



ASIA STANDARD INTERNATIONAL GROUP LIMITED

Stock Code: 129

Annual Report **2008**



Asia Standard International Group Limited

(Incorporated in Bermuda with limited liability)

Annual Report

For the year ended

31st March 2008

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Corporate Information

Directors

Executive

Mr. 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
 (resigned on 28th February 2008)
 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>
 E-mail as_info@asia-standard.com.hk

Principal bankers

The Hongkong and Shanghai Banking Corporation Limited
 Bank of China (Hong Kong) Limited
 Hang Seng Bank Limited
 Industrial and Commercial Bank of China (Asia) Limited
 The Bank of East Asia Limited
 Bank of Communication Company Limited

Legal advisers

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

Appleby
 8th Floor, Bank of America Tower,
 12 Harcourt Road, Central,
 Hong Kong

Auditor

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

Share registrar in Bermuda

Butterfield Fund Services (Bermuda) Limited
 Rosebank Centre,
 11 Bermudiana Road,
 Pembroke HM08, Bermuda

Hong Kong branch share registrar and transfer office

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

Financial Highlights

For the year ended 31st March 2008 2007 Change
(In HK\$ million, except otherwise indicated)

Consolidated profit and loss account

Turnover	1,555	1,374	+13%
Operating profit	485	442	+10%
Finance costs	76	112	-32%
Profit attributable to shareholders of the Company	471	288	+64%
Basic earnings per share (HK cents)	6.35	4.90	+30%

Consolidated balance sheet

Total assets	8,190	6,964	+18%
Net assets	5,801	4,736	+22%
Equity attributable to shareholders of the Company	5,111	4,004	+28%
Net debt	1,200	1,510	-21%

Supplementary information with hotel properties at valuation (note):

Revalued total assets	10,118	8,499	+19%
Revalued net assets	7,378	6,205	+19%
Equity attributable to shareholders of the Company	6,194	4,923	+26%
Equity attributable to shareholders of the Company per share (HK\$)	0.57	0.71	-20%
Net debt to revalued net asset value (%)	16%	24%	-8%

Note: Hong Kong Financial Reporting Standards ("HKFRS") do not permit leasehold land other than investment properties to be carried at valuation. The Group considers that such treatment does not reflect the economic substance of its hotel property investments. Therefore the Group has presented supplementary unaudited financial information taking into account the fair market value of hotel properties and the corresponding deferred tax in addition to 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 2008.

Chairman's Statement

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

Turnover amount to HK\$1,555 million as opposed to last year's HK\$1,374 million. Profit attributable to shareholders increase by 64% to HK\$471 million compared to HK\$288 million of last year.

The residential inventories of Green Orchid development in New Territories and Canaryside development in Kowloon were completely sold during and shortly after the financial year end while occupation permit of Jadewater, a residential development in Aberdeen, Hong Kong, were issued in April 2008. Sales of Jadewater are now in progress. During the year, the Group has invested in a waterfront residential and commercial development project in Beijing with approximately 2 million sq.ft GFA and a luxurious residential project featuring single lot detached houses in Macau Peninsula.

The Group's investment property portfolio had generated a 10% increase in rental income over that of last year to HK\$78 million. The capital value also experience an attributable after tax gain of HK\$294 million compared to HK\$181 million of last year.

Hotel subsidiary is reporting another year of growth by showing a gross operating profit of HK\$200 million, a 23% increase from last year and achieved a HK\$96 million profit attributable to shareholders against HK\$28 million of last year.

Buoyant hospitality market, vibrant mainland economy and 2008 Olympic Games all support our hotel industry.

Hong Kong property market was bright last year, propelled by the low unemployment rate, negative real interest, rising salary expectation and low housing supply. However, with the surfacing and wide spreading effect of the US sub-prime problem, the recent skyrocketing of the energy prices, global upturn of the interest rate, the business environment is becoming unstable if not deteriorating. Management will exercise extreme caution in deploying the Group's resources in the face of these adversities.

We are constantly exploring investment opportunities in Hong Kong, Macau and mainland China. The cooling economic measures by the PRC central government have provided a more attractive environment for longer term investors. We shall proceed with caution to capture these opportunities.



By Order of the Board
Fung Siu To, Clement
Chairman

Hong Kong, 10th July 2008

Management Discussion and Analysis



Jadewater



Asia Orient Tower

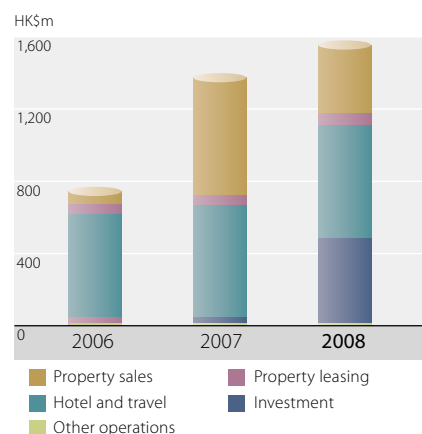
Results

The Group recorded a turnover of HK\$1,555 million (2007: HK\$1,374 million) with profit attributable to shareholders amounting to HK\$471 million (2007: HK\$288 million), increased by 13% and 64% respectively.

Properties sales, development and leasing

Property sales for the year amounted to HK\$379 million, attributed to the continuing sale of Canaryside residential development, 28 Marble Road office and other residential inventory. It contributed HK\$80 million to operating profit for the year. Property sales and contribution to operating profit for last year was HK\$652 million and HK\$134 million respectively.

Turnover



Management Discussion and Analysis



Castle Peak Road Project



Beijing Project

Following the issuance of presale consent of Jadewater, our residential development in Aberdeen, pre-sale commenced in June 2008. The 150,000 sq.ft GFA development will be completed in the coming financial year with sales and related results recognised. Its estimated sales revenue will amount to about HK\$1.2 billion when fully sold.

The Castle Peak Road joint venture residential development is progressing as scheduled with completion expected towards first half 2009. The 200,000 sq.ft GFA development is built to a luxurious premium standard and will be expected in demand for discerning customer.

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

Rental income attributable to the Group was approximately HK\$78 million, compared to HK\$71 million of last year. Rental income of Asia Standard Tower increased by 48% and that of Asia Orient Tower increased by 32% compared to last year, resulting from increased unit rent upon tenancy renewals. Average occupancy of the two properties approximates 92%. Revaluation surplus totalling HK\$294 million (net of deferred tax) was recorded for the year, which was HK\$181 million in 2007.

Management Discussion and Analysis



Hotel

Following our conversion of all the convertible bonds of the hotel subsidiary, our shareholdings increased from 62.8% to 67.7% during the year.

The hotel group upkeep its strong momentum in its hotel, catering and travel agency operation for the year and contribute HK\$21 million profit to Asia Standard compared to HK\$16 million last year.

The new hotel in Causeway Bay is in the midway of a renovation program, evolving into a 280 rooms boutique style hotel by end 2008. Another expansion program for creating 28 rooms together with spa facilities to Empire Kowloon Hotel is also on the way. Renovation plan is also under consideration for Empire Landmark Hotel.



Empire Hotel Hong Kong



Empire Hotel Causeway Bay

Financial review

At 31st March 2008, the Group's total assets increased by 17% to HK\$8.2 billion from last year's HK\$7.0 billion while the net assets increased by HK\$1.1 billion to HK\$5.8 billion. Adopting market value of hotel properties, the revalued net assets of the Group would be HK\$7.4 billion at 31st March 2008.

Net borrowing decreased by HK\$0.3 billion to HK\$1.2 billion as at 31st March 2008. The net borrowings include HK\$0.9 billion which belonged to the separately listed hotel group. Net debt to revalued net asset value is approximately 16% (2007: 24%). Finance costs have reduced by 32% over last year due to lower market interest rates and redemption of all the convertible bonds.

Management Discussion and Analysis

During the year, the Group's equity was increased by HK\$75 million upon conversion of its convertible notes, and HK\$644 million from an equity capital exercise.

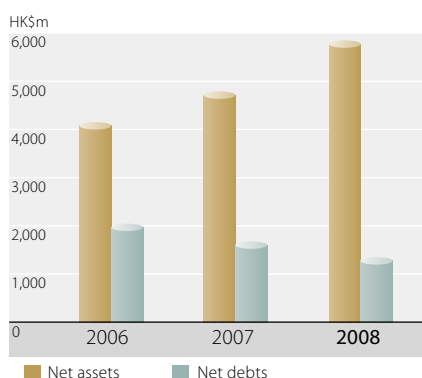
About 92% of the Group's borrowings are in Hong Kong dollar, with the rest mainly in Canadian dollar which is borrowed by the Empire Landmark Hotel in Vancouver. All the debts are at floating rates. Interest rate risk is mitigated through interest rate swaps. As at 31st March 2008, about one third of the total bank loans were hedged by these swaps. The maturity of our debts spread over a long period of up to fifteen years, and approximately 50% were repayable after five years.

As at 31st March 2008, assets with an aggregated net book value of HK\$5,496 million (2007: HK\$5,351 million) were pledged to secure banking facilities of the Group. The guarantees provided to financial institutions for jointly controlled entities, associated companies and third parties was HK\$198 million (2007: HK\$235 million).

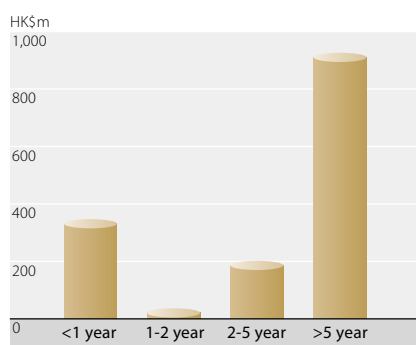
Employees and remuneration policies

As at 31st March 2008, the Group employed 463 employees and approximately 90% worked for the separately listed hotel subgroup. The remuneration packages including basic salary, annual bonus, share options, retirement and other benefits are commensurate with their job nature and experience level.

Net assets and net debts



Debts maturity



Five-year Financial Summary

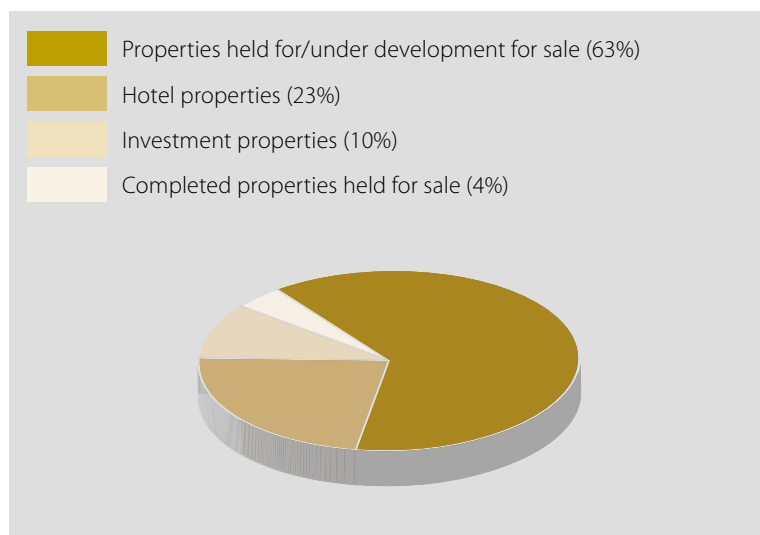
Year ended 31st March	2008 HK\$'M	2007 HK\$'M	2006 HK\$'M	2005 HK\$'M (restated)	2004 HK\$'M (restated)
Results					
Turnover	1,555	1,374	744	707	726
Profit/(loss) attributable to shareholders of the Company	471	288	168	279	(138)
Assets and liabilities					
Total assets	8,190	6,964	6,984	6,774	6,221
Total liabilities	(2,389)	(2,228)	(2,889)	(3,100)	(3,196)
Minority interests	(690)	(732)	(659)	(402)	(392)
Equity attributable to shareholders of the Company	5,111	4,004	3,436	3,272	2,633

Notes:

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 2004 and 2005 figures restated in accordance with the relevant requirements of the new/revised HKFRS.

Principal Properties

As at 31st March 2008

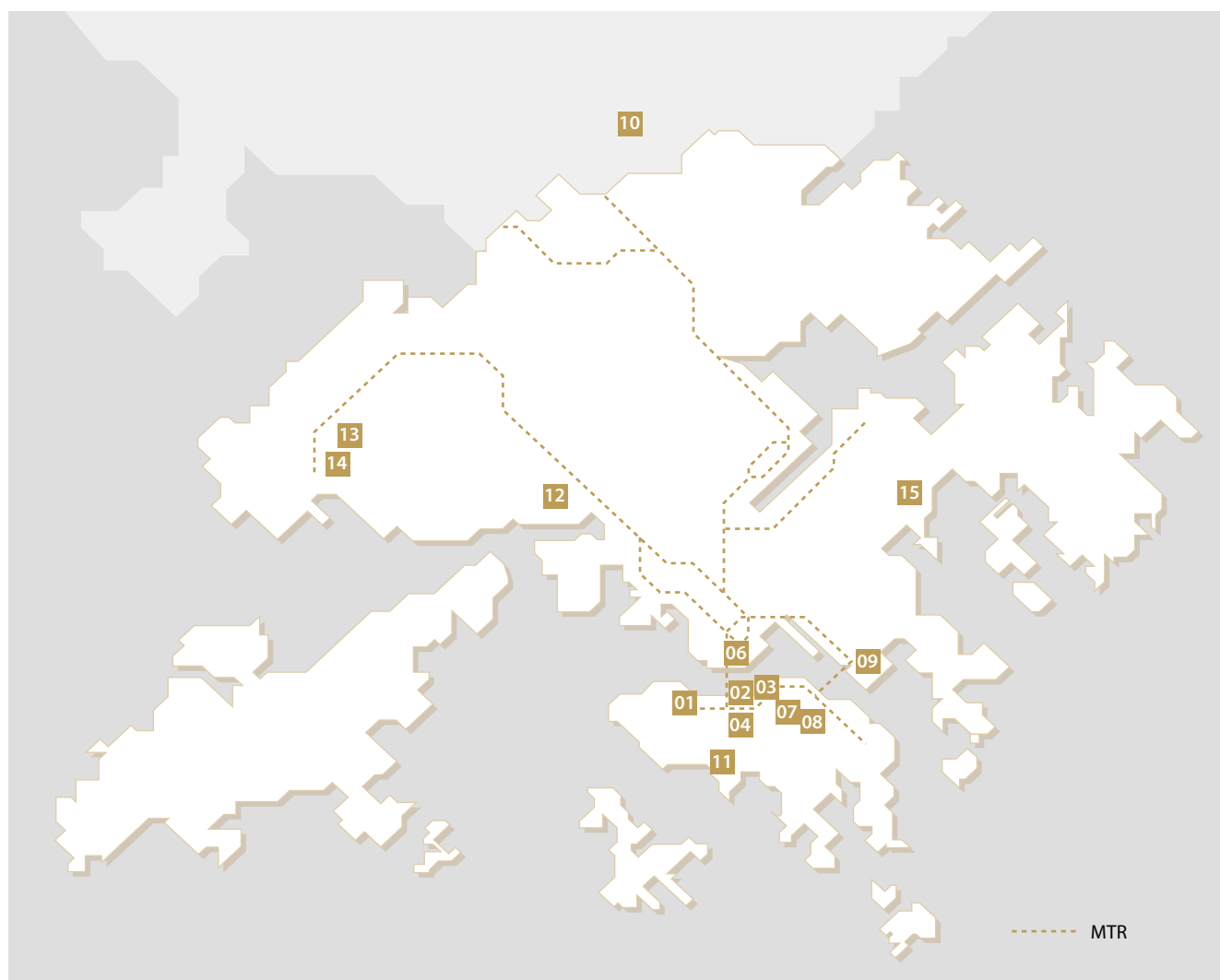


Attributed GFA (sq. ft.)

Properties held for/under development for sale	1,770,000
Hotel properties	631,000
Investment properties	282,000
Completed properties held for sale	123,000
Total	2,806,000

Principal Properties

As at 31st March 2008



Our properties

- | | | |
|----------------------------------------|------------------------------|----------------------|
| 01 Asia Standard Tower | 07 Empire Hotel Causeway Bay | 13 Hung Shui Kiu |
| 02 Asia Orient Tower | 08 28 Marble Road | 14 Lam Tei |
| 03 Goldmark | 09 Canaryside | 15 Sha Ha |
| 04 Empire Hotel Hong Kong | 10 Oriental Garden | 16 Tongzhou, Beijing |
| 05 Empire Landmark Hotel,
Vancouver | 11 Jadewater | |
| 06 Empire Hotel Kowloon | 12 Castle Peak Road | |

Principal Properties

As at 31st March 2008

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 Hong Kong 33 Hennessy Road, Wanchai, Hong Kong.	67.7%	10,600	184,000 (362 rooms)	Hotel
05 Empire Landmark Hotel 1400 Robson Street, Vancouver B.C., Canada.	67.7%	41,000	420,000 (358 rooms)	Hotel
06 Empire Hotel Kowloon 62 Kimberley Road, Tsimshatsui, Kowloon.	67.7%	11,400	220,000 (315 rooms)	Hotel
07 Empire Hotel Causeway Bay (coming soon) 8 Wing Hing Street, Causeway Bay, Hong Kong.	67.7%	6,200	108,000 (280 rooms)	Hotel

Principal Properties

As at 31st March 2008

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%	20,000	Commercial
09 Canaryside 8 Shung Shun Street, Lei Yue Mun, Kowloon.	100%	43,000	Commercial/ Residential
PRC			
10 Oriental Garden Nos. H212-28 Dong Feng Fang, Luo Hu District, Shenzhen, PRC.	41.32%	154,000	Commercial/ Residential

Principal Properties

As at 31st March 2008

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					
11 Jadewater Aberdeen, Hong Kong.	100%	16,200	150,000	Commercial/ Residential	Superstructure (2008)
12 Castle Peak Road Yau Kam Tau, New Territories.	50%	83,600	200,000	Residential	Superstructure (2009)
13 Hung Shui Kiu Yuen Long, New Territories.	80%	101,000	595,000	Commercial/ Residential	Planning (2011)
14 Lam Tei Tuen Mun, New Territories.	100%	19,000	79,000	Commercial/ Residential	Planning (2011)
15 Sha Ha Sai Kung, New Territories.	7.5%	630,000	1,133,000	Residential	Planning (2011)
16 72 Yong Shun Street West Tongzhou District, Beijing, PRC	44%	560,000	2,000,000	Commercial/ Residential	Planning (2011)

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

Corporate Governance Report

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

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

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

Name of Director	Title	Attendance at Board meetings/ 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	3/4
Lun Pui Kan	Executive Director	4/4
Kwan Po Lam, Phileas	Executive Director	4/4
Loup, Nicholas James	Executive Director	3/4
Liang Shangli (resigned on 28th Feb 2008)	Non-executive Director	0/4
Au Yat Chuen, Raymond	Non-executive Director	2/4
Koon Bok Ming, Alan	Independent Non-executive Director	3/4
Leung Wai Keung, Richard	Independent Non-executive Director	3/4
Wong Chi Keung	Independent Non-executive Director	3/4

During the year, Mr. Liang Shangli has resigned on 28th February 2008 and 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.

Corporate Governance Report

Remuneration Committee

The Remuneration Committee currently comprises the Chairman, an Executive Director Mr. Loup, Nicholas James, and all the three Independent Non-executive Directors. The Chairman also acts as the chairman of the Remuneration Committee. The duties of the Committee includes making recommendations to the Board on the remuneration policy and structure of the Directors and senior management, approving the remuneration, determining the remuneration packages of all Executive Directors and senior management and approving the compensation to Directors and senior management on termination or dismissal. The remuneration packages including basic salary, annual bonus, retirement and other benefit such as share options are commensurate with their job nature and experience level. 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 package of the Directors.

Audit Committee

The Audit Committee currently comprises 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 annual financial statements and the 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 annual financial statements for the year ended 31st March 2008.

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. Loup, Nicholas James, 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.

Corporate Governance Report

Auditor's remuneration

PricewaterhouseCoopers has been appointed as the auditor of the Company by the shareholders at the annual general meeting. The services provided by PricewaterhouseCoopers include audit, taxation related and other services. A statement by PricewaterhouseCoopers about their reporting responsibilities is included in the Independent Auditors' Report on page 36 of this annual report.

An amount of HK\$4,603,000 (2007: HK\$4,119,000) was charged to the financial statements of the Group for their audit services. Taxation services, review on interim results provided by PricewaterhouseCoopers to the Group amounted to HK\$808,000 (2007: HK\$768,000). During the year, PricewaterhouseCoopers performed additional procedures for certain notifiable transactions of the Group, at total services fee of HK\$19,000 (2007: HK\$1,245,000).

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 public to access to the information of the Company on a timely basis.

Directors and Senior Management

Executive Directors



FUNG Siu To, Clement

Age 59. Chairman of the Company and Chairman of Remuneration Committee and a member of Executive Committee of the Company. He is also chairman of Asia Orient 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 63. 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 53. 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. He is the brother-in-law of Mr. Fung Siu To, Clement and Dr. Lim Yin Cheng, the Chairman and Deputy Chairman respectively.

Directors and Senior Management



LUN Pui Kan

Age 45. Finance Director and a member of Executive Committee of the Company. He is also finance 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 49. Executive Director of the Company and Asia Orient. Mr. Kwan is a holder of a Bachelor of Business Administration degree. He joined the Group in 1986 and is responsible for property sales and leasing. He has over 20 years of experience in property sales, leasing and real estate management.



LOUP, Nicholas James

Age 48. Executive Director, a member of Remuneration Committee and Executive Committee of the Company. Mr. Loup is the Chief Executive of Grosvenor Ltd Asia, and a director of Grosvenor Group Ltd, UK, responsible for managing the Grosvenor operation in Asia where they are active in Hong Kong, China and Tokyo.

He is a non-executive director of Printemps China Department Stores Ltd; director of China Spinal Cord Injury Fund Ltd and the British Chamber of Commerce in HK. Mr. Loup also serves on the advisory board for Bridge Capital in India.

Prior to rejoining Grosvenor in 1994, 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 Director

AU Yat Chuen, Raymond

Age 62. 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 53. A member of Audit Committee and Remuneration Committee of the Company. Mr. Wong holds a master 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, 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 Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, First Natural Foods Holdings Limited, FU JI Food and Catering Services Holdings Limited, Golden Eagle Retail Group Limited, Great Wall Motor Company Limited, International Entertainment Corporation, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of these companies are listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management. He joined the Group in 2004.

KOON Bok Ming, Alan

Age 67. A member of Remuneration Committee and Chairman of Audit Committee of the Company. Mr. Koon is the CEO of a financial advisory firm and has over 30 years of experience in international banking and finance. He holds a bachelor degree in economics and a master degree in business administration. He joined the Group in 1999.

LEUNG Wai Keung, Richard

Age 45. A member of Remuneration Committee and Audit Committee of the Company. Mr. Leung is currently a Barrister-at-Law. He has about 9 years of experience in accounting and financial management in several firms and thereafter practicing as a barrister for 12 years. He is also 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 HKICS 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.

Directors and Senior Management

Senior management

LEUNG King Yin, Kevin

Age 46. Mr. Leung is a holder of a Bachelor of Architecture degree. He is an Authorised Person under the Buildings Ordinance of Hong Kong, a registered architect in Hong Kong and Australia, and a member of both the Hong Kong Institute of Architects and Royal Australian Institute of Architects. Mr. Leung was a director of the Company for 5 years prior to his migration to Australia. He re-join the Group in October 2007. He is responsible for property development.

NG Siew Seng, Richard

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

Report of the Directors

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

Principal activities and 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 turnover and contribution to operating result 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 37.

The Company paid an interim dividend of HK0.35 cent (2007: HK0.35 cent) per share, totaling HK\$25,377,000 (2007: HK\$23,947,000) for the year ended 31st March 2008.

The Board recommends a final dividend of HK0.20 cent (2007: HK0.35 cent, with scrip option) per share in scrip, totaling HK\$21,752,000 (2007: HK\$25,148,000) for the year ended 31st March 2008.

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 30 to the financial statements.

Report of the Directors

Reserves

Movement in the reserves of the Group and the Company during the year are set out in note 31 to the financial statements.

Principal properties

Details of the principal properties of the Group are set out on pages 10 to 14.

Donation

During the year, the Group made charitable and other donations of HK\$2,163,000 (2007: HK\$626,000).

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 (resigned on 28th February 2008)
Mr. Au Yat Chuen, Raymond
Mr. Koon Bok Ming, Alan
Mr. Leung Wai Keung, Richard
Mr. Wong Chi Keung

Messrs. Lun Pui Kan, Kwan Po Lam Phileas and Wong Chi Keung will retire in accordance with the Bye-Laws of the Company 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 20 to 23.

Report of the Directors

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 32 to 34, 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.

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

As at 31st March 2008, 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	9,397,533	4,888,401,048	4,897,798,581	45.03

Note: By virtue of his controlling interest (37.77%) in Asia Orient Holdings Limited ("Asia Orient"), Mr. Poon Jing is deemed to be interested in the shares of the Company held by Asia Orient as disclosed under the heading "Substantial shareholders and other persons' interests and short positions in shares and underlying shares" below.

Report of the Directors

(b) Subsidiaries

Director	Subsidiary	Number of shares held			Percentage of shares in issue (%)
		Personal interest	Corporate interest	Total	
Poon Jing	Asia Standard Hotel Group Limited ("Asia Standard Hotel")	403,383	9,121,284,139 (Note 1)	9,121,687,522	70.67
Poon Jing and Fung Siu To, Clement	Centop Investment Limited ("Centop")	–	20 (Note 2)	20	20
Poon Jing	Centop	–	80 (Note 3)	80	80
Fung Siu To, Clement	Mark Honour Limited	9	–	9	9

Notes:

1. By virtue of his controlling interest in Asia Orient, Mr. Poon Jing is deemed to be interested in shares of Asia Standard Hotel held by Asia Orient and the Company.
2. 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.
3. 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 2007 and 31st March 2008
Fung Siu To, Clement	20,621,761
Lim Yin Cheng	20,621,761
Poon Jing	5,155,440
Lun Pui Kan	20,621,761
Kwan Po Lam, Phileas	20,621,761
Loup, Nicholas James	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\$0.315 per share (as adjusted).
- During the year, no option was granted, exercised, lapsed or cancelled.

(b) Subsidiary – Asia Standard Hotel

Name of Director	Date of Grant	Outstanding as at 1st April 2007	No. of options granted during the year	Exercise Price (HK\$)	Exercise Period	Outstanding as at 31st March 2008
Fung Siu To, Clement	29th March 2007	80,000,000	–	0.1296	29th March 2007 to 28th March 2017	80,000,000
Lim Yin Cheng	2nd April 2007	–	80,000,000	0.130	2nd April 2007 to 1st April 2017	80,000,000
Lun Pui Kan	2nd April 2007	–	80,000,000	0.130	2nd April 2007 to 1st April 2017	80,000,000
Kwan Po Lam, Phileas	2nd April 2007	–	80,000,000	0.130	2nd April 2007 to 1st April 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, lapsed or cancelled.

Report of the Directors

Interests in warrants

(a) The Company

Name of Director	Number of warrants held		Total
	Personal interest	Corporate interest	
Poon Jing	1,415,675	729,156,442 (Note 1)	730,572,117 (Note 2)

Notes:

- (1) By virtue of his controlling interest (37.77%) in Asia Orient, Mr. Poon Jing is deemed to be interested in the warrants of the Company held by Asia Orient as disclosed under the heading "Substantial shareholders and other persons' interests and short positions in shares and underlying shares" below.
- (2) The warrants are exercisable from 7th September 2007 to 6th September 2008 at an initial subscription price of HK\$0.29 per share. As a result of the rights issue of the Company on the basis of 1 rights share for every 2 shares held by shareholders as of 13th February 2008 ("Rights Issue"), the subscription price was adjusted from HK\$0.29 to HK\$0.256. Following the reset adjustment pursuant to the terms of the warrants, the subscription price was adjusted from HK\$0.256 to HK\$0.179 per share on 6 March 2008.

(b) Subsidiary – Asia Standard Hotel

Director	Number of warrants held		Total
	Personal interest	Corporate interest	
Poon Jing	76,686	1,742,211,916	1,742,288,602 (Note)

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

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

Report of the Directors

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 2008, 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.

(a) Long positions in shares of the Company

Name of substantial shareholders	Number of shares held	Number of underlying shares held	Total	Percentage
Poon Jing (Note 1)	4,897,798,581	730,572,117	5,628,370,698	51.75
Asia Orient (Note 1)	4,888,401,048	729,156,442	5,617,557,490	51.65
Asia Orient Holdings (BVI) Limited ("Asia Orient BVI") (Note 1)	4,509,381,048	672,289,255	5,181,670,303	47.64
Asia Orient Company Limited ("AOCL") (Note 2)	2,150,012,365	320,846,490	2,470,858,855	22.72
Kingfisher Inc. and Lipton Investment Limited ("Kingfisher and Lipton") (Note 2)	2,064,268,972	307,485,815	2,371,754,787	21.81
Grosvenor Asset Management Limited ("Grosvenor") (Note 3)	446,373,333	134,889,270	581,262,603	5.34
Grosvenor International S.A. (Note 3)	446,373,333	134,889,270	581,262,603	5.34
Grosvenor Continental Europe Holdings Limited (Note 3)	446,373,333	134,889,270	581,262,603	5.34
Grosvenor Group Limited (Note 3)	446,373,333	134,889,270	581,262,603	5.34
Jeremy Henry Moore Newsum (Note 3)	446,373,333	134,889,270	581,262,603	5.34
Robin Shedden Broadhurst (Note 3)	446,373,333	134,889,270	581,262,603	5.34
Mark Antony Loveday (Note 3)	446,373,333	134,889,270	581,262,603	5.34
Gillian Lucy Newsum (Note 3)	446,373,333	134,889,270	581,262,603	5.34
Penelope Alison Broadhurst (Note 3)	446,373,333	134,889,270	581,262,603	5.34
Mary Elizabeth Loveday (Note 3)	446,373,333	134,889,270	581,262,603	5.34
Dalton Investments LLC	607,950,462	41,783,594	649,734,056	5.97

The warrants are exercisable from 7th September 2007 to 6th September 2008 at an initial subscription price of HK\$0.29 per share. As a result of the Rights Issue, the subscription price was adjusted from HK\$0.29 to HK\$0.256. Following the reset adjustment pursuant to the terms of warrants, the subscription price was adjusted from HK\$0.256 to HK\$0.179 per share on 6 March 2008.

Report of the Directors

Notes:

1. Asia Orient BVI is a wholly-owned subsidiary of Asia Orient. In addition, as disclosed under the heading "Directors and chief executive's interests and short positions in shares, underlying shares and debentures" above, Mr. Poon Jing is deemed to be interested in the shares and warrants held by Asia Orient and its subsidiaries by virtue of his controlling interest in Asia Orient. Accordingly, Mr. Poon Jing is deemed to have interest and duplicate the interest in the 4,888,401,048 shares and 729,156,442 warrants held by Asia Orient and Asia Orient are deemed to have interest and duplicate the interest in the same 4,509,381,048 shares and 672,289,255 warrants held by Asia Orient BVI.
2. AOCL, companies controlled by AOCL, Kingfisher and Lipton are wholly-owned subsidiaries of Asia Orient BVI. Asia Orient BVI is deemed to be interested in and duplicate the interest held by AOCL, Kingfisher and Lipton.
3. Grosvenor is a wholly-owned subsidiary of Grosvenor International S.A.. Grosvenor International S.A. is a company listed in Luxemburg and is majority owned (64.04%) by Grosvenor Continental Europe Holdings Limited. Grosvenor Continental Europe Holdings Limited is an indirect wholly-owned subsidiary of Grosvenor Group Limited which is controlled 46.61% by The Fourth Duke of Westminster 1964 Settlement.

Grosvenor owned 446,373,333 shares and 134,889,270 warrants. Each of Grosvenor International S.A., Grosvenor Continental Europe Holdings Limited and Grosvenor Group Limited is deemed to be interested in and duplicate the interest in the 446,373,333 shares and 134,889,270 warrants held by Grosvenor.

Jeremy Henry Moore Newsum, Robin Shedden Broadhurst and Mark Antony Loveday are the trustees of The Fourth Duke of Westminster 1964 Settlement. Each of Jeremy Henry Moore Newsum, Robin Shedden Broadhurst, Mark Antony Loveday is deemed to be interested in the same 446,373,333 shares and 134,889,270 warrants held by Grosvenor. Gillian Lucy Newsum, Penelope Alison Broadhurst and Mary Elizabeth Loveday are the spouse of Jeremy Henry Moore Newsum, Robin Shedden Broadhurst and Mark Antony Loveday respectively. Each of Gillian Lucy Newsum, Penelope Alison Broadhurst and Mary Elizabeth Loveday is deemed to have family interest in the aforesaid 446,373,333 shares and 134,889,270 warrants held by Grosvenor.

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

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 718,514,593 shares, representing about 6.6 % 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 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 2007	Lapsed	Outstanding as at 31st March 2008
Directors	108,264,245	–	108,264,245
Other employees/administrator of an deceased employee	56,709,841	(15,466,321)	41,243,520

The options were granted on 30th March 2005 and exercisable from 30th March 2005 to 29th March 2015 at an exercise price of HK\$0.315 per share (as adjusted). 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 1,250,880,615 shares, representing about 9.7% of the shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which 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 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.

Report of the Directors

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 2007	Granted during the year	Lapsed	Outstanding as at 31st March 2008
Old Share Option Scheme				
Administrator of a deceased employee	4,465,909	–	(4,465,909)	–
New Share Option Scheme				
Directors	80,000,000 (Note 1)	240,000,000 (Note 2 and 3)	–	320,000,000
Employees/administrator of a deceased employee	160,000,000 (Note 1)	460,000,000 (Note 2 and 3)	(80,000,000)	540,000,000

Note (1): The option was 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.

Note (2): The option was granted on 2nd April 2007 and exercisable from 2nd April 2007 to 1st April 2017 at an exercise price of HK\$0.13 per share. The closing price of the shares immediately before the date of grant of such options is HK\$0.13.

Note (3): Please refer to notes 10(b) to the financial statements for the fair value of the share option.

Note (4): During the period, no option was exercised or cancelled.

Purchase, sale or redemption of listed securities

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

Pre-emptive rights

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

Management contracts

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

Report of the Directors

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	22.0%
Percentage of purchases attributable to the Group's five largest suppliers	53.2%
Percentage of sales attributable to the Group's largest customer	2.6%
Percentage of sales attributable to the Group's five largest customers	8.1%

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

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 110 pursuant to Chapter 13 of the Listing Rules.

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 latest practicable date prior to the issue of the annual report.

Auditor

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

On behalf of the Board
Fung Siu To, Clement
Chairman

Hong Kong, 10th July 2008

Independent Auditor's Report

**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") and its subsidiaries (together, the "Group") set out on pages 37 to 109, which comprise the balance sheets of the Company and the Group as at 31st March 2008, and the consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10th July 2008

Consolidated Profit and Loss Account

For the year ended 31st March 2008

	Note	2008 HK\$'000	2007 HK\$'000
Turnover	5, 7	1,554,855	1,374,113
Revenue	5, 7	1,119,925	1,339,240
Cost of sales	7	(659,130)	(874,107)
Gross profit		460,795	465,133
Selling expenses		(12,478)	(15,608)
Administrative expenses		(142,415)	(136,858)
Other income and charges	6	179,467	129,168
Operating profit		485,369	441,835
Finance costs	8	(75,581)	(111,727)
Share of profits less losses of			
Jointly controlled entities		477	562
Associated companies		148,232	28,437
Profit before income tax		558,497	359,107
Income tax expense	11	(53,956)	(58,463)
Profit for the year		504,541	300,644
Attributable to:			
Shareholders of the Company		471,471	287,596
Minority interests		33,070	13,048
		504,541	300,644
Dividends	13	47,129	49,095
Earnings per share			
Basic	14	HK 6.35 cents	HK 4.90 cents
Diluted	14	HK 6.31 cents	HK 4.73 cents

Consolidated Balance Sheet

As at 31st March 2008

	Note	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Property, plant and equipment	15	879,962	868,125
Investment properties	16	1,953,380	1,776,150
Leasehold land	17	1,738,896	1,765,542
Jointly controlled entities	19	506,539	228,900
Associated companies	20	665,572	504,997
Available-for-sale investments	25	326,656	–
Goodwill		5,103	8,651
Mortgage loans receivable	21	25,022	10,647
Deferred income tax assets	34	45,808	64,517
		6,146,938	5,227,529
Current assets			
Properties held for/under development for sale	22	898,242	796,759
Completed properties held for sale	22	217,402	463,471
Mortgage loans receivable	21	2,388	339
Hotel and restaurant inventories		2,268	2,190
Trade and other receivables	23	196,313	178,148
Financial assets at fair value through profit or loss	24	106,524	67,318
Derivative financial instruments	26	–	6,156
Income tax recoverable		566	507
Bank balances and cash	27	619,223	221,346
		2,042,926	1,736,234
Current liabilities			
Trade and other payables	28	115,330	144,453
Amount due to an associated company	20	51,150	51,150
Derivative financial instruments	26	26,289	2,717
Warrant liabilities	29(a)	19,654	–
Short term bank and other loans and overdrafts, secured	33	358,295	186,000
Short term bank loans, unsecured	33	20,000	–
Current portion of long term loans, secured	33	331,068	14,073
Amounts due to minority shareholders	35	114,071	109,964
Income tax payable		26,277	21,067
		1,062,134	529,424
Net current assets		980,792	1,206,810
Total assets less current liabilities		7,127,730	6,434,339

Consolidated Balance Sheet

As at 31st March 2008

	<i>Note</i>	2008 HK\$'000	2007 HK\$'000
<hr/>			
Non-current liabilities			
Convertible notes	32	–	89,768
Warrant liabilities	29(b)	16,909	–
Long term loans, secured	33	1,109,535	1,441,175
Deferred income tax liabilities	34	200,467	167,763
		1,326,911	1,698,706
<hr style="border-top: 1px dashed #000;"/>			
Net assets		5,800,819	4,735,633
<hr/>			
Equity			
Share capital	30	108,758	69,173
Reserves	31	5,002,488	3,935,050
<hr/>			
Equity attributable to shareholders of the Company		5,111,246	4,004,223
Minority interests		689,573	731,410
		5,800,819	4,735,633
<hr/>			

Fung Siu To, Clement
Director

Lun Pui Kan
Director

Balance Sheet

As at 31st March 2008

	Note	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Subsidiaries	18	4,801,256	4,226,059
Deferred income tax assets	34	110	110
		4,801,366	4,226,169
Current assets			
Trade and other receivables		730	406
Financial assets at fair value through profit or loss	24	18,415	6,570
Bank balances and cash	27	100,592	545
		119,737	7,521
Current liabilities			
Trade and other payables		2,047	1,620
Warrant liabilities	29(a)	19,654	–
Current portion of long term loans, secured	33	2,960	1,480
		24,661	3,100
Net current assets		95,076	4,421
Total assets less current liabilities		4,896,442	4,230,590
Non-current liabilities			
Long term loans, secured	33	15,560	18,520
Net assets		4,880,882	4,212,070
Equity			
Share capital	30	108,758	69,173
Reserves	31	4,772,124	4,142,897
		4,880,882	4,212,070

Fung Siu To, Clement
Director

Lun Pui Kan
Director

Consolidated Cash Flow Statement

For the year ended 31st March 2008

	Note	2008 HK\$'000	2007 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	39	347,495	202,155
Net income tax paid		(58)	(1,023)
Interest paid		(83,850)	(112,212)
Net cash from operating activities		263,587	88,920
Cash flows from investing activities			
Interest received		10,601	9,435
Dividend received from financial assets at fair value through profit or loss		1,725	671
Purchase of available-for-sale investments		(218,224)	–
Addition to property, plant and equipment		(19,441)	(14,323)
Proceeds on disposal of property, plant and equipment		587	–
Investment in a jointly controlled entity		(268,110)	–
Increase in advances to associated companies		(12,342)	(2,693)
Increase in advances to jointly controlled entities		(9,052)	(93,520)
Net cash used in investing activities		(514,256)	(100,430)
Net cash used before financing activities		(250,669)	(11,510)
Cash flows from financing activities			
Drawdown of long term bank loans		706,039	696,903
Repayment of long term bank loans		(738,869)	(1,188,464)
Issuance of convertible notes		–	94,000
Redemption of convertible bonds		(19,000)	(222,580)
Conversion of warrants		925	–
Dividend paid		(34,969)	(26,620)
Increase in short term bank loans		99,111	136,000
Net proceeds from rights shares		644,262	295,491
Increase in loans from minority shareholders of subsidiaries		4,107	4,455
Subscription of rights shares by minority shareholders		–	120,217
Distribution of dividend by a listed subsidiary to minority shareholders		(16,760)	(19,377)
Net cash generated from/(used in) financing activities		644,846	(109,975)
Net increase/(decrease) in cash and cash equivalents		394,177	(121,485)
Cash and cash equivalents at the beginning of the year		196,826	319,008
Changes in exchange rates		1,946	(697)
Cash and cash equivalents at the end of the year		592,949	196,826
Analysis of the balances of cash and cash equivalents			
Bank balances and cash (excluding restricted bank balances)		592,949	196,826

Consolidated Statement of Changes in Equity

For the year ended 31st March 2008

	Shareholders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st April 2006	3,436,020	658,891	4,094,911
Currency translation differences	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
Issue of rights shares	295,491	120,217	415,708
Issue of convertible notes	5,805	–	5,805
Scrip dividend	27,789	1,052	28,841
2006 final dividend	(30,462)	(13,079)	(43,541)
2007 interim dividend	(23,947)	(10,627)	(34,574)
Increase in shareholdings of a listed subsidiary	–	(41,608)	(41,608)
Share options granted by a listed subsidiary	4,822	2,858	7,680
	279,498	58,813	338,311
At 31st March 2007	4,004,223	731,410	4,735,633
At 1st April 2007	4,004,223	731,410	4,735,633
Currency translation differences	13,013	6,459	19,472
Fair value gain on available-for-sales investments	10,436	4,812	15,248
Less: provision for deferred tax	(1,826)	(842)	(2,668)
Profit for the year	471,471	33,070	504,541
Total recognised income for the year	493,094	43,499	536,593
Issue of rights shares	644,262	–	644,262
Issue of warrants	(83,491)	(38,519)	(122,010)
Conversion of warrants	1,111	–	1,111
Conversion and redemption of convertible notes	71,012	–	71,012
Scrip dividend	15,556	4,773	20,329
2007 final dividend	(25,148)	(10,725)	(35,873)
2008 interim dividend	(25,377)	(10,808)	(36,185)
Increase in shareholdings of a listed subsidiary	–	(36,453)	(36,453)
Share options granted by a listed subsidiary	16,004	6,396	22,400
	613,929	(85,336)	528,593
At 31st March 2008	5,111,246	689,573	5,800,819

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, available-for-sale investments, financial assets at fair value through profit or loss and financial liabilities (including warrant liabilities and derivative financial instruments), which are carried at fair value, and in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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

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

2 Principal accounting policies

(a) The adoption of new/revised HKFRS

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

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

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

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

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

Effective from 1st January 2008

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

Effective from 1st July 2008

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

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

Effective from 1st July 2009

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

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

(b) Basis of consolidation

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

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(b) Basis of consolidation (continued)

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

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

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 might 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. If the cost of acquisition is less than the relevant interest acquired of the carrying value of the net assets of the subsidiary, the difference being negative goodwill is recognised directly in the consolidated profit and loss account.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(c) Subsidiaries

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

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

(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 accounting policies adopted by the Group.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(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 accounting policies adopted by the Group.

(f) Goodwill

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

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill on acquisitions of jointly controlled entities and associated companies is included in investments in jointly controlled entities and associated companies respectively. Goodwill is tested for impairment at least annually and 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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(g) Financial assets/liabilities

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

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

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

(ii) *Loans and receivables*

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

(iii) *Available-for-sale investments*

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

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(g) Financial assets/liabilities (continued)

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. Dividend received from financial assets at fair value through profit and loss is recognised in the profit and loss account when the Company’s right to receive payment is established. Change in the fair value of available-for-sale investments are recognised in equity. When securities classified as available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investments.

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

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(g) Financial assets/liabilities (continued)

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

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

(h) Property, plant and equipment

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

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

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

Hotel and other buildings in Hong Kong	Shorter of 50 years or the remaining lease period of the land on which the buildings are located
Hotel buildings in overseas	25 years
Other equipment	3 to 10 years

No depreciation is provided for buildings under development.

Freehold land is not amortised.

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

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

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(i) Impairment of assets

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

(j) Investment properties

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

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

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(j) Investment properties (continued)

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 (note 2(aa)), construction costs, interest and other direct expenses capitalised during the course of development. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(n) Trade and other receivables

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

(o) Trade payables

Trade 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. Provisions are not recognised for future operating losses.

(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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(q) Borrowings (continued)

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

(r) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit obligations

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

(iii) Share-based compensation

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(s) Current and deferred income tax

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

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

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

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

(t) Warrant liabilities

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

(u) 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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(v) 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 return that are different from those of segments operating in other economic environments.

(w) 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, where the risks and rewards of the properties are transferred to the purchasers. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities.

(ii) Investment properties

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

(iii) Hotel, travel agency and management services businesses

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

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

Management fee income is recognised when services are rendered.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(w) Revenue recognition (continued)

(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.

(x) 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.

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

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

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(x) Foreign currency translation (continued)

(iii) Group companies

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

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

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

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(y) 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.

(z) Operating leases

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

(aa) 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. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the profit and loss account. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold or transferred to the cost of the properties upon completion. Where there is impairment, impairment are expensed in the profit and loss account.

(ab) 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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(ac) 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.

(ad) Dividend distribution

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

3 Financial risk management

i) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange 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.

Notes to the Financial Statements

3 Financial risk management (continued)

i) Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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

(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 either as available-for-sale investments or financial assets at fair value through profit or loss and derivative financial instruments for purchase of listed securities. The Group is not exposed to commodity price risk.

The Group's equity investments in equity of other entities are publicly traded in the Hong Kong Stock Exchange. For every 1% increase/decrease in the market prices of our financial assets at fair value through profit or loss and available-for-sale investments, the post-tax profit and available-for-sale investment reserve would increase/decrease by HK\$879,000 (2007: HK\$271,000) and HK\$2,695,000 (2007: Nil) respectively.

The Group's derivative financial instruments for purchase of listed securities and warrants are not publicly traded in the Hong Kong Stock Exchange. For every 1% Increase/decrease in price of the underlying shares with all other variables held constant the post-tax profit would increase/decrease HK\$424,000 (2007: Nil) and HK\$1,189,000 (2007: Nil) respectively.

Notes to the Financial Statements

3 Financial risk management (continued)

i) Financial risk factors (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 customers with appropriate credit history.

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

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

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

(c) Liquidity risk

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

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

Notes to the Financial Statements

3 Financial risk management (continued)

i) Financial risk factors (continued)

(d) Interest rate risk

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

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

ii) Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio against net assets and revalued net assets. Net assets ("Net assets") are the net assets as shown in the consolidated balance sheet prepared in accordance with HKFRS where revalued net assets ("Revalued net assets") are prepared having taken into account the fair value of hotel properties, net of relevant deferred tax, in addition to the Net assets. According to the Group's accounting policies, no properties other than investment properties are to be carried at valuation. Details of the valuation of the hotel properties, prepared for readers' information only, are set out in note 15(a) to the financial statements.

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

Notes to the Financial Statements

3 Financial risk management (continued)

ii) Capital risk management (continued)

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

	2008 HK\$'000	2007 HK\$'000
Borrowings (<i>note 33</i>)	1,818,898	1,641,248
Convertible notes (<i>note 32</i>)	–	89,768
Total borrowings	1,818,898	1,731,016
Less: bank balances and cash (<i>note 27</i>)	(619,223)	(221,346)
Net debt	1,199,675	1,509,670
Net assets value	5,800,819	4,735,633
Gearing ratio against net asset value	21%	32%
Revalued net assets value	7,378,000	6,205,000
Gearing ratio against revalued net assets value	16%	24%

Notes to the Financial Statements

3 Financial risk management (continued)

iii) Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale investments) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

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

The carrying value of trade and other receivables, financial assets at fair value through profit or loss, derivative financial instruments, bank balances and cash and trade and other payables are approximate of their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The Group does not hold any collateral as security.

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 are set out below.

Notes to the Financial Statements

4 Critical accounting estimates and judgements (continued)

(a) Estimate of fair value of investment properties

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

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

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

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

(b) Impairment of assets

The Group 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.

Notes to the Financial Statements

4 Critical accounting estimates and judgements (continued)

(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.

(d) Fair value of derivative financial instruments and warrants

The fair values of derivative financial instruments and warrants that are not traded in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are periodically reviewed. To the extent practical, models use only observable data, however areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the fair values of derivative financial instruments and warrants.

(e) Share based payments

The fair value of options granted is appraised based on the various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the share options at the date of grant.

Notes to the Financial Statements

5 Turnover and segment information

The Company is a limited liability company incorporated in Bermuda and is 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 and investment. Turnover comprises revenue from property sales and leasing, hotel and travel agency, management services and dividend and interest income, together with gross proceeds from investments. Revenue includes revenue from property sales and leasing, hotel and travel agency, management services, dividend and interest income, and net realised gains/losses on sale of financial assets at fair value through profit or loss.

Primary reporting format – business segments

The Group is organised into four main business segments, comprising property sales, property leasing, hotel and travel and investment. There are no other significant identifiable separate business segments. Segment revenue from external customers is after elimination of inter-segment revenues. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments. Comparative figures were reclassified to conform to current year's presentation as the investment was not a separate business segment and was included in other operations in 2007. Segment assets consist primarily of property, plant and equipment, leasehold land, investment properties, available-for-sale investments, other non-current assets, hotel inventories, properties, derivative financial instruments, trade and other receivables and investments. Segment liabilities comprise mainly trade and other payables, derivative financial instruments, bank and other loans and exclude warrant liabilities, current income tax payable and deferred income tax liabilities.

Notes to the Financial Statements

5 Turnover and segment information (continued)

Primary reporting format – business segments (continued)

	Property sales	Property leasing	Hotel and travel	Investment	Other operations	Group
2008 (in HK\$'000)						
Turnover	378,595	64,957	628,378	472,323	10,602	1,554,855
Segment revenue	378,595	64,957	628,378	37,393	10,602	1,119,925
Contribution to segment results	80,471	62,671	163,230	37,393	10,602	354,367
Other income and charges	6,736	177,230	(92,619)	(32,590)	120,710	179,467
Unallocated corporate expenses						(48,465)
Operating profit						485,369
Finance costs						(75,581)
Share of results of						
Jointly controlled entities	490	–	–	–	(13)	477
Associated companies	(5,588)	154,548	–	–	(728)	148,232
Profit before income tax						558,497
Income tax expense						(53,956)
Profit for the year						504,541
2007 (in HK\$'000)						
Turnover	652,240	57,681	617,279	36,516	10,397	1,374,113
Segment revenue	652,240	57,681	617,279	1,643	10,397	1,339,240
Contribution to segment results	133,839	52,814	160,696	1,643	10,397	359,389
Other income and charges	(12,101)	191,365	(81,041)	(12,957)	43,902	129,168
Unallocated corporate expenses						(46,722)
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

Notes to the Financial Statements

5 Turnover and segment information (continued)

Primary reporting format – business segments (continued)

	Property sales	Property leasing	Hotel and travel	Investment	Other operations	Group
2008 (in HK\$'000)						
Segment assets	1,139,409	2,010,358	2,708,481	433,484	170,815	6,462,547
Jointly controlled entities and associated companies	663,799	507,185	–	–	1,127	1,172,111
Unallocated assets						555,206
						8,189,864
Segment liabilities	359,773	579,184	1,048,454	13,395	22,782	2,023,588
Unallocated liabilities						365,457
						2,389,045
Capital expenditure	–	–	23,784	–	899	24,683
Depreciation	–	–	45,583	–	688	46,271
Amortisation of leasehold land	9,321	–	21,088	–	316	30,725
2007 (in HK\$'000)						
Segment assets	1,354,892	1,909,314	2,634,044	67,318	71,390	6,036,958
Jointly controlled entities and associated companies	380,046	352,637	–	–	1,214	733,897
Unallocated assets						192,908
						6,963,763
Segment liabilities	450,791	713,180	751,397	–	26,093	1,941,461
Unallocated liabilities						286,669
						2,228,130
Capital expenditure	–	–	13,927	–	396	14,323
Depreciation	–	–	52,273	–	667	52,940
Amortisation of leasehold land	9,321	–	21,088	–	316	30,725

Notes to the Financial Statements

5 Turnover 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:

	Turnover	Segment revenue	Operating profit	Total assets	Capital expenditure
2008 (in HK\$'000)					
Hong Kong	1,444,671	1,009,741	465,988	7,552,004	23,113
Mainland China	8,744	8,744	2,079	326,731	–
Canada	101,440	101,440	17,302	311,129	1,570
	1,554,855	1,119,925	485,369	8,189,864	24,683
2007 (in HK\$'000)					
Hong Kong	1,272,026	1,237,153	423,171	6,597,170	11,627
Mainland China	9,296	9,296	2,455	56,533	44
Canada	92,791	92,791	16,209	310,060	2,652
	1,374,113	1,339,240	441,835	6,963,763	14,323

6 Other income and charges

	2008 HK\$'000	2007 HK\$'000
Surplus on revaluation of investment properties	177,230	184,125
Depreciation	(46,271)	(52,940)
Amortisation of leasehold land	(30,725)	(30,725)
Net unrealised fair value losses on financial assets at fair value through profit or loss	(32,590)	(12,957)
Write-back of provision for diminution in value of properties held for sale	16,057	4,460
Net fair value gains on warrant liabilities	85,261	–
Share option expense of a listed subsidiary	(22,400)	(7,680)
Impairment of goodwill	(3,548)	–
Negative goodwill on acquiring additional interest in a listed subsidiary	36,453	44,885
	179,467	129,168

Notes to the Financial Statements

7 Income and expenses by nature

	2008 HK\$'000	2007 HK\$'000
Income		
Net rental income (<i>note (a)</i>)	61,420	52,814
Interest income	10,601	9,889
Dividend income	1,725	671
Net realised gain on financial assets at fair value through profit or loss	35,668	972
Expenses		
Operating lease rental expense for land and buildings	6,111	5,275
Employee benefit expense including Director's emoluments (<i>note 10</i>)	139,160	115,330
Auditor's remuneration	4,603	4,119
Provision for bad and doubtful debts written off (net)	459	7,225
Cost of properties and goods sold	516,960	713,689

Note:

(a) Net rental income

	2008 HK\$'000	2007 HK\$'000
Gross rental income		
Investment properties	59,593	50,368
Properties held for sale	5,364	7,313
	64,957	57,681
Outgoings	(3,537)	(4,867)
	61,420	52,814

Notes to the Financial Statements

8 Finance costs

	2008 HK\$'000	2007 HK\$'000
Interest expense		
Long term bank loans	75,335	101,079
Convertible bonds	–	10,898
Convertible notes	842	4,880
Loans from minority shareholders of subsidiaries (<i>note 35</i>)	4,107	4,455
Short term bank loans and overdrafts	9,989	1,102
Fair value loss on interest rate swaps	10,777	7,373
	101,050	129,787
Capitalised as cost of properties under development		
Interest expense	(25,469)	(18,060)
	75,581	111,727

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 4.5% (2007: 5.9%) 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 years ended 31st March 2008 and 2007 are set out as follows:

Name of Director	Directors' fee	Salaries, allowances and benefits in kind (note (i))	Share options (note (ii))	Employer's contribution to retirement benefit scheme	Total emoluments
2008 (in HK\$'000)					
Executive					
Mr. Fung Siu To, Clement	–	6,110	–	42	6,152
Dr. Lim Yin Cheng	–	2,127	2,560	60	4,747
Mr. Poon Jing	–	15,319	–	12	15,331
Mr. Lun Pui Kan	–	2,426	2,560	95	5,081
Mr. Kwan Po Lam, Phileas	–	1,070	2,560	53	3,683
Mr. Loup, Nicholas James	100	–	–	–	100
	100	27,052	7,680	262	35,094
Non-executive					
Mr. Liang Shangli	300	–	–	–	300
Mr. Au Yat Chuen, Raymond	120	–	–	–	120
	420	–	–	–	420
Independent Non-executive					
Mr. Koon Bok Ming, Alan	120	–	–	–	120
Mr. Leung Wai Keung, Richard	200	–	–	–	200
Mr. Wong Chi Keung	100	–	–	–	100
	420	–	–	–	420
	940	27,052	7,680	262	35,934

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 (i))	Share options (note (ii))	Employer's contribution to retirement benefit scheme	Total emoluments
2007 (in HK\$'000)					
Executive					
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
Non-executive					
Mr. Liang Shangli	140	–	–	–	140
Mr. Au Yat Chuen, Raymond	120	–	–	–	120
	260	–	–	–	260
Independent Non-executive					
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

Note: (i) Balance includes HK\$9,700,000 (2007: HK\$11,500,000) paid by subsidiaries of Asia Standard Hotel Group Limited ("Asia Standard Hotel"), a separately listed subsidiary of the Group.

(ii) Paid by Asia Standard Hotel.

Notes to the Financial Statements

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

(b) The five highest paid individuals in the Group for the year include five (2007: five) Directors whose emoluments are already reflected in the analysis presented above.

(c) During the year, no emolument was paid or is payable by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 Employee benefit expense

	2008 HK\$'000	2007 HK\$'000
Wages and salaries	114,580	106,134
Retirement benefits costs (<i>note (a)</i>)	3,675	3,413
Employee's share option expense of a listed subsidiary (<i>note (b)</i>)	22,400	7,680
	140,655	117,227
Capitalised under properties under development	(1,495)	(1,897)
	139,160	115,330

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 to the Financial Statements

10 Employee benefit expense (continued)

Notes:

(a) Retirement benefits costs

	2008 HK\$'000	2007 HK\$'000
Gross contributions	3,675	3,454
Forfeitures utilised	-	(41)
Net contributions	3,675	3,413

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% (2007: 5% and 4.95%) respectively, of the employee's relevant income in accordance with the local legislative requirements.

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

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

As at 31st March 2008, no forfeiture (2007: Nil) was available to reduce the Group's future contributions to the ORSO Scheme.

Notes to the Financial Statements

10 Employee benefit expense (continued)

(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 2008 are as follows:

Company

Grantee	Expiry date	Exercise price	2008	2007
			Number	Number
Directors	29th March 2015	HK\$0.315	108,264,245	108,264,245
Employees	29th March 2015	HK\$0.315	41,243,520	56,709,841

During the year, no share option was granted, exercised or cancelled (2007: Nil). 15,466,321 share options lapsed upon the demise of an employee (5,000,000 share options lapsed upon resignation of an employee in 2007). No adjustment is required to the prevailing exercising price and number of options following the rights issue of the Company in March 2008 as the rights issue was not price-dilutive.

Asia Standard Hotel

	Expiry date	Exercise price	2008	2007
			Number	Number
Employee	31st October 2015	HK\$0.19436	–	4,465,909
Directors	28th March 2017	HK\$0.12960	80,000,000	80,000,000
Employees	28th March 2017	HK\$0.12960	80,000,000	160,000,000
Directors	1st April 2017	HK\$0.13	240,000,000	–
Employees	1st April 2017	HK\$0.13	460,000,000	–

Notes to the Financial Statements

10 Employee benefit expense (continued)

(b) Share options (continued)

In 2007, 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, the number of options was also adjusted accordingly.

During the year, 700,000,000 share options were granted, 84,465,909 share options lapsed upon the demise of an employee, and no share options were exercised or cancelled. In year 2007, 240,000,000 share options were granted, and no share options were exercised, cancelled or lapsed.

In 2008, the fair value of the options granted and vested in the current year determined using the Binomial option pricing model is HK\$22,400,000 (2007: HK\$7,680,000) and is recognised in the profit and loss account.

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

	April 2007	March 2007
Closing share price at the date of grant (HK\$)	0.13	0.13
Exercise price (HK\$)	0.1296	0.1296
Expected life of options (years)	1.6	1.6
Expected volatility (%) (note (i))	51.71	51.71
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.

Notes to the Financial Statements

11 Income tax expense

	2008 HK\$'000	2007 HK\$'000
Current income tax		
Hong Kong profits tax	2,466	587
Under/(over) provisions in prior years	2,745	(2,688)
	5,211	(2,101)
Deferred income tax	48,745	60,564
	53,956	58,463

Hong Kong profits tax is provided at the rate of 17.5% on the estimated assessable profit for the year (2007: 17.5%). 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.

Share of income tax of jointly controlled entities and associated companies for the year of charge of HK\$29,000 (2007: credit of HK\$1,000) and charge of HK\$32,643,000 (2007: charge of HK\$7,593,000) 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:

	2008 HK\$'000	2007 HK\$'000
Profit before income tax	558,497	359,107
Share of profits less losses of jointly controlled entities and associated companies	(148,709)	(28,999)
	409,788	330,108
Calculated at a tax rate of 17.5% (2007: 17.5%)	71,713	57,769
Under/(over) provisions in prior years	2,745	(2,688)
Effect of different tax rates in other countries	(1,381)	(1,263)
Income not subject to income tax	(22,483)	(8,887)
Expenses not deductible for tax purposes	9,432	6,791
Tax losses not recognised	3,058	9,439
Recognition of previously unrecognised tax losses	(5,350)	(11)
Utilisation of previously recognised tax losses	(1,507)	–
Others	(2,271)	(2,687)
Income tax expense	53,956	58,463

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\$66,900,000 (2007: HK\$554,000).

Notes to the Financial Statements

13 Dividends

	2008 HK\$'000	2007 HK\$'000
Interim, paid, of HK0.35 cent (2007: HK0.35 cent) per share	25,377	23,947
Final, proposed, of HK0.20 cent (2007: HK0.35 cent) per share	21,752	25,148
	47,129	49,095

At a meeting held on 10th July 2008, the Board of Directors has proposed a final dividend of HK0.20 cent per share in scrip. This proposed dividend is not reflected in the financial statements, but will be reflected as an appropriation of revenue reserve in the year ending 31st March 2009.

14 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$471,471,000 (2007: HK\$287,596,000) and divided by the weighted average number of 7,430,223,474 (2007: 5,872,615,953 shares, adjusted for the effect of the rights issue in March 2008) shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31st March 2008 is based on HK\$472,165,000 equalling to the profit attributable to shareholders of the Company of HK\$471,471,000 plus after tax interest saving of HK\$694,000 and divided by 7,483,238,697 shares equalling to the weighted average number of 7,430,223,474 shares in issue during the year with an increase of 53,015,223 potential shares deemed to be in issue assuming the Company's convertible notes had been converted at the beginning of the year. The Company and its listed subsidiary's outstanding share options and warrants did not have a dilutive effect on the earnings per share.

The calculation of diluted earnings per share for the year ended 31st March 2007 was 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 6,166,393,789 (adjusted for the effect of the rights issue in March 2008) shares equalling to the weighted average number of 5,872,615,953 shares in issue during the year plus 293,777,836 potential shares deemed to be in issue assuming the convertible notes had been converted. The Company and its listed subsidiary's outstanding share options did not have a dilutive effect on the earnings per share.

Notes to the Financial Statements

15 Property, plant and equipment

	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 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
Cost					
At 31st March 2007	69,160	1,202,231	19,000	50,600	1,340,991
Currency translation difference	8,099	46,236	–	876	55,211
Additions	–	23,784	–	899	24,683
Disposals	–	–	–	(707)	(707)
At 31st March 2008	77,259	1,272,251	19,000	51,668	1,420,178
Accumulated depreciation					
At 31st March 2007	–	418,571	5,390	48,905	472,866
Currency translation difference	–	20,929	–	852	21,781
Charge for the year	–	45,183	376	712	46,271
Disposals	–	–	–	(702)	(702)
At 31st March 2008	–	484,683	5,766	49,767	540,216
Net book value					
At 31st March 2008	77,259	787,568	13,234	1,901	879,962

Notes to the Financial Statements

15 Property, plant and equipment (continued)

Notes:

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

	Group	
	2008	2007
	HK\$'000	HK\$'000
Hotel properties		
Hotel buildings	787,568	783,660
Hotel freehold land	77,259	69,160
Hotel leasehold land (<i>note 17</i>)	1,662,351	1,688,681
	2,527,178	2,541,501

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

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

(b) The aggregate net book value of property, plant and equipment pledged as securities for loans amounted to HK\$872,325,000 (2007: HK\$860,537,000).

Notes to the Financial Statements

16 Investment properties

	Group	
	2008 HK\$'000	2007 HK\$'000
Beginning of the year	1,776,150	2,046,470
Transfer to hotel properties	–	(454,445)
Surplus on revaluation	177,230	184,125
End of the year	1,953,380	1,776,150

Investment properties were revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 31st March 2008. 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\$1,953,380,000 (2007: HK\$1,776,150,000).

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 2006	1,527,516	46,099	35,865	1,609,480
Transfer from investment properties	408,840	–	–	408,840
At 31st March 2007 and 2008	1,936,356	46,099	35,865	2,018,320
Accumulated amortisation				
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
Recognised in the profit and loss account	21,088	54	262	21,404
Capitalised in property, plant and equipment	5,242	–	–	5,242
Amortisation for the year	26,330	54	262	26,646
At 31st March 2008	274,005	706	4,713	279,424
Net book value				
At 31st March 2008	1,662,351	45,393	31,152	1,738,896
At 31st March 2007	1,688,681	45,447	31,414	1,765,542

The Group's prepaid leasehold land payments comprise:

	2008 HK\$'000	2007 HK\$'000
Leasehold land in Hong Kong		
Long term lease	1,163,900	1,175,803
Medium term lease	574,996	589,739
	1,738,896	1,765,542

The aggregate net book value of leasehold land pledged as securities for loans amounted to HK\$1,738,896,000 (2007: HK\$1,765,542,000).

Notes to the Financial Statements

18 Subsidiaries

	2008 HK\$'000	2007 HK\$'000
Unlisted shares, at cost	1,229,076	1,229,076
Amounts due by subsidiaries less provisions	3,572,180	2,996,983
	4,801,256	4,226,059

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	
	2008 HK\$'000	2007 HK\$'000
Share of net assets/(liabilities)	96,011	(172,576)
Advances to jointly controlled entities	445,411	436,359
Provisions on advances to jointly controlled entities	(34,883)	(34,883)
	506,539	228,900

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\$202,752,000 (2007: HK\$192,172,000) 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	
	2008 HK\$'000	2007 HK\$'000
Assets		
Non-current assets	715,515	471,966
Current assets	94,716	25,735
	810,231	497,701
Liabilities		
Non-current liabilities	234,991	205,324
Current liabilities	479,229	464,953
	714,220	670,277
Net assets/(liabilities)	96,011	(172,576)
Income	13,530	987
Expenses	(13,024)	(426)
Profit before income tax	506	561
Income tax (expense)/credit	(29)	1
Profit for the year	477	562

Notes to the Financial Statements

20 Associated companies

	Group	
	2008	2007
	HK\$'000	HK\$'000
Share of net assets/(liabilities)	3,892	(144,341)
Advances to associated companies	665,786	653,444
Provisions for advances to associated companies	(4,106)	(4,106)
	665,572	504,997
Amount due to an associated company included in current liabilities	(51,150)	(51,150)
Total carrying amounts of associated companies	614,422	453,847

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\$911,000 (2007: HK\$908,000) 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	
	2008	2007
	HK\$'000	HK\$'000
Assets	807,935	626,459
Liabilities	(804,043)	(770,800)
	3,892	(144,341)
Revenues	182,976	13,934
Profit for the year	148,232	28,437

Notes to the Financial Statements

21 Mortgage loans receivable

	Group	
	2008	2007
	HK\$'000	HK\$'000
Mortgage loans receivable	27,410	10,986
Less: current portion included in current assets	(2,388)	(339)
	25,022	10,647

The mortgage loans receivable carry interest at rates ranged from prime rate plus 1.5 to 2.0% (2007: prime rate plus 1.5% to 2.0%) per annum. The effective interest rate at 31st March 2008 was 7.5% (2007: 7.9%) per annum. The mortgage loans receivable are denominated in Hong Kong dollar. The carrying amounts of the mortgage loans receivable approximate their fair values.

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

	Group	
	2008	2007
	HK\$'000	HK\$'000
Properties held for/under development for sale		
Leasehold land	635,353	634,956
Development costs	262,889	161,803
	898,242	796,759
Completed properties held for sale		
Leasehold land	117,957	243,120
Development costs	99,445	220,351
	217,402	463,471

At 31st March 2008, properties amounting to HK\$923,482,000 (2007: HK\$941,672,000) were pledged to banks to secure certain banking facilities of the Group.

Notes to the Financial Statements

23 Trade and other receivables

	Group	
	2008	2007
	HK\$'000	HK\$'000
Trade receivables		
Fully performing	47,039	110,079
Past due but not impaired	10,379	11,473
Impaired and provided for	115	129
	57,533	121,681
Less: provision for impairment of receivables	(115)	(129)
Trade receivables, net	57,418	121,552
Prepayments	9,228	6,036
Utility and other deposits	7,293	6,484
Other receivables	122,374	44,076
	196,313	178,148

As at 31st March 2008, other receivables include loans receivable of HK\$95,540,000 (2007: HK\$11,100,000) which were interest bearing from 5% to 2% above prime rate per annum and repayable within one year (2007: 5% per annum and repayable within two years).

An aging analysis of trade receivables net of provision for impairment is as follows:

	Group	
	2008	2007
	HK\$'000	HK\$'000
0 day to 60 days	56,321	118,831
61 days to 120 days	1,082	2,071
More than 120 days	15	650
	57,418	121,552

Notes to the Financial Statements

23 Trade and other receivables (continued)

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

	2008 HK\$'000	2007 HK\$'000
0 day to 60 days	10,135	10,045
More than 60 days	244	1,428
	10,379	11,473

As of 31st March 2008, trade receivables of HK\$115,000 (2007: HK\$129,000) were impaired.

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

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

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

	Group 2008 HK\$'000	2007 HK\$'000
Hong Kong dollar	54,490	118,072
Canadian dollar	2,861	3,423
Renminbi	67	57
	57,418	121,552

Notes to the Financial Statements

24 Financial assets at fair value through profit or loss

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities listed in Hong Kong	106,524	32,796	18,415	6,570
Pledged United States treasury bills	–	34,522	–	–
	106,524	67,318	18,415	6,570

25 Available-for-sale investments

	Group	
	2008	2007
	HK\$'000	HK\$'000
Equity securities listed in Hong Kong	326,656	–

26 Derivative financial instruments

	Group			
	2008		2007	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Forward foreign exchange contracts	–	–	5,556	–
Interest rate swaps	–	12,894	600	2,717
Derivative financial instruments for purchase of listed securities	–	13,395	–	–
	–	26,289	6,156	2,717

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

The notional principal amounts of the outstanding interest rate swaps contracts at 31st March 2008 were HK\$600,000,000 (2007: HK\$650,000,000).

The derivative financial instruments for purchase of listed securities were secured by fixed deposit of the Group.

Notes to the Financial Statements

27 Bank balances and cash

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Cash at bank and in hand	77,940	109,263	580	545
Restricted bank balances	26,274	24,520	–	–
Short-term bank deposits	515,009	87,563	100,012	–
	619,223	221,346	100,592	545

The effective interest rate on restricted bank balances was 2.3% (2007: 3.5%) 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 1.5% (2007: 3.2%) per annum for the Group and 2.0% (2007: 3.9%) per annum for the Company. These deposits have an average maturity of 6 days (2007: 72 days) for the Group and 6 days (2007: 8 days) 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\$23,870,000 (2007: HK\$34,318,000).

Aging analysis of trade payables is as follows:

	2008 HK\$'000	2007 HK\$'000
0 day to 60 days	23,524	33,614
61 days to 120 days	33	406
More than 120 days	313	298
	23,870	34,318

Notes to the Financial Statements

29 Warrant liabilities

(a) The Company

On 7th September 2007, the Company issued bonus warrants to shareholders on the basis of one warrant for every five shares of the Company. The initial subscription price was at HK\$0.29 per share and the warrants are exercisable at any time within one year from the date of issue. Apart from the adjustments upon occurrence of the usual adjustment events, the subscription price is subject to the reset adjustment at the end of six months from the date of issue of the warrants and on the tenth business day before the date of expiration of the warrants. As a result of the rights issue (note 30 (a)), the subscription price was adjusted from HK\$0.29 to HK\$0.256 on 13th February 2008. Following the reset adjustments arrangement, the subscription price was further adjusted from HK\$0.256 to HK\$0.179 per share on 6th March 2008. The fair value of the warrant liabilities is determined using Lattice model.

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

	HK\$'000
Fair value of warrants at date of issue	83,492
Fair value gain credited to profit and loss account	(63,652)
Set off against reserve upon conversion of warrants	(186)
At 31st March 2008	19,654

The following assumptions were used to calculate the fair values of warrants at 31st March 2008:

Closing share price at 31st March 2008 (HK\$)	0.147
Exercise price (HK\$)	0.179
Expected remaining life of warrants (years)	0.4
Expected volatility (%)	47.13
Risk free rate (%)	0.80

Notes to the Financial Statements

29 Warrant liabilities (continued)

(b) Listed subsidiary

On 7th September 2007, Asia Standard Hotel, the listed subsidiary issued bonus warrants to shareholders on the basis of one warrant for every five shares of Asia Standard Hotel. The initial subscription price was at HK\$0.146 per share and the warrants are exercisable at any time within three years from the date of issue. Apart from the adjustments upon occurrence of the usual adjustment events, the subscription price is subject to the reset adjustment at the end of each six months from the date of issue of the warrants and on the tenth business day before the date of expiration of the warrants. Following the reset adjustments arrangement, the subscription price was further adjusted from HK\$0.146 to HK\$0.084 per share on 6th March 2008. The fair value of the warrant liabilities is determined using Lattice model.

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

	HK\$'000
Fair value of warrants at date of issue	38,523
Fair value gain credited to profit and loss account	(21,609)
Set off against minority interest upon conversion of warrants	(5)
At 31st March 2008	16,909

The following assumptions were used to calculate the fair values of warrants at 31st March 2008:

Closing share price at 31st March 2008 (HK\$)	0.076
Exercise price (HK\$)	0.084
Expected remaining life of warrants (years)	2.4
Expected volatility (%)	43.85
Risk free rate (%)	1.39

30 Share capital

Shares of HK\$0.01 each	Number of shares	Amount HK\$'000
Authorised:		
At 31st March 2007 and 2008	400,000,000,000	4,000,000

Notes to the Financial Statements

30 Share capital (continued)

	Number of shares		Amount	
	2008	2007	2008 HK\$'000	2007 HK\$'000
Issued and fully paid:				
At the beginning of the year	6,917,288,795	5,076,925,957	69,173	50,769
Issue of rights shares (note (a))	3,625,274,773	1,710,518,044	36,253	17,105
Scrip dividend (notes (b))	62,223,578	129,844,794	622	1,299
Conversion of convertible notes (note (c))	267,857,140	–	2,678	–
Conversion of warrants (note (d))	3,190,301	–	32	–
At the end of the year	10,875,834,587	6,917,288,795	108,758	69,173

Notes:

(a) In March 2008, the Company issued 3,625,274,773 rights shares at the issue price of HK\$0.18 each on the basis of one rights share for every two existing shares held. Net proceeds were approximately HK\$643,600,000 and are intended for future acquisition (including development costs) of development projects in Hong Kong, Macau and PRC, payment of development costs of existing projects and for working capital purposes.

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 three existing 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 2007, 62,223,578 new shares were allotted and issued at HK\$0.25 per share in lieu of final dividend for the year ended 31st March 2007.

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.

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 May 2007, convertible notes in the principal amount of HK\$75,000,000 was converted into 267,857,140 ordinary shares, with the remaining principal amount of HK\$19,000,000 redeemed by the Company together with accrued interest.

(d) In September 2007, 1,437,029,187 warrants were issued, and 3,190,301 warrants were converted at HK\$0.29 per share during the year.

Notes to the Financial Statements

31 Reserves

	Share premium HK\$'000	Convertible note HK\$'000	Capital redemption HK\$'000	Share option HK\$'000	Warrant reserve HK\$'000	Available- for-sale investment reserve HK\$'000	Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
Group									
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 scrip option)	12,816	-	-	-	-	-	-	(30,462)	(17,646)
2007 interim dividend (with scrip option)	13,674	-	-	-	-	-	-	(23,947)	(10,273)
Equity component	-	5,805	-	-	-	-	-	-	5,805
Issue of rights shares (net of expense)	278,386	-	-	-	-	-	-	-	278,386
Share options granted 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
At 31st March 2007	1,189,330	5,805	43,868	4,982	-	-	2,670,292	20,773	3,935,050
Currency translation differences	-	-	-	-	-	-	-	13,013	13,013
Fair value gain on available-for-sale investments	-	-	-	-	-	10,436	-	-	10,436
Less: provision for deferred tax	-	-	-	-	-	(1,826)	-	-	(1,826)
Profit for the year	-	-	-	-	-	-	-	471,471	471,471
Redemption of convertible notes	-	(5,805)	-	-	-	-	-	1,818	(3,987)
Conversion of convertible notes	72,321	-	-	-	-	-	-	-	72,321
Issue of rights shares (net of expenses)	608,009	-	-	-	-	-	-	-	608,009
Issue of warrants	-	-	-	-	(83,491)	-	-	-	(83,491)
Conversion of warrants	893	-	-	-	185	-	-	1	1,079
2007 final dividend (with scrip option)	14,934	-	-	-	-	-	-	(25,148)	(10,214)
2008 interim dividend	-	-	-	-	-	-	-	(25,377)	(25,377)
Share options granted by a listed subsidiary	-	-	-	13,164	-	-	-	2,840	16,004
At 31st March 2008	1,885,487	-	43,868	18,146	(83,306)	8,610	2,670,292	459,391	5,002,488
Representing:									
2008 final dividend proposed	-	-	-	-	-	-	-	21,752	21,752
Others	1,885,487	-	43,868	18,146	(83,306)	8,610	2,670,292	437,639	4,980,736
At 31st March 2008	1,885,487	-	43,868	18,146	(83,306)	8,610	2,670,292	459,391	5,002,488

Notes to the Financial Statements

31 Reserves (continued)

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Warrant reserve HK\$'000	Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
Company						
At 31st March 2006	883,303	43,868	–	2,684,451	280,254	3,891,876
Profit for the year	–	–	–	–	554	554
2006 final dividend (with scrip option)	12,816	–	–	–	(30,462)	(17,646)
2007 interim dividend (with scrip option)	13,674	–	–	–	(23,947)	(10,273)
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
At 31st March 2007	1,188,179	43,868	–	2,684,451	226,399	4,142,897
Profit for the year	–	–	–	–	66,900	66,900
Conversion of convertible notes	72,321	–	–	–	–	72,321
Issue of rights shares (net of expenses)	608,009	–	–	–	–	608,009
Issue of warrants	–	–	(83,491)	–	–	(83,491)
Conversion of warrants	893	–	185	–	1	1,079
2007 final dividend (with scrip option)	14,934	–	–	–	(25,148)	(10,214)
2008 interim dividend	–	–	–	–	(25,377)	(25,377)
At 31st March 2008	1,884,336	43,868	(83,306)	2,684,451	242,775	4,772,124
Representing:						
2008 final dividend proposed	–	–	–	–	21,752	21,752
Others	1,884,336	43,868	(83,306)	2,684,451	221,023	4,750,372
At 31st March 2008	1,884,336	43,868	(83,306)	2,684,451	242,775	4,772,124

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. Total distributable reserves of the Company amounted to HK\$2,887,788,000 (2007: HK\$2,954,718,000) as at 31st March 2008.

Notes to the Financial Statements

32 Convertible notes

On 15th May 2006, the Group issued convertible notes of the principal amount of HK\$94,000,000, which bore interest at 4% per annum payable semi-annually in arrears. Each holder of the notes had the option to convert the notes into shares at an initial conversion price of HK\$0.305 (adjusted to HK\$0.28 pursuant to the rights issue in November 2006) per share, subject to adjustment. The Company might 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.

During the year, a total principal amount of HK\$75,000,000 was converted into ordinary shares of the Company and the remaining principal amount of HK\$19,000,000 was repurchased with accrued interest.

33 Borrowings

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short term bank and other loans and overdrafts				
Secured	358,295	186,000	–	–
Unsecured	20,000	–	–	–
Long term bank loans, secured	1,440,603	1,455,248	18,520	20,000
	1,818,898	1,641,248	18,520	20,000
The maturity of the long term loans is as follows:				
Bank loans, secured				
Repayable within one year	331,068	14,073	2,960	1,480
Repayable between one and two years	13,942	254,778	2,960	2,960
Repayable between two and five years	185,828	336,735	8,880	8,880
Repayable within five years	530,838	605,586	14,800	13,320
Repayable after five years	909,765	849,662	3,720	6,680
	1,440,603	1,455,248	18,520	20,000
Current portion included in current liabilities	(331,068)	(14,073)	(2,960)	(1,480)
	1,109,535	1,441,175	15,560	18,520

Notes to the Financial Statements

33 Borrowings (continued)

The effective interest rates of the borrowing at the balance sheet date range from 1.3% to 5.0% (2007: 4.5% to 7.0%) per annum. The interest rates of the borrowings are not subject to contractual repricing.

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

34 Deferred income tax

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

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Deferred income tax assets	45,808	64,517	110	110
Deferred income tax liabilities	(200,467)	(167,763)	–	–
	(154,659)	(103,246)	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*

	Available-for-sale investments		Accelerated tax depreciation		Revaluation of properties		Fair value adjustments		Total	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
At the beginning of the year	–	–	(51,794)	(49,479)	(166,858)	(139,011)	(84,386)	(92,197)	(303,038)	(280,687)
Recognised in the profit and loss account	–	–	(1,223)	(2,315)	(28,565)	(27,847)	(41)	7,811	(29,829)	(22,351)
Recognised in equity	(2,668)	–	–	–	–	–	–	–	(2,668)	–
At the end of the year	(2,668)	–	(53,017)	(51,794)	(195,423)	(166,858)	(84,427)	(84,386)	(335,535)	(303,038)

Notes to the Financial Statements

34 Deferred income tax (continued)

Deferred income tax assets

	Accelerated accounting depreciation		Provisions		Tax losses		Difference in cost base of properties		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	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	-	181	118,024	143,004	81,768	94,428	199,792	238,005
Recognised in the profit and loss account	296	(392)	-	(181)	(29,335)	(24,980)	10,123	(12,660)	(18,916)	(38,213)
At the end of the year	296	-	-	-	88,689	118,024	91,891	81,768	180,876	199,792

Company

	Tax losses	
	2008	2007
	HK\$'000	HK\$'000
At the beginning and 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\$104 million (2007: HK\$100 million) in respect of losses amounting to HK\$548 million (2007: HK\$517 million) that can be carried forward against future taxable income. Except for tax losses of HK\$446 million (2007: HK\$462 million) which have no expiry date, the balance will expire at various dates up to and including 2026 (2007: 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\$102,151,000 (2007: HK\$98,043,000) bear interest at 1.5% above prime rate (2007: 1.5% above prime rate) per annum and the remaining balance is interest free.

Notes to the Financial Statements

36 Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows :

	2008 HK\$'000	2007 HK\$'000
Property, plant and equipment		
Contracted but not provided for	115,013	1,300
Authorised but not contracted for	31,827	96,700
	146,840	98,000

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 2008, the future aggregate minimum rental receipts receivable under non-cancellable operating leases were as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
In respect of land and buildings:		
Within one year	78,500	69,672
In the second to fifth year inclusive	62,008	78,527
	140,508	148,199

Notes to the Financial Statements

37 Operating lease arrangements (continued)

(b) Lessee

At 31st March 2008, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
In respect of land and buildings:		
Within one year	4,284	5,418
In the second to fifth year inclusive	3,250	7,650
	7,534	13,068

38 Financial guarantees

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Guarantees for the banking and loan facilities of:				
Subsidiaries	–	–	817,125	927,225
Jointly controlled entities	197,840	168,340	197,840	168,340
Associated companies	–	65,010	–	65,010
Third parties	–	1,229	–	–
Guarantees for the convertible notes issued by a subsidiary	–	–	–	94,000
	197,840	234,579	1,014,965	1,254,575

Notes to the Financial Statements

39 Note to consolidated cash flow statement

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

	2008 HK\$'000	2007 HK\$'000
Profit before income tax	558,497	359,107
Share of profits less losses of		
Jointly controlled entities	(477)	(562)
Associated companies	(148,232)	(28,437)
Depreciation	46,271	52,940
Amortisation of leasehold land	30,725	30,725
Impairment of goodwill	3,548	–
Net realised and unrealised fair value gains on		
financial assets at fair value through profit or loss	(3,078)	11,985
Surplus on revaluation of investment properties	(177,230)	(184,125)
Net fair value gains on warrant liabilities	(85,261)	–
Negative goodwill on acquiring additional interest in a listed subsidiary	(36,453)	(44,885)
Employee's share option expense of a listed subsidiary	22,400	7,680
Gain on disposal of property, plant and equipment	(582)	–
Write-back of provision for diminution in value of properties held for for sale	(16,057)	(4,460)
Dividend income	(1,725)	(671)
Interest income	(10,601)	(9,889)
Interest expense	75,581	111,727
Operating profit before working capital changes	257,326	301,135
Increase in mortgage loans receivable	(16,424)	(766)
Decrease in properties held for/under development		
for sale (excluding interest expense capitalised)	171,544	131,128
(Increase)/decrease in hotel and restaurant inventories	(78)	376
Increase in trade and other receivables	(18,165)	(21,688)
(Increase)/decrease in financial assets at fair value through profit or loss	(22,734)	54
Decrease in derivative financial instruments	5,556	–
(Increase)/decrease in restricted bank balances	(1,754)	4,692
Increase in deposit received on properties pre-sold	–	(212,068)
Decrease in trade and other payables	(27,776)	(708)
Net cash generated from operations	347,495	202,155

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.

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

	2008	2007
	HK\$'000	HK\$'000
Income from/(expense to) subsidiaries of Asia Orient		
Rental income (<i>note (a)</i>)	407	269
Management fee expense (<i>note (b)</i>)	(1,027)	(1,044)
Cleaning expense (<i>note (c)</i>)	(809)	(881)
Rental income from associated companies of Asia Orient (<i>note (a)</i>)	313	186
Interest income from an associated company (<i>note 20</i>)	3	3
Interest expense to a minority shareholder (<i>note 35</i>)	(4,107)	(4,455)

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 Comparative figures

Certain comparative figures have been restated to confirm with current year's presentation.

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 (67.7% owned)	Catering 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 (67.7% owned)	Travel agency	HK\$2,500,000
Kelpoint Limited	Property development	HK\$2
Perfect Wave Limited (67.7% owned)	Catering operation	HK\$2
Stone Pole Limited (67.7% owned)	Hotel holding	HK\$10

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 Hong Kong (continued)</i>		
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 (67.7% owned)	Hotel holding	HK\$2
Way Link Holdings Limited (90% owned)	Property trading	HK\$2
Winfast Engineering Limited	Construction	HK\$2
<i>Incorporated in Bermuda</i>		
Asia Standard Hotel Group Limited (67.7% owned)	Investment holding	HK\$126,162,000
<i>Incorporated in the British Virgin Islands</i>		
Enrich Enterprises Ltd (67.7% owned)**	Hotel holding	US\$1
Global Gateway Corp. (67.7% owned)**	Hotel operation	US\$1
Glory Ventures Enterprises Inc. (67.7% owned)**	Hotel holding	US\$1
Greatime Limited (67.7% owned)	Securities investment	US\$1
<i>Incorporated in the Cayman Islands</i>		
Asia Standard International Capital Limited*	Financing services	US\$2

* Direct subsidiary of the Company

** Operates in Canada

Notes to the Financial Statements

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

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 the British Virgin Islands)	Investment holding	US\$2	50%
Perfect Pearl Company Limited	Property investment	HK\$11,000	33%
Sheen Finance Limited	Financing services	HK\$2	50%

Jointly controlled entities

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

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
Grosvenor Asia Standard (China) Limited (incorporated in the 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%
<i>Incorporated in the PRC</i>			
漁陽房地產開發(深圳)有限公司#	Property development	RMB40,000,000	41.32%
北京黃海房地產開發有限公司#	Property development	RMB240,000,000 (RMB232,138,000 paid)	44%
Shanghai Hong Hua TGIF Restaurant Company Limited#	Catering operation	RMB17,384,640	64.3%

operates in PRC

43 Approval of financial statements

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

Combined Balance Sheet of Affiliated Companies

The Group had amounts due from and loans to certain affiliated companies in a total sum of HK\$1,111 million (before Group's provisions) and guarantees given to banks for facilities utilised of HK\$198 million totalling HK\$1,309 million as at 31st March 2008 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 2008 HK\$'000	Group's attributable interest 2008 HK\$'000
Property, plant and equipment	1,345	596
Investment properties	1,762,533	581,636
Properties held for/under development for sale	1,884,459	845,359
Derivative financial instruments	(5,523)	(2,762)
Deferred income tax assets	8,007	4,004
Current assets	486,675	186,574
Current liabilities	(151,411)	(50,845)
Long term bank and other loans	(707,259)	(293,021)
Deferred income tax liabilities	(170,550)	(57,768)
Minority interests	(5,345)	(2,673)
Shareholders' advance	(2,250,315)	(1,111,197)
	852,616	99,903

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 2008.

Consolidated profit and loss account

For the year ended 31st March 2008

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

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

Consolidated balance sheet

As at 31st March 2008

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