on 29th March 2007.

- The exercise period of the options is from 29th March 2007 to 28th March 2017.
- The closing price of the shares immediately before the date of grant of such option was HK\$1.59.
- The value of the options and the parameters used in the pricing model have been disclosed in note 10(b) of the financial statements. The model has various limitations and involves different assumptions. As a result, such valuation contains a lot of uncertainty and subjectivity.
- No option was lapsed or exercised during the year.

Report of the Directors

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.

Pre-emptive rights

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

Management contracts

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

Major customers and suppliers

For the year ended 31st March 2007, the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total value of purchase. The aggregate amount of revenue attributable to the Group's five largest customer represented less than 30% of the Group's total amount of revenue.

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

Subsequent event

Detail of the subsequent event is disclosed in note 33 to the financial statements.

Independent Non-executive Directors

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

Sufficiency of public float

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

Auditor

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

On behalf of the Board
Fung Siu To, Clement
Chairman

Hong Kong, 18th July 2007

Report of the Independent Auditor

To the Shareholders of Asia Orient Holdings Limited

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Asia Orient Holdings Limited (the "Company") set out on pages 28 to 71, which comprise the balance sheets of the Company and the Group as at 31st March 2007, and the consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

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

PRICEWATERHOUSECOOPERS

Certified Public Accountants

Hong Kong, 18th July 2007

Consolidated Profit and Loss Account

For the year ended 31st March 2007

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
Revenue from property management, dividend and interest income and proceeds from sale of financial assets at fair value through profit or loss	5, 7	118,650	45,090
Revenue from property management, dividend and interest income	5, 7	20,237	17,363
Cost of sales		(8,895)	(8,317)
Gross profit		11,342	9,046
Administrative expenses	7	(22,302)	(12,342)
Other income and charges	6	56,310	(10,869)
Operating profit/(loss)		45,350	(14,165)
Finance costs	8	(688)	(1,363)
Share of profits less losses of			
Jointly controlled entities		–	6,334
Associated companies		122,873	65,599
Profit before income tax		167,535	56,405
Income tax credit	11	36	–
Profit for the year attributable to shareholders of the Company	12	167,571	56,405
Dividends and distribution	13	23,791	–
Earnings per share			
Basic	14	HK\$ 0.44	HK\$ 0.21
Diluted	14	HK\$ 0.44	HK\$ 0.21

Consolidated Balance Sheet

As at 31st March 2007

	Note	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Property, plant and equipment	15	1,876	2,646
Jointly controlled entities	17	7,272	11,694
Associated companies	18	1,876,465	1,453,079
Deferred income tax assets	26	3,885	3,902
		1,889,498	1,471,321
Current assets			
Trade and other receivables	19	891	102,977
Financial assets at fair value through profit or loss	20	50,321	45,943
Derivative financial instruments	21	5,902	–
Bank balances and cash	22	115,045	105,505
		172,159	254,425
Current liabilities			
Trade and other payables	23	39,100	40,659
Amounts due to jointly controlled entities	17	–	4,422
Amounts due to associated companies	18	1,641	18
Amounts due to minority shareholders	27	8,311	8,311
		49,052	53,410
Net current assets		123,107	201,015
Total assets less current liabilities		2,012,605	1,672,336
Non-current liabilities			
Deferred income tax liabilities	26	9	135
Net assets		2,012,596	1,672,201
Equity			
Share capital	24	38,572	25,456
Reserves	25	1,974,024	1,646,745
		2,012,596	1,672,201

Fung Siu To, Clement
Director

Lun Pui Kan
Director

Balance Sheet

As at 31st March 2007

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Subsidiaries	16	3,648,228	3,478,137
Deferred income tax assets	26	171	171
		3,648,399	3,478,308
Current assets			
Trade and other receivables		109	1,600
Bank balances and cash	22	52	16,298
		161	17,898
Current liabilities			
Trade and other payables		1,236	2,298
Net current (liabilities)/assets		(1,075)	15,600
Net assets		3,647,324	3,493,908
Equity			
Share capital	24	38,572	25,456
Reserves	25	3,608,752	3,468,452
		3,647,324	3,493,908

Fung Siu To, Clement
Director

Lun Pui Kan
Director

Consolidated Cash Flow Statement

For the year ended 31st March 2007

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
Cash flows from operating activities			
Net cash from operations	31(a)	97,331	18,681
Net income tax paid		(73)	–
Interest paid		(688)	(1,377)
Net cash from operating activities		96,570	17,304
Cash flows from investing activities			
Interest received		7,507	10,475
Dividend received from financial assets at fair value through profit or loss		480	–
Dividend received from an associated company		878	8,221
Proceeds on disposal of financial assets at fair value through profit or loss		98,413	27,727
Purchase of financial assets at fair value through profit or loss		(109,522)	(54,618)
Addition to property, plant and equipment		(13)	(1,754)
Proceeds on disposal of subsidiaries	31(b)	150	–
Proceeds on disposal of associated companies and a jointly controlled entity		14,080	–
Increase in investments in associated companies		(256,785)	(7,290)
Decrease/(increase) in advances to associated companies		4,145	(2,163)
Decrease in advances to jointly controlled entities		–	6,894
Net cash used in investing activities		(240,667)	(12,508)
Net cash (used)/generated before financing activities		(144,097)	4,796
Cash flows from financing activities			
Dividend paid to shareholders		(5,778)	–
Net proceeds from rights issue		160,451	–
Placement of new shares		–	28,999
Repayment of long term bank loans		–	(43,598)
Drawdown of short term bank loans		114,424	–
Repayment of short term bank loans		(114,424)	(10,000)
Net cash generated from/(used in) financing activities		154,673	(24,599)
Net increase/(decrease) in cash and cash equivalents		10,576	(19,803)
Cash and cash equivalents at the beginning of the year		71,203	91,006
Cash and cash equivalents at the end of the year		81,779	71,203
Analysis of the balances of cash and cash equivalents			
Bank balances (excluding restricted bank balance)	22	81,779	71,203

Consolidated Statement of Changes in Equity

For the year ended 31st March 2007

	Shareholders of the Company
	HK\$'000
At 1st April 2005	1,576,633
Currency translation differences	2,283
Profit for the year	56,405
Total recognised income for the year	58,688
Placement of new shares	28,999
Grant of share options	3,348
Share options granted by a listed associated company	4,533
	36,880
At 31st March 2006	1,672,201
At 1st April 2006	1,672,201
Currency translation differences	467
Profit for the year	167,571
Total recognised income for the year	168,038
Shares issued for scrip dividend	6,441
Interim dividend	(12,219)
Grant of share options	11,913
Share options granted by a listed associated company	2,295
Net proceeds pursuant to rights issue	160,451
Convertible notes and bonds of listed associated companies	3,476
	172,357
At 31st March 2007	2,012,596

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 and derivative financial instruments, which are carried at fair value, and in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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

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

2 Principal accounting policies

(a) The adoption of new/revised HKFRS

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

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

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

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

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

Effective from 1st January 2007

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

Effective from 1st January 2009

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

Notes to the financial statements

2 Principal accounting policies (continued)

(b) Basis of consolidation

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

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

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

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

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

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

(c) Subsidiaries

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

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

Notes to the financial statements

2 Principal accounting policies (continued)

(d) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with other venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

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

(e) Associated companies

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

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

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

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, jointly controlled entities and associated companies at the date of acquisition. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation and translated at closing rate.

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

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

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

(g) Financial assets

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

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

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

(ii) *Loans and receivables*

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

Notes to the financial statements

2 Principal accounting policies (continued)

(g) Financial assets (continued)

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

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

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

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

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

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

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

Notes to the financial statements

2 Principal accounting policies (continued)

(h) Property, plant and equipment

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

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

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

Hotel and other buildings	Shorter of 50 years or the remaining lease period of the land on which the buildings is located
Other equipment	3 ¹ / ₃ to 10 years

No depreciation is provided for buildings under development.

Freehold land is not depreciated.

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

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

(i) Impairment of assets

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

Notes to the financial statements

2 Principal accounting policies (continued)

(j) Investment properties

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

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

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

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

(k) Properties held for/under development for sale

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

(l) Completed properties held for sale

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

(m) Hotel and restaurant inventories

Hotel and restaurant inventories comprise consumables and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis.

Notes to the financial statements

2 Principal accounting policies (continued)

(n) Trade and other receivables

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

(o) Provisions

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

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

(q) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit obligations

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

(iii) Share-based compensation

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

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

Notes to the financial statements

2 Principal accounting policies (continued)

(r) Deferred income tax

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

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

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

(s) Share capital

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

(t) Segment reporting

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

(u) Revenue recognition

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

(i) Properties

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

(ii) Investment properties

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

(iii) Hotel, travel agency and management services businesses

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

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

Management fee income is recognised when services are rendered.

Notes to the financial statements

2 Principal accounting policies (continued)

(u) Revenue recognition (continued)

(iv) *Investment and others*

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

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

(v) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

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

(iii) *Group companies*

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

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

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

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

Notes to the financial statements

2 Principal accounting policies (continued)

(w) Borrowing costs

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

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

(x) Operating leases

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

(y) Leasehold land

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

(z) Cash and cash equivalents

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

(aa) Related parties

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

3 Financial risk management

The Group and its associated companies' 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's associated companies' uses derivative financial instruments to hedge certain risk exposures.

Notes to the financial statements

3 Financial risk management (continued)

(a) Market risk

(i) Foreign exchange risk

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

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

(ii) Price risk

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

(b) Credit risk

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

(c) Liquidity risk

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

(d) Interest rate risk

The Group and its associated companies' interest rate risk arise from mortgage loans receivable and long term borrowings issued at variable rates.

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

4 Critical accounting estimates and judgements

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

Notes to the financial statements

4 Critical accounting estimates and judgements (continued)

(a) Estimate of fair value of investment properties

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

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

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

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

(b) Impairment of assets

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

(c) Income taxes

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

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

Notes to the financial statements

5 Revenue and segment information

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

The Group and its associated companies are principally engaged in property management, development and investment, hotel, travel agency and catering operations. Turnover comprises gross revenues from property management, investment and interest income.

Primary reporting format - business segment

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

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

	Property management	Investment	Other operations	Group
2007 (in HK\$'000)				
Proceeds from sale of financial assets at				
fair value through profit or loss	–	98,413	–	98,413
Segment revenue	11,838	480	7,919	20,237
	11,838	98,893	7,919	118,650
Contribution to segment results	2,943	480	7,919	11,342
Other income/(charges)	–	56,310	–	56,310
Unallocated corporate expenses				(22,302)
Operating profit				45,350
Finance costs				(688)
Share of results of				
Associated companies (<i>note (i)</i>)				122,873
Profit before income tax				167,535
Income tax credit				36
Profit for the year				167,571

Notes to the financial statements

5 Revenue and segment information (continued)

Primary reporting format - business segment (continued)

	Property management	Investment	Other operations	Group
2006 (in HK\$'000)				
Proceeds from sale of financial assets at fair value through profit or loss	–	27,727	–	27,727
Segment revenue	11,263	–	6,100	17,363
	11,263	27,727	6,100	45,090
Contribution to segment results	2,946	–	6,100	9,046
Other income/(charges)	–	(10,869)	–	(10,869)
Unallocated corporate expenses				(12,342)
Operating loss				(14,165)
Finance costs				(1,363)
Share of results of				
Jointly controlled entities (note (i))				6,334
Associated companies (note (i))				65,599
Profit before income tax				56,405
Income tax				–
Profit for the year				56,405

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

	2007		2006	
	Jointly controlled entities HK\$'000	Associated companies HK\$'000	Jointly controlled entities HK\$'000	Associated companies HK\$'000
Property sales	–	47,457	–	(13,597)
Property leasing	–	114,129	–	144,758
Hotel and travel	–	33,276	–	12,835
Investments	–	–	6,334	(7,428)
Other operations	–	15,187	–	7,766
Finance costs	–	(45,561)	–	(49,537)
Unallocated corporate expenses	–	(41,615)	–	(29,198)
	–	122,873	6,334	65,599

Notes to the financial statements

5 Revenue and segment information (continued)

Primary reporting format - business segment (continued)

	Property sales	Property management	Investment	Other operations	Group
2007 (in HK\$'000)					
Segment assets	–	488	56,223	2,147	58,858
Jointly controlled entities and associated companies (note (ii))					1,883,737
Unallocated assets					119,062
					2,061,657
Segment liabilities	–	37,786	–	8,311	46,097
Unallocated liabilities					2,964
					49,061
Capital expenditure	–	14	–	–	14
Depreciation	–	42	–	742	784
2006 (in HK\$'000)					
Segment assets	101,000	2,105	45,943	2,519	151,567
Jointly controlled entities and associated companies (note (ii))					1,464,773
Unallocated assets					109,406
					1,725,746
Segment liabilities	–	35,575	–	8,311	43,886
Unallocated liabilities					9,659
					53,545
Capital expenditure	–	77	–	1,677	1,754
Depreciation	–	42	–	428	470

Notes to the financial statements

5 Revenue and segment information (continued)

Primary reporting format - business segment (continued)

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

	2007 HK\$'000	2006 HK\$'000
Property sales	585,168	315,367
Property leasing	663,967	708,162
Hotel and travel	570,912	319,485
Investments	7,272	50,009
Other operations	49,470	20,044
Unallocated net assets	6,948	51,706
	1,883,737	1,464,773

Secondary reporting format - geographical segments

For the year ended 31st March 2007 and 2006, the activities of the Group are mainly based in Hong Kong. The Group incurred its capital expenditure, derived all of its revenue and operating profit/(loss) from Hong Kong. Over 90% of its total assets are located in Hong Kong.

6 Other income and charges

	2007 HK\$'000	2006 HK\$'000
Unrealised gain on derivative financial instruments	5,902	–
Unrealised losses on financial assets at fair value through profit or loss	(1,650)	(4,556)
Net realised losses on financial assets at fair value through profit or loss	(5,080)	(13,758)
Gain on disposal of subsidiaries	163	–
Gain on disposal of associated companies and a jointly controlled entity	13,215	–
Negative goodwill recognised on acquisition of additional interest in listed associated companies	43,760	8,811
Loss on deemed disposal of interest in a listed associated company	–	(1,366)
	56,310	(10,869)

Notes to the financial statements

7 Income and expenses by nature

	2007	2006
	HK\$'000	HK\$'000
Income		
Interest income		
Financial assets at fair value through profit or loss	–	274
Others	7,508	5,440
Dividends from listed financial assets at fair value through profit or loss	480	–
Expenses		
Operating lease rental expenses for land and buildings	269	259
Employee benefit expense, including Directors' emoluments (<i>note 10</i>)	23,598	15,016
Depreciation	784	470
Auditor's remuneration	813	914

8 Finance costs

	2007	2006
	HK\$'000	HK\$'000
Interest expense		
Long term bank loans	–	1,284
Short term bank loans and overdrafts	688	79
	688	1,363

Notes to the financial statements

9 Directors' and senior management emoluments

(a) The aggregate amount of emoluments paid and payable to Directors of the Company during the year are as follows:

Name of director	Directors'	Salaries, allowances and benefits		2007	Directors'	Salaries, allowances and benefits		2006
	fee	Share options	in kind	Total	fee	in kind	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive</i>								
Mr. Fung Siu To, Clement	-	600	-	600	-	-	-	-
Dr. Lim Yin Cheng	-	600	-	600	-	-	-	-
Mr. Poon Jing	-	-	4,000	4,000	-	3,500	3,500	
Mr. Lun Pui Kan	-	600	-	600	-	300	300	
Mr. Kwan Po Lam, Phileas	-	600	-	600	-	-	-	-
<i>Non-executive</i>								
Mr. Chan Sze Hung	20	-	-	20	20	-	20	
<i>Independent Non-executive</i>								
Mr. Cheung Kwok Wah, Ken	200	-	-	200	200	-	200	
Mr. Wong Chi Keung	200	-	-	200	200	-	200	
Mr. Hung Yat Ming	200	-	-	200	200	-	200	
	620	2,400	4,000	7,020	620	3,800	4,420	

(b) The five highest paid individuals in the Group for the year include two (2006: two) Directors whose emoluments are already reflected in the analysis presented above.

The emoluments payable to the remaining three (2006: three) individuals during the year are as follows:

	2007	2006
	HK\$'000	HK\$'000
Basic salaries, allowances, benefits in kind and share option benefits	3,416	2,643

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2007	2006
Below HK\$1,000,000	-	2
HK\$1,000,001 - HK\$1,500,000	3	-
HK\$2,000,001 - HK\$2,500,000	-	1

Notes to the financial statements

10 Employee benefit expense

	2007 HK\$'000	2006 HK\$'000
Wages and salaries	11,514	11,399
Retirement benefits costs (<i>note (a)</i>)	171	269
Employee share option benefits (<i>note (b)</i>)	11,913	3,348
	23,598	15,016

Employee benefit expense is stated inclusive of Directors' emoluments.

Notes:

(a) Retirement benefits costs

	2007 HK\$'000	2006 HK\$'000
Gross contributions	311	308
Forfeitures utilised	(140)	(39)
Net contributions	171	269

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

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

The Group also participates in the MPF scheme, which is available to all employees not joining the ORSO schemes in Hong Kong. Monthly contributions to the MPF scheme are made equal to 5% (2006: 5%) of the employees' relevant income in accordance with the legislative requirements.

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

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

Notes to the financial statements

10 Employee benefit expense (continued)

Notes: (continued)

(b) Share options

The Company operates share option schemes whereby options may be granted to employees of the Group, including the executive Directors, to subscribe for shares of the Company. The consideration to be paid on each grant of option is HK\$1.

Share options were granted to directors and to employees to subscribe for shares in accordance with the terms and conditions of the share option scheme.

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

Grantee	Expiry date	Exercise price	2007 Number	2006 Number
Directors	29th March 2017	HK\$1.602	7,600,000	–
Employees	29th March 2017	HK\$1.602	23,900,000	–
Directors of a listed associated company	29th March 2017	HK\$1.602	6,200,000	–
Directors	11th February 2014	HK\$2.9371	–	7,721,048
Employees	24th February 2015	HK\$2.5766	–	6,067,180
Employees	7th April 2015	HK\$2.1583	–	3,033,590
			37,700,000	16,821,818

During the year, 37,700,000 (2006: 2,700,000) options to subscribe for shares of the Company were granted. All of the share options granted in prior years (with the number of outstanding share options granted and the exercise price thereof adjusted for the effect of rights issue on 10th April 2006) were cancelled during the year (2006: Nil). No options were exercised, forfeited or lapsed during the year.

The fair value of the options granted and vested in the current year determined using the Binomial option pricing model is HK\$11,913,200 and is recognised in the profit and loss account. The following assumptions were used to calculate the fair values of share options granted on 29th March 2007:

Closing share price at the date of grant (HK\$)	1.570
Exercise price (HK\$)	1.602
Expected life of options (years)	4
Expected volatility (%) - note (i)	26.62%
Expected dividend yield (%) - note (ii)	3.58%
Risk free rate (%)	3.953%

Notes:

- (i) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over one year immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the expected life of the options and the historical volatility of the shares.
- (ii) It is based on prospective dividend yield of the shares at 29th March 2007.

Notes to the financial statements

11 Income tax credit

No provision for Hong Kong profits tax and overseas income tax have been made as the Group has no estimated assessable profit for the year (2006: Nil).

	2007 HK\$'000	2006 HK\$'000
Current income tax		
Underprovision in prior years	(73)	–
Deferred income tax	109	–
	36	–

Share of income tax of jointly controlled entities and associated companies for the year of nil (2006: HK\$ nil) and HK\$24,146,000 (2006: HK\$15,551,000) are included in the profit and loss account as share of profits less losses of jointly controlled entities and associated companies respectively.

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

	2007 HK\$'000	2006 HK\$'000
Profit before income tax	167,535	56,405
Share of profits less losses of jointly controlled entities and associated companies	(122,873)	(71,933)
	44,662	(15,528)
Calculated at a tax rate of 17.5% (2006: 17.5%)	(7,816)	2,717
Underprovisions in prior years	(73)	–
Income not subject to taxation	10,961	1,614
Expenses not deductible for tax purposes	(1,414)	(1,386)
Tax losses not recognised	(4,938)	(2,945)
Other temporary differences	20	–
Recognition of previously unrecognised tax losses	3,187	–
Others	109	–
Income tax credit	36	–

Notes to the financial statements

12 Profit attributable to shareholders of the Company

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of loss of HK\$13,170,000 (2006: HK\$6,630,000).

13 Dividends and distribution

	2007 HK\$'000	2006 HK\$'000
Interim, paid, of HK3.2 cents (2006: Nil) per share	12,219	–
Final, proposed, of HK2.0 cents (2006: Nil) per share	11,572	–
	23,791	–

At a meeting held on 18th July 2007, the Board has proposed a distribution of HK2.0 cents per share with a scrip option. This proposed distribution is not reflected in the financial statements, but will be reflected as an appropriation of contributed surplus in the year ending 31st March 2008.

The proposed distribution of HK\$11,572,000 is based on 578,576,347 shares in issue assuming the proposed rights issue of the Company is completed (note 33).

14 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$167,571,000 (2006: HK\$56,405,000) and divided by the weighted average of 378,686,455 (2006: 271,331,660, adjusted for the effects of rights issue in April 2006) shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31st March 2007 is based on HK\$164,964,000 equalling to the profit attributable to shareholders of HK\$167,571,000 with a decrease in share of profit after tax HK\$2,607,000 from Asia Standard International Group Limited ("Asia Standard") arising from potential conversion of the convertible notes of Asia Standard, and the weighted average number of 378,686,455 shares in issue during the year. The Company's outstanding share options did not have a dilutive effect on the earnings per share.

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

Notes to the financial statements

15 Property, plant and equipment

	Other equipment HK\$'000
Cost	
At 31st March 2006	4,970
Additions	14
At 31st March 2007	4,984
Accumulated depreciation	
At 31st March 2006	2,324
Charge for the year	784
At 31st March 2007	3,108
Net book value	
At 31st March 2007	1,876
Cost	
At 31st March 2005	3,216
Additions	1,754
At 31st March 2006	4,970
Accumulated depreciation	
At 31st March 2005	1,854
Charge for the year	470
At 31st March 2006	2,324
Net book value	
At 31st March 2006	2,646

16 Subsidiaries

	2007 HK\$'000	2006 HK\$'000
Unlisted shares, at cost	2,823,639	2,823,639
Amounts due by subsidiaries less provisions	824,589	654,498
	3,648,228	3,478,137

Details of the principal subsidiaries are set out in note 34.

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

Notes to the financial statements

17 Jointly controlled entities

	Group	
	2007 HK\$'000	2006 HK\$'000
Share of net liabilities	(35,764)	(31,506)
Advances to jointly controlled entities less provisions	43,036	43,200
Total carrying amounts of jointly controlled entities	7,272	11,694
Amount due to a jointly controlled entity included in current liabilities	-	(4,422)
	7,272	7,272

Advances are made to finance working capital of those jointly controlled entities. The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment.

Details of the principal jointly controlled entities are set out in note 34.

The Group's share of assets and liabilities and results

	2007 HK\$'000	2006 HK\$'000
Assets		
Non-current assets	19	14
Current assets	411	729
	430	743
Liabilities		
Non-current liabilities	32,857	29,481
Current liabilities	3,337	2,768
	36,194	32,249
	(35,764)	(31,506)
Income	-	9,064
Expenses	-	(2,730)
Profit before income tax	-	6,334
Income tax expense	-	-
Profit for the year	-	6,334

Notes to the financial statements

18 Associated companies

	Group	
	2007 HK\$'000	2006 HK\$'000
Share of net assets	1,876,465	1,450,730
Advances to associated companies less provisions	–	2,349
Total carrying amounts of associated companies	1,876,465	1,453,079
Amounts due to associated companies included in current liabilities	(1,641)	(18)
	1,874,824	1,453,061
Market value of listed shares	779,045	619,330

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

Details of the principal associated companies are set out in note 34.

The Group's share of assets and liabilities and results

	2007 HK\$'000	2006 HK\$'000
Assets	3,494,038	2,930,346
Liabilities	(1,617,573)	(1,479,616)
Net assets	1,876,465	1,450,730
Revenues	607,750	319,911
Profit for the year	122,873	65,599
Contingent liabilities	100,629	57,809

Notes to the financial statements

19 Trade and other receivables

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

Trade receivables of the Group amounted to HK\$302,000 (2006: HK\$159,000). The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

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

	Group	
	2007	2006
	HK\$'000	HK\$'000
0 day to 60 days	226	98
61 days to 120 days	76	11
More than 120 days	–	50
	302	159

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

20 Financial assets at fair value through profit or loss

	Group	
	2007	2006
	HK\$'000	HK\$'000
Equity securities		
Listed in Hong Kong	9,026	39,679
Listed overseas	–	6,264
Pledged United States treasury bills (<i>Note</i>)	41,295	–
	50,321	45,943

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

21 Derivative financial instruments

	Group	
	2007	2006
	HK\$'000	HK\$'000
Assets		
Financial assets, held for trading		
– United States Dollars currency forward contract	5,902	–

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

Notes to the financial statements

22 Bank balances and cash

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Cash at bank and in hand	11,709	9,808	52	1,416
Restricted bank balances	33,266	34,302	–	–
Short-term deposits	70,070	61,395	–	14,882
	115,045	105,505	52	16,298

The effective interest rate on restricted bank balances is 3.2% (2006: 3.4%) per annum. These balances are held in trust in respect of buildings managed by the Group on behalf of third parties.

The effective interest rate on short-term bank deposits is 4.9% (2006: 3.3%) per annum for the Group and nil (2006: 3%) per annum for the Company. These deposits have an average maturity of 3 days (2006: 4 days) for the Group and nil (2006: 1 day) for the Company.

23 Trade and other payables

Trade and other payables of the Group include trade payables, management fee deposits, interest and other payables and various accruals. Trade payables of the Group amounted to HK\$4,181,000 (2006: HK\$2,173,000)

Aging analysis of trade payables is as follows:

	Group	
	2007 HK\$'000	2006 HK\$'000
0 day to 60 days	3,629	1,807
61 days to 120 days	28	12
More than 120 days	524	354
	4,181	2,173

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

Notes to the financial statements

24 Share capital

Shares of HK\$0.1 each			Number of shares	Amount HK\$'000
Authorised				
At 31st March 2006 and 2007			750,000,000	75,000
	Number of shares		Amount	
	2007	2006	2007 HK\$'000	2006 HK\$'000
Issued and fully paid:				
At the beginning of the year	254,557,972	234,516,210	25,456	23,452
Scrip dividend/distribution (<i>note (a)</i>)	3,880,607	4,041,762	388	404
Shares issued pursuant to rights issue (<i>note (b)</i>)	127,278,986	–	12,728	–
Placement of shares (<i>note (c)</i>)	–	16,000,000	–	1,600
At the end of the year	385,717,565	254,557,972	38,572	25,456

Notes:

- (a) In February 2007, 3,880,607 new shares (2006: 4,041,762 new shares as scrip distribution) were allotted and issued as scrip dividend.
- (b) In April 2006, the Company issued 127.3 million shares at HK\$1.30 each for a gross amount of HK\$165.4 million pursuant to a rights issue of 1 rights share for 2 shares held. The net proceeds from the subscription would be used for investment in Hong Kong, Macau and the People's Republic of China ("PRC") in order to expand the Group's investment portfolio.
- (c) Pursuant to a placing and subscription agreement dated 11th January 2006, the Company issued 16 million new shares at HK\$1.85 per share, a discount of approximately 9.76% to the closing price of HK\$2.05 per share as quoted on the Stock Exchange on 11th January 2006, to more than six independent third parties. The net proceeds from the subscription was approximately HK\$29.0 million representing HK\$1.81 per share, and would be used for general working capital purpose. The reasons for this share placement were to broaden the entity capital base as well as to strengthen the financial position of the Group.

Notes to the financial statements

25 Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Convertible notes and bonds HK\$'000	Share option reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
Group							
At 1st April 2005	1,527,278	360,302	1,002,675	-	-	(1,337,074)	1,553,181
Offsetting of accumulated losses (<i>note</i>)	-	-	(920,762)	-	-	920,762	-
Currency translation differences	-	-	-	-	-	2,283	2,283
Placement of new shares	27,399	-	-	-	-	-	27,399
Scrip distribution	9,680	-	(10,084)	-	-	-	(404)
Grant of share options	-	-	-	-	3,348	-	3,348
Share options granted by a listed associated company	-	-	-	-	4,533	-	4,533
Exercise of share options of a listed associated company	-	-	-	-	(4,461)	4,461	-
Profit for the year	-	-	-	-	-	56,405	56,405
At 31st March 2006	1,564,357	360,302	71,829	-	3,420	(353,163)	1,646,745
Interim dividend with scrip option	6,053	-	-	-	-	(12,219)	(6,166)
Currency translation differences	-	-	-	-	-	467	467
Shares issued pursuant to rights issue less expenses	147,723	-	-	-	-	-	147,723
Goodwill released on disposal of an associated company	-	37,719	-	-	-	(37,719)	-
Grant of share options	-	-	-	-	11,913	-	11,913
Cancellation of share options	-	-	-	-	(3,348)	3,348	-
Share options granted by a listed associated company	-	-	-	-	2,295	-	2,295
Share of reserve of associated companies	-	-	-	3,476	-	-	3,476
Profit for the year	-	-	-	-	-	167,571	167,571
At 31st March 2007	1,718,133	398,021	71,829	3,476	14,280	(231,715)	1,974,024
Representing:							
2007 proposed distribution	-	-	11,572	-	-	-	11,572
Others	1,718,133	398,021	60,257	3,476	14,280	(231,715)	1,962,452
At 31st March 2007	1,718,133	398,021	71,829	3,476	14,280	(231,715)	1,974,024

Notes to the financial statements

25 Reserves (continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
Company					
At 31st March 2005	1,527,278	2,838,224	–	(920,763)	3,444,739
Offsetting accumulated losses (<i>note</i>)	–	(920,762)	–	920,762	–
Placement of new shares	27,399	–	–	–	27,399
Scrip distribution	9,680	(10,084)	–	–	(404)
Grant of share options	–	–	3,348	–	3,348
Loss for the year	–	–	–	(6,630)	(6,630)
At 31st March 2006	1,564,357	1,907,378	3,348	(6,631)	3,468,452
Interim dividend with scrip option	6,053	–	–	(12,219)	(6,166)
Shares issued pursuant to rights issue less expenses	147,723	–	–	–	147,723
Grant of share options	–	–	11,913	–	11,913
Cancellation of share options	–	–	(3,348)	3,348	–
Loss for the year	–	–	–	(13,170)	(13,170)
At 31st March 2007	1,718,133	1,907,378	11,913	(28,672)	3,608,752
Representing:					
2007 proposed distribution	–	11,572	–	–	11,572
Others	1,718,133	1,895,806	11,913	(28,672)	3,597,180
At 31st March 2007	1,718,133	1,907,378	11,913	(28,672)	3,608,752

Note: Pursuant to a resolution passed in the Annual General Meeting held in August 2005, an amount of HK\$920,762,000 in the contributed surplus account was applied to set off the accumulated losses of the Company.

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus and share option reserve are also distributable. Accordingly, total distributable reserves of the Company amounted to HK\$1,890,619,000 (2006: HK\$1,904,095,000) as at 31st March 2007.

26 Deferred income tax

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

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Deferred income tax assets	3,885	3,902	171	171
Deferred income tax liabilities	(9)	(135)	–	–
	3,876	3,767	171	171

Notes to the financial statements

26 Deferred income tax (continued)

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

Group**Deferred income tax assets**

	Decelerated tax depreciation		Tax losses		Total	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	51	51	3,893	5,252	3,944	5,303
Recognised in the profit and loss account	(11)	–	(48)	(1,359)	(59)	(1,359)
At the end of the year	40	51	3,845	3,893	3,885	3,944

Deferred income tax liabilities

	Accelerated tax depreciation		Unrealised gains on financial assets at fair value through profit or loss		Total	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	(177)	(11)	–	(1,525)	(177)	(1,536)
Recognised in the profit and loss account	168	(166)	–	1,525	168	1,359
At the end of the year	(9)	(177)	–	–	(9)	(177)

Company**Deferred income tax assets**

	Tax losses	
	2007	2006
	HK\$'000	HK\$'000
At the beginning and end of the year	171	171

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$6 million (2006: HK\$4 million) in respect of losses amounting to HK\$34 million (2006: HK\$24 million) than can be carried forward against future taxable income. These tax losses have no expiry date.

Notes to the financial statements

27 Amounts due to minority shareholders

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

28 Capital commitments

At 31st March 2007, neither the Group nor the Company had any capital commitments which were contracted but not provided for, nor authorised but not contracted for (2006: nil).

29 Operating lease arrangements

Future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
In respect of land and buildings:		
Within one year	407	87
In the second to fifth year inclusive	136	–
	543	87

30 Contingent liabilities

The Group and the Company did not have any material contingent liabilities as at 31st March 2007 (2006: nil).

Notes to the financial statements

31 Notes to consolidated cash flow statement

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

	2007 HK\$'000	2006 HK\$'000
Profit before income tax	167,535	56,405
Share of profits less losses of		
Jointly controlled entities	–	(6,334)
Associated companies	(122,873)	(65,599)
Dividends from financial assets at fair value through profit or loss	(480)	–
Depreciation	784	470
Gain on disposal of subsidiaries	(163)	–
Gain on disposal of associated companies and a jointly controlled entity	(13,215)	–
Loss on deemed disposal of interest in a listed associated company	–	1,366
Net realised and unrealised losses on		
financial assets at fair value through profit or loss	6,730	18,314
Unrealised gain on derivative financial instruments	(5,902)	–
Employee share option benefits	11,913	3,348
Interest income	(7,508)	(5,714)
Interest expense	688	1,363
Negative goodwill recognised on acquisition of additional interest in listed associated companies	(43,760)	(8,811)
Operating loss before working capital changes	(6,251)	(5,192)
Decrease in trade and other receivables	102,069	23,688
Decrease/(increase) in restricted bank balances	1,036	(1,141)
Increase in trade and other payables	477	1,326
Net cash from operations	97,331	18,681

(b) Disposal of subsidiaries

	2007 HK\$'000	2006 HK\$'000
Net liabilities disposed		
Accrued expenses	(13)	–
Add: Gain on disposal	163	–
Cash proceeds received less expenses	150	–

Notes to the financial statements

32 Related party transactions

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

Sales and purchases of goods and services

	2007	2006
	HK\$'000	HK\$'000
Income from/(expense to) associated companies		
Management fee income (<i>note (a)</i>)	1,044	1,011
Cleaning income (<i>note (b)</i>)	881	728
Secretarial fee income (<i>note (c)</i>)	–	96
Rental expenses (<i>note (d)</i>)	(269)	(259)

Notes:

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

33 Subsequent event

In June 2007, the Company offered a rights issue of 193 million shares at HK\$1.30 each for a gross amount of HK\$251 million pursuant to a rights issue of 1 rights share for every 2 shares held on the record date. The net proceeds from the subscription would be used for investment in Hong Kong, Macau and the PRC in order to expand the Group's investment portfolio.

Notes to the financial statements

34 Principal subsidiaries, jointly controlled entities and associated companies

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

Subsidiaries

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

Name	Principal activity	Issued and fully paid ordinary share capital	Percentage of equity held by the Group
<i>Incorporated in British Virgin Islands</i>			
Asia Orient Holdings (BVI) Limited *	Investment holding	US\$100	100%
Finnex Limited	Securities investment	US\$1	100%
Impetus Holdings Limited	Investment holding	US\$1	100%
Jetcom Capital Limited	Investment holding	US\$1	100%
Mega Fusion Limited	Investment holding	US\$1	100%
New Day Holdings Ltd.	Investment holding	US\$1	100%
Persian Limited	Investment holding	US\$49,050	100%
Sunrich Holdings Limited	Securities investment	US\$1	100%
United Resources Associates Limited	Investment holding	US\$6	83.3%
On-link Limited	Investment holding	US\$1	100%
<i>Incorporated in Hong Kong</i>			
Asia Orient Company Limited	Investment holding	US\$26,964,837	100%
Good Year Engineering Services Limited	Engineering and maintenance services	HK\$2	100%
Hitako Limited	Investment holding	HK\$20	100%
Ocean Hand Investments Limited	Investment holding	HK\$2	100%
Pan Bright Investment Limited	Investment holding	HK\$20	100%
Pan Harbour Investment Limited	Investment holding	HK\$2	100%
Pan Inn Investment Limited	Investment holding	HK\$20	100%
Pan Kite Investment Limited	Investment holding	HK\$20	100%
Pan Pearl Investment Limited	Investment holding	HK\$20	100%
Pan Spring Investment Limited	Investment holding	HK\$20	100%
Prosperity Land Cleaning Service Limited	Cleaning services	HK\$100 and non-voting deferred share capital of HK\$100	100%
Prosperity Land Estate Management Limited	Property management	HK\$150 and non-voting deferred share capital of HK\$1,500,000	100%
Union Home Development Limited	Investment holding	HK\$2	100%
<i>Incorporated in Liberia</i>			
Bassindale Limited	Investment holding	US\$500	100%

* Direct subsidiary of the Company

Notes to the financial statements

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

Jointly controlled entities

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
<i>Incorporated in Hong Kong</i>			
China INFOBANK Limited	Internet content provider	HK\$27,000,000	40.0%
Express Wind Limited	Investment holding	HK\$10,000	25.0%
<i>Incorporated in the PRC</i>			
Cultural Palace Entertainment Company Limited #	Leasing of an entertainment complex	US\$4,750,000	25.0%

Cooperative Joint Venture operating in the PRC

Associated companies

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
<i>Incorporated in Bermuda</i>			
Asia Standard Hotel Group Limited	Hotel, catering services and travel	HK\$221,605,000	29.9%
Asia Standard International Group Limited	Property development, property leasing, hotel and travel	HK\$69,173,000	42.9%

Notes to the financial statements

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

Associated companies (continued)

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
<i>Incorporated in Hong Kong</i>			
Asia Standard Development (Holdings) Limited	Investment holding	HK\$10 and non-voting deferred share capital of HK\$362,892,949	42.9%
Asia Standard Finance Company Limited	Financing services	HK\$1,000,000	42.9%
Asia Standard International Limited	Investment holding	HK\$1,214,916,441	42.9%
Asia Standard Management Services Limited	Management services	HK\$2	42.9%
Full Union Development Limited	Property development	HK\$2	42.9%
Get Rich Enterprises Limited	Property development	HK\$2	34.3%
Hoi Chak Properties Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$2	42.9%
JBC Travel Company Limited	Travel agency	HK\$2,500,000	29.9%
Lucky New Investment Limited	Property development	HK\$1	21.5%
Master Asia Enterprises Limited	Hotel holding	HK\$10,000	29.9%
Paramount Shine Limited	Property development	HK\$2	21.5%
Stone Pole Limited	Hotel holding	HK\$10	29.9%
Tilpifa Company Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$10,000	42.9%
Tonlok Limited	Property development	HK\$1,000	42.9%
Union Rich Resources Limited	Property development	HK\$2	34.3%
Vinstar Development Limited	Hotel holding	HK\$2	29.9%
Weststar Enterprises Limited	Property development	HK\$2	21.5%
Winfast Engineering Limited	Construction	HK\$2	42.9%
<i>Incorporated in British Virgin Islands</i>			
Enrich Enterprises Limited	Hotel holding	US\$1	29.9%
Global Gateway Corp.	Hotel operation	US\$1	29.9%
Glory Ventures Enterprises Inc.	Hotel holding	US\$1	29.9%
Honour Ahead Limited	Property development	US\$50,000	48.0%

Notes to the financial statements

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

Associated companies (continued)

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
<i>Incorporated in Cayman Islands</i>			
Asia Standard International Capital Limited	Financing services	US\$2	42.9%
<i>Incorporated in the PRC</i>			
漁陽房地產開發(深圳)有限公司#	Property development	RMB40,000,000	17.7%

Wholly owned Foreign Enterprises operating in the PRC

35 Approval of financial statements

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

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

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

To provide shareholders with further information on the financial performance and position of Asia Standard, the following is a summary of the audited consolidated financial statements of Asia Standard for the year ended 31st March 2007.

Consolidated profit and loss account

For the year ended 31st March 2007

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

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

Consolidated balance sheet

As at 31st March 2007

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

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

Consolidated balance sheet (continued)

As at 31st March 2007

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