



Asia Standard International Group Limited

Stock Code : 129



Annual Report



2007

Asia Standard International Group Limited

(Incorporated in Bermuda with limited liability)

Annual Report

For the year ended

31st March 2007

Contents

Corporate Information	2
Financial Highlights	3
Chairman's Statement	4
Operational and Financial Review	5
Five-year Financial Summary	9
Principal Properties	10
Corporate Governance Report	14
Directors and Senior Management	17
Report of the Directors	19
Report of the Independent Auditor	29
Consolidated Profit and Loss Account	30
Consolidated Balance Sheet	31
Balance Sheet	33
Consolidated Cash Flow Statement	34
Consolidated Statement of Changes in Equity	36
Notes to the Financial Statements	37
Combined Balance Sheet of Affiliated Companies	86
Extracts from the Audited Consolidated Financial Statements of Asia Standard Hotel Group Limited	87

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
 Mr. Loup, Nicholas James

Non-executive

Mr. Liang Shangli
 Mr. Au Yat Chuen, Raymond

Independent non-executive

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

Audit committee

Mr. Koon Bok Ming, Alan (*Chairman*)
 Mr. Leung Wai Keung, Richard
 Mr. Wong Chi Keung

Executive committee

Mr. Poon Jing (*Chairman*)
 Mr. Fung Siu To, Clement
 Mr. Lun Pui Kan
 Mr. Loup, Nicholas James

Remuneration committee

Mr. Fung Siu To, Clement (*Chairman*)
 Mr. Loup, Nicholas James
 Mr. Koon Bok Ming, Alan
 Mr. Leung Wai Keung, Richard
 Mr. Wong Chi Keung

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.asiastandard.com>

Principal bankers

Bank of China (Hong Kong) Limited
 The Hongkong and Shanghai Banking Corporation Limited
 Hang Seng Bank Limited
 The Bank of East Asia Limited
 China Construction Bank Corporation
 Citic Ka Wah Bank Limited
 Industrial and Commercial Bank of China (Asia) Limited
 Chong Hing Bank Limited

Legal advisers

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

Appleby

5511, The Centre,
 99 Queen's Road Central,
 Hong Kong

Auditor

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

Share registrar in Bermuda

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

Hong Kong branch share registrar and transfer office

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

Financial Highlights

For the year ended 31st March	2007	2006	Change (%)
(In HK\$ million, except otherwise indicated)			
Consolidated profit and loss account			
Revenue	1,374	744	+85
Operating profit	442	288	+53
Finance costs	112	117	-4
Profit attributable to shareholders of the Company	288	168	+71
Basic earnings per share (HK cents)	4.89	3.21	+52
Dividends per share (HK cents)			
Interim	0.35	–	N/A
Final	0.35	0.60	-42
Consolidated balance sheet			
Total assets	6,964	6,984	–
Net assets	4,736	4,095	+16
Equity attributable to shareholders of the Company	4,004	3,436	+17
Net debt	1,510	1,859	-19

Supplementary information with hotel properties at valuations (note):

Revalued total assets	8,499	8,343	+2
Revalued net assets	6,205	5,402	+15
Equity attributable to shareholders of the Company	4,923	4,291	+15
Equity attributable to shareholders of the Company per share (HK\$)	0.71	0.85	-16
Net debt to revalued net asset value (%)	24%	34%	-10

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

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

Chairman's Statement



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

Revenue amount to HK\$1,374 million as opposed to last year's HK\$744 million. Profit attributable to shareholders increase by 71% to HK\$288 million compared to HK\$168 million of last year.

Two residential developments with a combined gross floor area of 233,000 sq.ft were completed during the year. Total properties sales achieved were HK\$652 million while inventory sales continue.

Residential development at Aberdeen and Ting Kau are at superstructure construction stage. Sales for the Aberdeen development is planned to be in second half of this coming financial year after obtaining the presale consent.

Investment portfolios had registered a 6% increase in rental income over and above that of last year. We had also sold an office building together with its indebtedness at a consideration of HK\$300 million.

Our hotel subsidiary is turning a solid result for the year by showing a gross operating profit of HK\$161 million, an 18% increase from last year and achieved a HK\$28 million profit attributable to shareholders.

Prospects for the coming year to the Hong Kong property market remains optimistic. Falling unemployment rate couple with sustained affordability have assured a very favourable sentiment in the market. Booming tourism, economic expansion in mainland and, relaxation of gaming industry all support Hong Kong's growing economy.

We are constantly exploring opportunities for investment in China and aware of the public intervention measures in various sectors in recent days and shall proceed with caution.

By Order of the Board
Fung Siu To, Clement
Chairman

Hong Kong, 18th July 2007

Operational and Financial Review

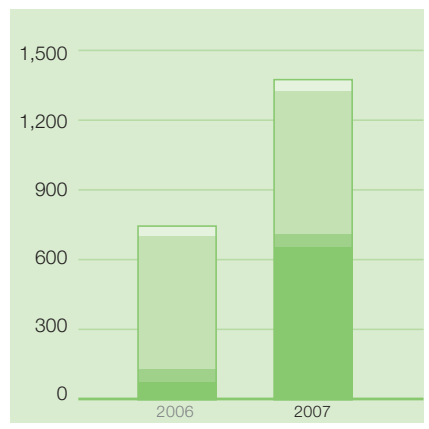


Canaryside



Revenue

- Property sales
 - Hotel and travel
 - Property leasing
 - Other operations
- HK\$M



Properties Sales, Leasing and Development

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

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

Operational and Financial Review



Green Orchid

We have paid a land premium of HK\$190 million for the Aberdeen residential development, which is now engaged in superstructure construction and had applied for pre-sale consent. We have also awarded a superstructure contract in the sum of HK\$329 million for a residential

development in Ting Kau with expected completion in year 2009.

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

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

Operational and Financial Review



Empire Hotel Kowloon



Empire Landmark
Hotel Vancouver

Hotel

We have increased shareholdings in the hotel subsidiary from 56.9% to 62.8% during the year.

Revenue for Hong Kong based hotels increased to HK\$219 million from HK\$193 million, and that of Empire Landmark Hotel in Vancouver increased by 20%, taking

into account effects of exchange rate appreciation. Total revenue for the hotel subsidiary was HK\$617 million and gross operating profit increased by 18% to HK\$161 million.

The Hotel group reduced its borrowings by 10% to HK\$792 million, finance cost was reduced by 18% as compared to last

year, reporting net profit of HK\$28 million compared to last year's loss of HK\$21 million.

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

Operational and Financial Review

Financial Review

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

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

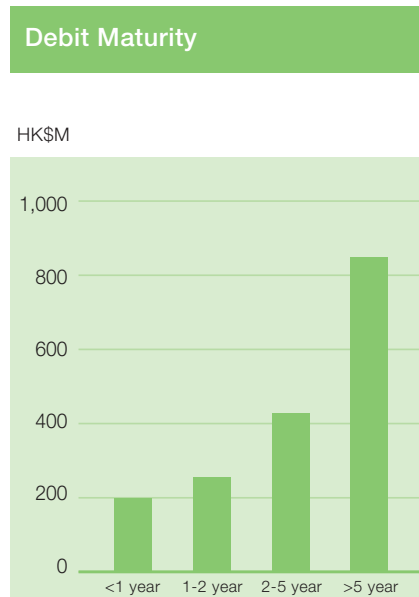
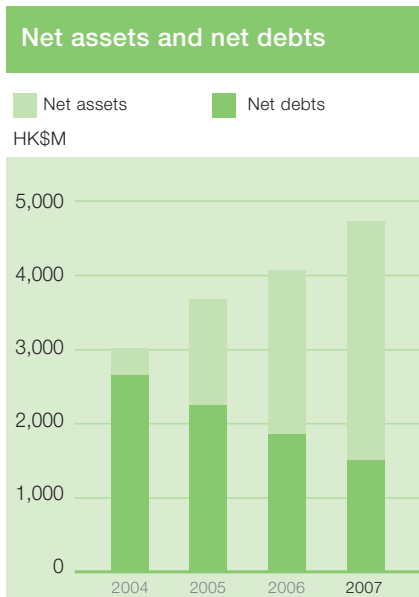
Net borrowing was reduced to HK\$1.5 billion (2006: HK\$1.9 billion) of which HK\$0.7 billion (2006: HK\$0.8 billion) belonged to the separately listed hotel group. Net debt to revalued net asset value was reduced to 24% (2006: 34%), partly by the increase in capital through a rights issue of HK\$295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

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

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

Employees and Remuneration Policies

The Group employed 398 employees and approximately 90% worked for the separately listed hotel subgroup as at 31st March 2007. The remuneration packages including basic salary, annual bonus, share options, retirement and other benefit are commensurate with their job nature and experience level.



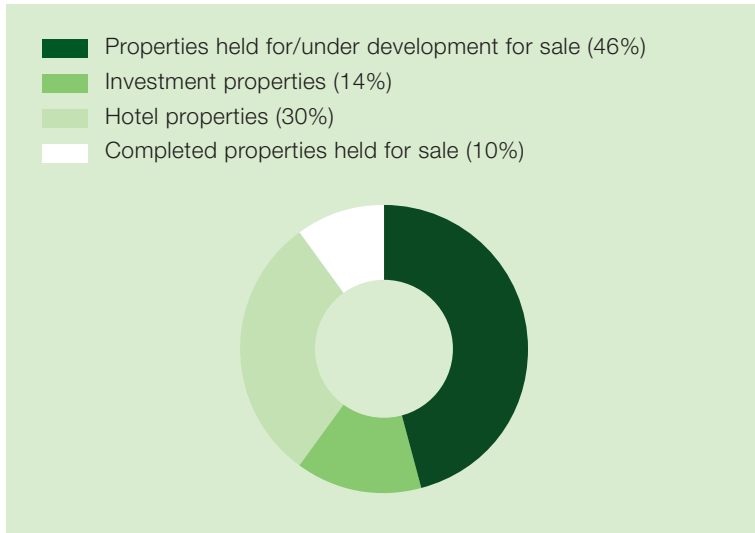
Five-year Financial Summary

Year ended 31st March	2007 HK\$M	2006 HK\$M	2005 HK\$M (restated)	2004 HK\$M (restated)	2003 HK\$M (restated)
Results					
Revenue	1,374	744	707	726	1,057
Profit/(loss) attributable to shareholders of the Company	288	168	279	(138)	(560)
Assets and liabilities					
Total assets	6,964	6,984	6,774	6,221	6,457
Total liabilities	(2,228)	(2,889)	(3,100)	(3,196)	(3,295)
Minority interests	(732)	(659)	(402)	(392)	(409)
Equity attributable to shareholders of the Company	4,004	3,436	3,272	2,633	2,753

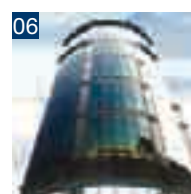
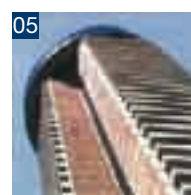
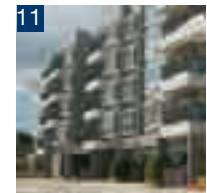
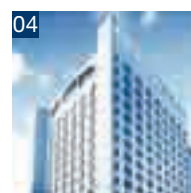
Note: The Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") which are effective for accounting periods commencing on or after 1st January 2005. HKFRS was adopted in 2006 with 2003, 2004 and 2005 figures restated in accordance with the relevant requirements of the new/revised HKFRS.

Principal Properties

As at 31st March 2007

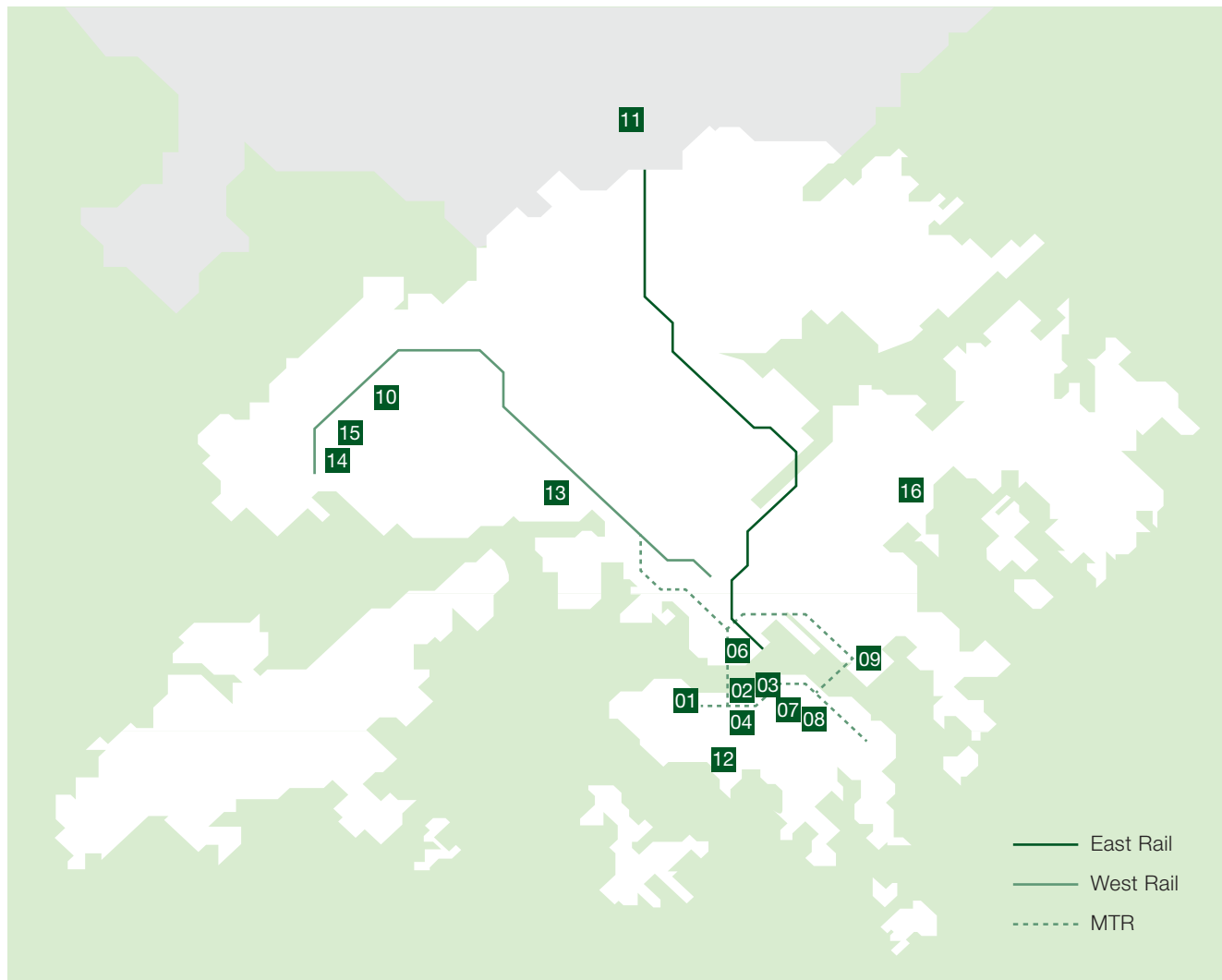


	Attributed GFA (sq. ft.)
Properties held for/under development for sale	883,000
Hotel properties	585,000
Investment properties	282,000
Completed properties held for sale	195,000
Total	1,945,000



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

Properties	Group's interest	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type
I Investment properties				
01 Asia Standard Tower 59-65 Queen's Road Central, Hong Kong.	100%	7,800	133,000	Commercial
02 Asia Orient Tower Town Place, 33 Lockhart Road, Wanchai, Hong Kong.	100%	7,300	114,000	Commercial
03 Goldmark 502 Hennessy Road, Causeway Bay, Hong Kong.	33%	6,300	106,000	Commercial
II Hotel properties				
04 Empire Hotel 33 Hennessy Road, Wanchai, Hong Kong.	62.8%	10,600	184,000 (362 rooms)	Hotel
05 Empire Landmark Hotel 1400 Robson Street, Vancouver B.C., Canada.	62.8%	41,000	420,000 (358 rooms)	Hotel
06 Empire Hotel Kowloon 62 Kimberley Road, Tsimshatsui, Kowloon.	62.8%	11,400	220,000 (315 rooms)	Hotel
07 A new hotel (coming soon) 8 Wing Hing Street, Causeway Bay, Hong Kong.	62.8%	6,200	108,000 (280 rooms)	Hotel

Principal Properties

As at 31st March 2007

Properties	Group's interest	Approx. gross floor area (sq. ft.)	Type
III Completed properties held for sale			
Hong Kong			
08 Portion of office floors at 28 Marble Road, North Point, Hong Kong.	80%	40,000	Commercial
09 Canaryside, 8 Shung Shun Street, Lei Yue Mun, Kowloon.	100%	92,000	Commercial/ Residential
10 Green Orchid, Ping Shan, Yuen Long, New Territories.	100%	7,000	Residential
PRC			
11 Oriental Garden Nos. H212-28 Dong Feng Fang, Luo Hu District, Shenzhen, PRC.	41.32%	154,000	Commercial

Properties	Group's interest	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					
12 238-242 Aberdeen Main Road, Hong Kong.	100%	16,200	143,000	Commercial/ Residential	Superstructure (2008)
13 Castle Peak Road, Yau Kam Tau, New Territories.	50%	83,600	200,000	Residential	Foundation (2009)
14 Lam Tei, Tuen Mun, New Territories.	100%	19,000	79,000	Commercial/ Residential	Planning (2010)
15 Hung Shui Kiu, Yuen Long, New Territories.	80%	101,000	595,000	Commercial/ Residential	Planning (2010)
16 Sha Ha, Sai Kung, New Territories.	7.5%	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 six Executive Directors, two Non-executive Directors and three Independent non-executive Directors. The posts of Chairman and Chief Executive are separate and are not held by the same individual. The Chairman, Mr. Fung Siu To, Clement is responsible for overseeing the functioning of the Board and the strategies and policies of the Group. The Chief Executive and the Managing Director, Mr. Poon Jing, is responsible for managing the Group’s business. The relationship of the Directors are disclosed in the biography of Directors set out in the Directors and Senior Management section.

According to the Bye-laws of the Company, at every annual general meeting of the Company, one-third of the Directors (other than the Chairman and the Managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding one-third, shall retire from office by rotation. The Chairman and the Managing Director shall retire voluntarily at the annual general meeting every three years in accordance with the Code on Corporate Governance Practices. A retiring Director shall be eligible for re-election at the meeting. The Non-executive Directors 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. Management is delegated with the authority to make decisions and responsible for daily operations of the Group under the leadership of the Chief Executive. Management provides explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put forward to the Board for approval. The Chief Executive, working with the other Executive Directors and the head of each division, is responsible for managing the business of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for operations of the Group. All Executive Directors have made full and active contributions to the affairs of the Board.

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

The Board acknowledges that it is its responsibility to prepare the financial statements and to present a balanced, clear and comprehensive assessment to annual and interim reports, other financial disclosures required under the 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
Fung Siu To, Clement	Chairman	4/4
Lim Yin Cheng	Deputy Chairman	4/4
Poon Jing	Managing Director and Chief Executive	4/4
Lun Pui Kan	Executive Director	4/4
Kwan Po Lam, Phileas	Executive Director	4/4
Loup, Nicholas James	Executive Director	3/4
Liang Shangli	Non-executive Director	0/4
Au Yat Chuen, Raymond	Non-executive Director	2/4
Koon Bok Ming, Alan	Independent Non-executive Director	4/4
Leung Wai Keung, Richard	Independent Non-executive Director	4/4
Wong Chi Keung	Independent Non-executive Director	3/4

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, an Executive Director, Mr. Nicholas James Loup, and all the three Independent Non-executive Directors. 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 director may be involved in any decisions as to his own remuneration or other benefit. The Group's remuneration policy seeks to provide a fair market remuneration so as to attract, retain and motivate high quality staff. The remuneration is determined with reference to his duties and responsibility, remuneration benchmark in the industry and prevailing market conditions. During the year, the Committee held one meeting, which all members except Mr. Wong Chi Keung had attended, to review, discuss and approve the remuneration packages of the Directors.

Audit Committee

The Audit Committee members currently comprise all the Independent Non-executive Directors, Mr. Koon Bok Ming, Alan (as the chairman), Mr. Wong Chi Keung and Mr. Leung Wai Keung, Richard. 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 of the Company's financial reporting, 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 results for the year ended 31st March 2007.

Corporate Governance Report

Executive Committee

In order to manage the business in a more effective and efficient way, an Executive Committee comprising the Chairman, the Chief Executive, the Finance Director Mr. Lun Pui Kan and an Executive Director Mr. Nicholas James Loup, was established in 2005 to review, monitor and make recommendations on strategies, policies and corporate actions as delegated by the Board.

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 code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

Internal Control

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

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 page 29 of this annual report.

An amount of HK\$4,119,000 (2006: HK\$3,437,000) was charged to the financial statements of the Group for their statutory audit services. Taxation services, review on interim results provided by PricewaterhouseCoopers to the Group amounted to HK\$768,000 (2006: HK\$666,000). During the year, PricewaterhouseCoopers provided additional services for certain notifiable transactions of the Group, at total services fee of HK\$1,245,000 (2006: HK\$nil).

Investor relationship

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

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

Directors and Senior Management

Executive Directors

FUNG Siu To, Clement

Age 58. Chairman of the Company and Chairman of Remuneration Committee and a member of Executive Committee of the Company. He is also chairman of Asia Orient Holdings Limited ("Asia Orient"), an executive director of its listed subsidiary, Asia Standard Hotel Group Limited ("Asia Standard Hotel"). Mr. Fung is a holder of a Bachelor of Applied Science (Civil Engineering) degree. He is a fellow member of the Hong Kong Institution of Engineers. He joined the 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, deputy chairman, chief executive and chairman of remuneration committee of Asia Standard Hotel, deputy chairman of Asia Orient. Dr. Lim is a holder of a Bachelor of Science (Chemical Engineering) and Doctor of Philosophy degrees. He has over 25 years of experience in engineering, project management and administration. He joined the Group in 1992. He is the brother-in-law of Mr. Poon Jing, Managing Director.

POON Jing

Age 52. Chief Executive, Managing Director, Chairman of Executive Committee of the Company, chief executive and managing director of Asia Orient, chairman of Asia Standard Hotel. He is the founder of the Group. 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 and a member of Executive Committee of the Company. He is also financial director of Asia Orient. Mr. Lun has over 20 years of experience in accounting and finance. He is a holder of a Bachelor of Science (Engineering) degree and is an associate member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and a fellow member of The Association of Chartered Certified Accountants ("ACCA"). He joined the Group in 1994.

KWAN Po Lam, Phileas

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

LOUP, Nicholas James

Age 47. Executive Director, a member of Remuneration Committee and Executive Committee of the Company. Mr. Loup is managing director of Grosvenor Asia Pacific, responsible for managing Grosvenor's operations in China and Japan where they are active in property investment, development and fund management.

Mr. Loup is a non-executive director of Printemps China Department Stores Limited and also serves on the advisory board for Bridge Capital in India. He is a general committee member of the British Chamber of Commerce in Hong Kong

Prior to rejoining Grosvenor, Mr. Loup had been a director of Colliers Jardine Hong Kong and Trafalgar House Property (UK) respectively. He joined the Group in 1999.

Directors and Senior Management

Non-executive Directors

LIANG Shangli

Age 86. Mr. Liang is the founder and chairman of a property development company in the PRC. Prior to establishing the property development company in 1992, Mr. Liang worked for the Guangzhou Investment Group, a property development company in the PRC, as a chairman for over 10 years. He was a standing committee member of the Chinese People's Political Congress Committee, the PRC and is the vice-chairman of the National Industrial and Commercial Association of the PRC and non-executive director of Asia Standard Hotel. He joined the Group in 2003.

AU Yat Chuen, Raymond

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

Independent Non-executive Directors

WONG Chi Keung

Age 52. A member of Audit Committee and Remuneration Committee of the Company. Mr. Wong holds a master's degree in business administration from the University of Adelaide in Australia. He is a fellow member of HKICPA, ACCA and CPA Australia; an associate member of ICSA 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 of Hong Kong Limited (the "Stock Exchange"), for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient, Century City International Holdings Limited, China Special Steel Holdings Company Limited, China Ting Group Holdings Limited, Golden Eagle Retail Group Limited, FU JI Food and Catering Services Holdings 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.

KOON Bok Ming, Alan

Age 65. A member of Remuneration Committee and Chairman of Audit Committee of the Company. Mr. Koon is the CEO of a financial advisory firm. Mr. Koon has over 30 years of experience in international banking and project finance. He holds a bachelor's degree in economics and a master's degree in business administration. He joined the Group in 1999.

LEUNG Wai Keung, Richard

Age 44. A member of Remuneration Committee and Audit Committee of the Company. Mr. Leung is currently a Barrister-at-Law. Mr. Leung has about 9 years of experience in accounting and financial management in several firms and thereafter practicing as a barrister for 11 years. He is an independent non-executive director and a member of audit committee of Asia Standard Hotel. Mr. Leung is a member of HKICPA, HKICS, ACCA, ICSA and the Chartered Institute of Arbitrators. He was admitted to the High Court of Hong Kong as a barrister in 1994. He holds a master degree in accounting and finance from the University of Lancaster and obtained a bachelor of laws from Manchester Metropolitan University. He was the President of the Hong Kong Institute of Chartered Secretaries in 2006. Recently in 2007, Mr. Leung has been appointed by the Government to be a member of the Guardianship Board, Registration of Persons Tribunal and the Board of Review. Mr. Leung joined the Group in 2004.

Senior management

WONG Shu Pui

Age 52. Director and group general manager of Asia Standard Hotel since 2000. Mr. Wong is responsible for the management of the Asia Standard Hotel Group's hospitality operations, development of hotel group's marketing and sales strategy as well as its corporate services. Mr. Wong has about 30 years' extensive experience in hotel industry for both local and overseas covering the USA and Australia and has held senior positions in a number of major international chain hotels in Hong Kong.

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 analysis of operations

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 42 to the financial statements.

The activities of the Group are mainly based in Hong Kong. Analyses of the Group's revenue and contribution to operating results by principal activity and by principal market 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 30.

The Company paid an interim dividend of HK0.35 cent (2006: nil) per share, totalling HK\$23,947,000 (2006: nil).

The Board recommends the payment of a final dividend of HK0.35 cent (2006: HK0.60 cent) per share to shareholders for the year ended 31st March 2007. A total amount of approximately HK\$25,148,000 (2006: HK\$30,462,000) payable to holders of ordinary shares on the Register of Ordinary Shareholders on 31st August 2007.

Total dividend for the year amounted to HK0.70 cent (2006: HK0.60 cent) per share, which representing 17% increase from last year.

Financial summary

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

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 29 to the financial statements.

Reserves

Movement in the reserves of the Group and the Company during the year are set out in note 30 to the financial statements.

Principal properties

Details of the principal properties of the Group are set out on pages 10 to 13.

Report of the Directors

Donation

During the year, the Group made charitable and other donations of HK\$626,000 (2006: HK\$780,000).

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. Loup, Nicholas James
Mr. Liang Shangli
Mr. Au Yat Chuen, Raymond
Mr. Koon Bok Ming, Alan
Mr. Leung Wai Keung, Richard
Mr. Wong Chi Keung

In accordance with Bye-Laws 104, 105 and 110 of the Company's Bye-Laws, one-third of the Directors and the Directors appointed by the Board during the year retire 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. Messrs. Nicholas James Loup, Au Yat Chuen, Raymond and Leung Wai Keung, Richard will retire in accordance with the Bye-Laws of the Company, and Mr. Poon Jing will retire to comply with the Code on Corporate Governance Practices at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

Biographical details of Directors and senior management

Biographical details of Directors and senior management are set out on pages 17 to 18.

Directors' interests in contracts

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company 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 25 to 27, and that of a subsidiary, Asia Standard Hotel Group Limited ("Asia Standard Hotel"), at no time during the year was the Company, its subsidiaries or its fellow 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 Issuers in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(I) Long positions in shares

(a) The Company

Director	Number of shares held			Percentage of shares in issue (%)
	Personal Interest	Corporate interest	Total	
Poon Jing	6,248,502	2,967,345,774	2,973,594,276	42.99

Note: By virtue of his controlling interest (31.92%) in Asia Orient Holdings Limited ("Asia Orient"), Mr. Poon Jing is deemed to be interested in the shares of the Company held by the subsidiaries of Asia Orient as disclosed under the heading "Substantial shareholders and other persons' interests and short positions in shares and underlying shares" below.

(b) Subsidiaries

Director	Subsidiary	Number of shares held			Percentage of shares in issue (%)
		Personal interest	Corporate interest	Total	
Poon Jing	Asia Standard Hotel	383,434	7,282,488,211	7,282,871,645	65.73
Poon Jing and Fung Siu To, Clement (Note 1)	Centop Investment Limited ("Centop")	-	20	20	20
Poon Jing (Note 2)	Centop	-	80	80	80
Fung Siu To, Clement	Mark Honour Limited	9	-	9	9

Note 1: Centop is owned as to 80% by the Company and as to 20% by Kingscore Investment Limited ("Kingscore"). Each of Mr. Poon Jing and Mr. Fung Siu To, Clement holds 50% interest in Kingscore. By virtue of their interest in Kingscore, each of Mr. Poon and Mr. Fung is deemed to have interest in the 20 shares held by Kingscore and duplicate the interest of the other.

Note 2: By virtue of his interest in the Company through Asia Orient, Mr. Poon Jing is deemed to be interested in the shares of all the Company's subsidiaries and associated corporations including Centop.

Report of the Directors

(II) Long positions in underlying shares

Interests in share options

(a) The Company

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

Notes:

- 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 Company on the basis of 1 rights share for every 3 shares held by shareholders as of 18th October 2006 ("Rights Issue"), the number of options granted to each of Fung Siu To, Clement, Lim Yin Cheng, Lun Pui Kan, Kwan Po Lam, Phileas and Nicholas James Loup were adjusted from 20,000,000 to 20,621,761, the number of options granted to 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.
- During the year, no option was granted to Directors and no option granted to Directors was exercised, cancelled or lapsed.

(b) Subsidiary – Asia Standard Hotel

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

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

Report of the Directors

(III) Interests in convertible bonds

Subsidiary – Asia Standard Hotel

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

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

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

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

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

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31st March 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 positions in shares of the Company

Name	Number of shares	Percentage
Asia Orient (Note 1)	2,967,345,774	42.90
Asia Orient Holdings (BVI) Limited ("Asia Orient BVI") (Note 1)	2,967,345,774	42.90
Asia Orient Company Limited ("AOCL") (Notes 1 and 3)	2,967,345,774	42.90
Impetus Holdings Limited ("Impetus") (Note 2)	1,520,136,790	21.98
Kingfisher Inc. and Lipton Investment Limited ("Kingfisher and Lipton") (Note 4)	1,357,178,823	19.62
Grosvenor Asset Management Limited (Note 5)	1,011,373,333	14.62
Grosvenor International S.A. (Note 5)	1,011,373,333	14.62
Grosvenor Group Limited (Note 5)	1,011,373,333	14.62
Jeremy Henry Moore Newsum (Note 5)	1,011,373,333	14.62
Robin Shedden Broadhurst (Note 5)	1,011,373,333	14.62
Mark Antony Loveday (Note 5)	1,011,373,333	14.62
Gillian Lucy Newsum (Note 5)	1,011,373,333	14.62
Penelope Alison Broadhurst (Note 5)	1,011,373,333	14.62
Mary Elizabeth Loveday (Note 5)	1,011,373,333	14.62

Report of the Directors

Notes:

1. AOCL is a wholly-owned subsidiary of Asia Orient BVI which in turn is a wholly-owned subsidiary of Asia Orient. Accordingly, Asia Orient BVI and Asia Orient are deemed to have interest and duplicate the interest in 2,967,345,774 shares of the Company.
2. Impetus is a wholly-owned subsidiary of AOCL, the interests of Impetus are deemed to be, and have therefore been included in, the interest of AOCL.
3. The interest of AOCL and its subsidiaries duplicate the interests of Mr. Poon Jing disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures" above which he is deemed to have by virtue of his controlling interest (31.92%) in Asia Orient.
4. Both Kingfisher and Lipton are wholly-owned subsidiaries of Impetus and jointly hold 1,357,178,823 shares. The joint interests of Kingfisher and Lipton are deemed to be, and have therefore been included in, the interests of Impetus.
5. Grosvenor Limited is a wholly-owned subsidiary of Grosvenor Asset Management Limited which is a wholly-owned subsidiary of Grosvenor International S.A.. Grosvenor International S.A. is a company listed in Luxemburg and is majority owned (64.04%) by Grosvenor Continental Europe Holdings Limited. Grosvenor Continental Europe Holdings Limited is an indirect wholly owned subsidiary of Grosvenor Group Limited which is controlled (46.61%) by The Fourth Duke of Westminster 1964 Settlement.

Grosvenor Asset Management Limited owned 1,011,373,333 shares of the Company. Each of Grosvenor Australia Asia Pacific General Partner Limited, Grosvenor International S.A., Grosvenor Continental Europe Holdings Limited and Grosvenor Group Limited is deemed to be interested in and duplicate the interest in the 1,011,373,333 shares held by Grosvenor Asset Management Limited. The Company has been advised that on 17th November 2005, Grosvenor Australia Asia Pacific General Partner Limited (formerly Stargreen Limited) signed a conditional share purchase agreement with Grosvenor International S.A. to acquire the entire issued share capital of Grosvenor Asset Management Limited from Grosvenor International S.A.. Grosvenor Australia Asia Pacific General Partner Limited is a wholly-owned subsidiary of Grosvenor International S.A.. During the period, the share purchase agreement has not been completed.

Jeremy Henry Moore Newsum, Robin Shedden Broadhurst and Mark Antony Loveday are the trustees of The Fourth Duke of Westminster 1964 Settlement. Each of Jeremy Henry Moore Newsum, Robin Shedden Broadhurst, Mark Antony Loveday is deemed to be interested and duplicate the interest in 1,011,373,333 shares. Gillian Lucy Newsum, Penelope Alison Broadhurst and Mary Elizabeth Loveday are spouse of Jeremy Henry Moore Newsum, Robin Shedden Broadhurst and Mark Antony Loveday respectively. Each of Gillian Lucy Newsum, Penelope Alison Broadhurst and Mary Elizabeth Loveday is deemed to have family interest and duplicate the interest in 1,011,373,333 shares.

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

Report of the Directors

Share option schemes

Company

The share option scheme was adopted on 27th August 2004. The board of Directors of the Company may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiary or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, acknowledge the contributions of, motivate and maintain relationship with the eligible participants.

The total number of shares available for issue upon exercise of all options to be granted under the share option scheme must not exceed 684,207,217 shares, representing about 9.5% of the shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the 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 has to accept an option within 21 days from the date of offer by making a non-refundable payment of HK\$1 to the Company.

The subscription price shall be at the discretion of the board of Directors provided that it shall be not less than the highest of (i) the closing price of a share on the relevant date of grant; (ii) the average of the closing prices of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The share option scheme is effective for 10 years from 27th August 2004.

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

Grantee	Outstanding as at 1st April 2006 (Note)	Lapsed	Adjustment for rights issue (Note)	Outstanding as at 31st March 2007
Directors	105,000,000	–	3,264,245	108,264,245
Other employees	60,000,000	(5,000,000)	1,709,841	56,709,841

Note:

The options were granted on 30th March 2005 and exercisable from 30th March 2005 to 29th March 2015 at an exercise price of HK\$0.325 per share. 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, the exercise price of the share option has been adjusted to HK\$0.315 per share and the outstanding option has also been adjusted from 160,000,000 to 164,974,086. No option was granted, cancelled, or exercised during the year.

Report of the Directors

Subsidiary – Asia Standard Hotel

Share option schemes

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

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

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

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

The following table discloses details of Asia Standard Hotel options granted under the share option schemes held by employees (including Directors):

Grantee	Outstanding as at 1st April 2006	Granted during the year	Adjustment for rights issue	Outstanding as at 31st March 2007
Old Share Option Scheme				
Directors	4,000,000 (Note a)	–	465,909 (Note a)	4,465,909
New Share Option Scheme				
Directors	–	80,000,000 (Note b)	–	80,000,000
Other employees	–	160,000,000 (Note b)	–	160,000,000

Report of the Directors

Notes:

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

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.

Major customers and suppliers

The percentages of the Group's purchases and sales for the year attributable to major suppliers and customers were as follows:

Percentage of purchases attributable to the Group's largest supplier	26.7%
Percentage of purchases attributable to the Group's five largest suppliers	67.0%
Percentage of sales attributable to the Group's largest customer	2.5%
Percentage of sales attributable to the Group's five largest customers	5.5%

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

Independent Non-executive Directors

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

Report of the Directors

Combined balance sheet of affiliated companies

A combined balance sheet of certain affiliated companies with major financial assistance from the Group and the Group's attributable interest in these affiliated companies are shown on page 86 pursuant to Chapter 13 of the Listing Rules.

Subsequent events

Details of the subsequent events are disclosed in note 41 to the financial statements.

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 Standard International Group Limited**
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Asia Standard International Group Limited (the "Company") set out on pages 30 to 85, 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	5, 7	1,374,113	744,390
Cost of sales	7	(908,980)	(474,251)
Gross profit		465,133	270,139
Selling expenses		(15,608)	(11,510)
Administrative expenses	7	(133,721)	(112,656)
Other income and charges	6	126,031	141,809
Operating profit		441,835	287,782
Finance costs	8	(111,727)	(116,963)
Share of profits less losses of			
Jointly controlled entities		562	(6,372)
Associated companies		28,437	37,199
Profit before income tax		359,107	201,646
Income tax expense	11	(58,463)	(38,084)
Profit for the year		300,644	163,562
Attributable to:			
Shareholders of the Company	12	287,596	167,860
Minority interests		13,048	(4,298)
		300,644	163,562
Dividends	13	49,095	30,462
Earnings per share			
Basic	14	HK 4.89 cents	HK 3.21 cents
Diluted	14	HK 4.72 cents	HK 3.21 cents

Consolidated Balance Sheet

As at 31st March 2007

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

Consolidated Balance Sheet

As at 31st March 2007

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

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

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

Consolidated Cash Flow Statement

For the year ended 31st March 2007

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

Consolidated Statement of Changes in Equity

For the year ended 31st March 2007

	Shareholders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st April 2005	3,272,954	401,515	3,674,469
Currency translation differences and net income directly recognised in equity	5,182	1,060	6,242
Profit/(loss) for the year	167,860	(4,298)	163,562
Total recognised income/(loss) for the year	173,042	(3,238)	169,804
Scrip dividend	353	–	353
2005 final dividend	(20,304)	–	(20,304)
	(19,951)	–	(19,951)
Acquisition of additional interest in a listed subsidiary	–	(12,144)	(12,144)
Deemed disposal of interest in a listed subsidiary	–	265,233	265,233
Share options granted by a listed subsidiary	9,975	7,525	17,500
At 31st March 2006	3,436,020	658,891	4,094,911
At 1st April 2006	3,436,020	658,891	4,094,911
Currency translation differences and net income directly recognised in equity	1,109	658	1,767
Profit for the year	287,596	13,048	300,644
Total recognised income for the year	288,705	13,706	302,411
Issuance of rights shares	295,491	–	295,491
Issuance of convertible notes	5,805	–	5,805
Scrip dividend	27,789	–	27,789
2006 final dividend	(30,462)	–	(30,462)
2007 interim dividend	(23,947)	–	(23,947)
	274,676	–	274,676
Distribution of 2006 final dividend of a listed subsidiary	–	(13,079)	(13,079)
Distribution of 2007 interim dividend of a listed subsidiary	–	(10,627)	(10,627)
Scrip dividend of a listed subsidiary	–	1,052	1,052
Issuance of rights shares of a listed subsidiary	–	120,217	120,217
Conversion of convertible bonds of a listed subsidiary	–	(41,608)	(41,608)
Share options granted by a listed subsidiary	4,822	2,858	7,680
	4,822	58,813	63,635
At 31st March 2007	4,004,223	731,410	4,735,633

Notes to the financial statements

1 Basis of preparation

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

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

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

2 Principal accounting policies

(a) The adoption of new/revised HKFRS

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

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

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

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

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

Effective from 1st January 2007

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

Effective from 1st January 2009

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

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, being negative goodwill is recognised directly in the profit and loss account.

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

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

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

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

(c) Subsidiaries

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

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

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

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

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

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

(g) Financial assets

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

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

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

(b) *Loans and receivables*

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

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

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

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

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

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

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

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 are located
Other equipment	3 ¹ / ₃ to 10 years

Freehold land is not depreciated.

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

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

(i) Impairment of assets

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

(j) Investment properties

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

Notes to the financial statements

2 Principal accounting policies (continued)

(j) Investment properties (continued)

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

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

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

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

(k) Properties held for/under development for sale

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

(l) Completed properties held for sale

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

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

Notes to the financial statements

2 Principal accounting policies (continued)

(m) Hotel and restaurant inventories

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

(n) Trade and other receivables

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

(o) Trade and other payables

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

(p) Provisions

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

(q) Borrowings

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

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

Notes to the financial statements

2 Principal accounting policies (continued)

(r) Employee benefits

(i) *Employee leave entitlements*

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

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

(ii) *Retirement benefit obligations*

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

(iii) *Share-based compensation*

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

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

(s) Deferred income tax

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

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

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

Notes to the financial statements

2 Principal accounting policies (continued)

(t) Share capital

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

(u) Segment reporting

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

(v) Revenue recognition

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

(i) Properties

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

(ii) Investment properties

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

(iii) Hotel, travel agency and management services businesses

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

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

Management fee income is recognised when services are rendered.

(iv) Investment and others

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

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

Notes to the financial statements

2 Principal accounting policies (continued)

(w) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

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

(iii) *Group companies*

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

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

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

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

(x) *Borrowing costs*

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

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

Notes to the financial statements

2 Principal accounting policies (continued)

(y) Operating leases

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

(z) Leasehold land

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

(aa) Cash and cash equivalents

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

(ab) Related parties

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

3 Financial risk management

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

(a) Market risk

(i) Foreign exchange risk

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

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

(ii) Price risk

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

Notes to the financial statements

3 Financial risk management (continued)

(b) Credit risk

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

(c) Liquidity risk

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

(d) Interest rate risk

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

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

4 Critical accounting estimates and judgements

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

(a) Estimate of fair value of investment properties

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

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

Notes to the financial statements

4 Critical accounting estimates and judgements (continued)

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

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

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

(b) Impairment of assets

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

(c) Income taxes

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

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

5 Revenue and segment information

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

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

Notes to the financial statements

5 Revenue and segment information (continued)

Primary reporting format – business segments

The Group is organised into three main business segments, comprising property sales, property leasing and hotel and travel. There is no other significant identifiable separate business segments. Segment revenue from external customers is after elimination of inter-segment revenue. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments. Segment assets consist primarily property, plant and equipment, leasehold land, investment properties, other non-current assets, hotel inventories, properties, trade and other receivables and investments. Segment liabilities comprise mainly trade and other payables, accruals, bank and other loans.

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

Notes to the financial statements

5 Revenue and segment information (continued)

Primary reporting format – business segments (continued)

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

Notes to the financial statements

5 Revenue and segment information (continued)

Secondary reporting format – geographical segments

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

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

6 Other income and charges

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

Notes to the financial statements

7 Income and expenses by nature

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

Note:

(a) Net rental income

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

Notes to the financial statements

8 Finance costs

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

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

Notes to the financial statements

9 Directors' and senior management's emoluments

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

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

Notes to the financial statements

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

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

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

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

Notes to the financial statements

10 Employee benefit expense

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

Staff costs are stated inclusive of Directors' emoluments.

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

Notes:

(a) Retirement benefits costs

	2007 HK\$'000	2006 HK\$'000
Gross contributions	3,454	3,203
Forfeitures utilised	(41)	(38)
Net contributions	3,413	3,165

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

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

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

Notes to the financial statements

10 Employee benefit expense (continued)

(a) Retirement benefits costs (continued)

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

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

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

(b) Share options

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

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

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

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

Asia Standard Hotel

Directors	31st October 2015	HK\$0.19436	4,465,909	4,000,000
Directors	29th March 2017	HK\$0.12960	80,000,000	–
Employees	29th March 2017	HK\$0.12960	160,000,000	–

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

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

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

Notes to the financial statements

10 Employee benefit expense (continued)

(b) Share options (continued)

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

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

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

Notes:

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

11 Income tax expense

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

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

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

Notes to the financial statements

11 Income tax expense (continued)

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

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

12 Profit attributable to shareholders of the Company

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

Notes to the financial statements

13 Dividends

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

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

14 Earnings per share

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

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

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

Notes to the financial statements

15 Property, plant and equipment

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

Notes to the financial statements

15 Property, plant and equipment (continued)

Notes:

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

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

Supplementary information with hotel properties at valuation:

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

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

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

16 Investment properties

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

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

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

Notes to the financial statements

17 Leasehold land

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

The Group's prepaid lease payments comprise:

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

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

Notes to the financial statements

18 Subsidiaries

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

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

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

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

19 Jointly controlled entities

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

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

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

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

Notes to the financial statements

19 Jointly controlled entities (continued)

The Group's share of assets and liabilities and results of jointly controlled entities

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

Notes to the financial statements

20 Associated companies

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

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

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

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

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

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

Notes to the financial statements

21 Goodwill

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

22 Mortgage loans receivable

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

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

Notes to the financial statements

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

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

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

24 Trade and other receivables

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

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

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

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

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

Notes to the financial statements

25 Financial assets at fair value through profit or loss

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

26 Derivative financial instruments

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

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

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

	Company	
	2007	2006
	HK\$'000	HK\$'000
Assets		
Interest rate swaps	–	127

Notes to the financial statements

27 Bank balances and cash

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

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

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

28 Trade and other payables

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

Aging analysis of trade payables is as follows:

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

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

Notes to the financial statements

29 Share capital

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

Notes:

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

Notes to the financial statements

30 Reserves

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

Notes to the financial statements

30 Reserves (continued)

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

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

Notes to the financial statements

31 Convertible bonds

	Group	
	2007	2006
	HK\$'000	HK\$'000
Convertible bonds	–	190,000
Provision for premium payable	–	28,265
	–	218,265

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

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

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

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

32 Convertible notes

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

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

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

Notes to the financial statements

33 Borrowings

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

The maturity of the long term loans is as follows:

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

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

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

Notes to the financial statements

34 Deferred income tax

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

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

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

Group

Deferred income tax liabilities

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

Deferred income tax assets

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

Notes to the financial statements

34 Deferred income tax (continued)

Company

Deferred income tax assets

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

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

35 Amounts due to minority shareholders

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

36 Capital commitments

Capital commitments at the balance sheet date are as follows:

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

Notes to the financial statements

37 Operating lease arrangements

(a) Lessor

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

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

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

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

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

(b) Lessee

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

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

Notes to the financial statements

38 Contingent liabilities

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

39 Notes to consolidated cash flow statement

Reconciliation of profit before income tax to cash generated from operations

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

Notes to the financial statements

40 Related party transactions

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

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

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

Notes:

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

41 Subsequent events

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

Notes to the financial statements

42 Principal subsidiaries, jointly controlled entities and associated companies

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

Subsidiaries

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

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

Notes to the financial statements

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

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

* Direct subsidiary of the Company

** Operates in Canada

Associated companies

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

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

Notes to the financial statements

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

Jointly controlled entities

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

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

Wholly owned Foreign Enterprise operates in the PRC

43 Approval of financial statements

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

Combined Balance Sheet of Affiliated Companies

The Group had amounts due from and loans to certain affiliated companies in a total sum of HK\$1,090 million (before Group's provisions) and guarantees given to banks for facilities utilised of HK\$233 million totalling HK\$1,323 million as at 31st March 2007 which exceeds 8% of the Group's consolidated total assets. A combined balance sheet of certain affiliated companies with major financial assistance from the Group and the Group's attributable interest in these affiliated companies are presented below:

	Combined balance sheet 2007 HK\$'000	Group's attributable interest 2007 HK\$'000
Property, plant and equipment	464	212
Investment properties	1,217,034	401,621
Jointly controlled entities	90,090	45,045
Properties held for/under development for sale	1,192,691	548,752
Derivative financial instruments	1,128	564
Deferred income tax assets	7,987	3,994
Current assets	336,420	123,973
Current liabilities	(135,495)	(46,547)
Long term bank and other loans	(646,295)	(262,990)
Deferred income tax liabilities	(112,972)	(38,768)
Minority interests	(5,941)	(2,971)
Shareholders' advances	(2,183,334)	(1,089,803)
	(238,223)	(316,918)

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

Asia Standard Hotel Group Limited ("Asia Standard Hotel") is a principal subsidiary of the Company. It is incorporated in Bermuda and listed in Hong Kong and its subsidiaries are principally engaged in hotel and catering services, travel agency businesses and management services.

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

Consolidated profit and loss account

For the year ended 31st March

	2007 HK\$'000	2006 HK\$'000
Revenue	617,279	569,792
Cost of sales	(366,391)	(357,042)
Gross profit	250,888	212,750
Administrative expenses	(90,348)	(77,203)
Operating profit before other charges	160,540	135,547
Other charges	(82,619)	(90,241)
Operating profit	77,921	45,306
Interest income	2,832	2,683
Net gain/(loss) from financial assets at fair value through profit or loss	1,871	(11,731)
Finance costs	(44,674)	(54,280)
Profit/(loss) before income tax	37,950	(18,022)
Income tax expense	(10,345)	(2,821)
Profit/(loss) attributable to shareholders	27,605	(20,843)
Dividends	57,125	30,279
Earnings/(loss) per share	HK 0.30 cent	HK (0.38) cent

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

Consolidated balance sheet

As at 31st March 2007

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