



ASIA STANDARD INTERNATIONAL GROUP LIMITED

Stock Code: 129



2009

Annual Report

Asia Standard International Group Limited

(Incorporated in Bermuda with limited liability)

Annual Report

For the year ended

31st March 2009

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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. Au Yat Chuen

Independent Non-executive

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

Audit committee

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

Authorised representatives

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

Company secretary

Ms. Man Sau Ying

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 Communications Co., Ltd.

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 Fulcrum Group
(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, Wanchai,
Hong Kong

Financial Highlights

For the year ended 31st March **2009** 2008 Change
(In HK\$ million, except otherwise indicated)

Consolidated profit and loss account

Revenue	855	1,084	-21%
Operating (loss)/profit	(315)	485	N/A
Finance costs	56	76	-26%
(Loss)/profit attributable to shareholders of the Company	(381)	471	N/A
Basic (loss)/earnings per share (HK cents)	(3.44)	6.35	N/A

Consolidated balance sheet

Total assets	8,132	8,190	-1%
Net assets	5,276	5,801	-9%
Equity attributable to shareholders of the Company	4,670	5,111	-9%
Net debt	2,073	1,200	+73%

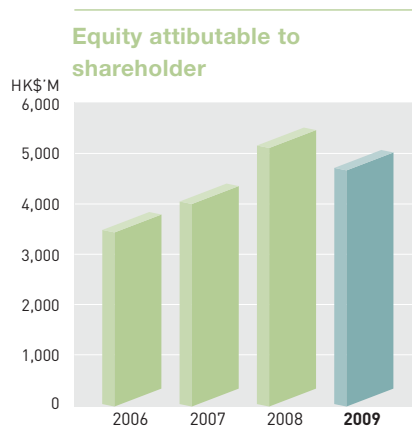
Supplementary information with hotel properties at valuation (note):

Revalued total assets	9,900	10,118	-2%
Revalued net assets	6,757	7,378	-8%
Equity attributable to shareholders of the Company	5,687	6,194	-8%
Equity attributable to shareholders of the Company per share (HK\$)	0.50	0.57	-12%
Net debt to revalued net asset value (%)	31%	16%	+15%

Note: Hong Kong Financial Reporting Standards ("HKFRS") currently adopted by the Group 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 2009.

Chairman's Statement



2008 has been a difficult year as property prices drop and transaction volume shrinks and market sentiment was adversely affected by the unprecedented global financial meltdown and the subsequent credit crunch.

The Group reported a net loss attributable to shareholders of HK\$381 million, comparing to a profit of HK\$471 million last year, due to mark-to-market value decrease in investment properties and financial assets, both being unrealised losses which are not affecting cash flow of the Group.

We have however seen few signs of recovery lately since the reporting date as properties sales pick up very strongly for inflation hedging, credit abundance while keeping at a very low interest rate locally and around the globe. Rebounds in equities market worldwide also helps.

In keeping of the current financial market performance as of 30th June 2009, current values of our financial investment had been substantially improved.

Management remains cautious and hopeful that economy around the world recovers and remains sustainable.

By Order of the Board

Fung Siu To, Clement

Chairman

Hong Kong, 7th July 2009

Management Discussion and Analysis



Jadewater

Results

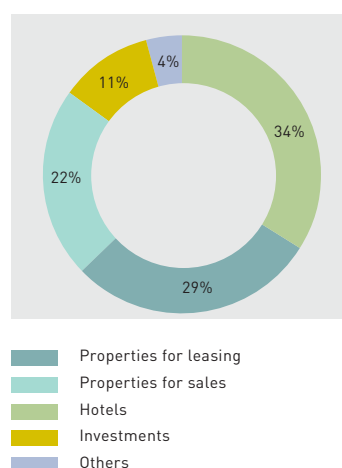
The Group recorded a revenue of HK\$855 million (2008: HK\$1,084 million) with loss attributable to shareholders amounting to HK\$381 million (2008: profit of HK\$471 million).

The decrease is attributed to smaller property sales together with decrease in fair value of financial assets and investment properties.

Properties Sales, Development and Leasing

Revenue from property sales for the year amounted to HK\$144 million, which is attributed to the launch of Jadewater, a 150,000 sq. ft. GFA residential development at Aberdeen, and inventory sale of residential units. This segment contributed HK\$51 million to operating profit as compared to HK\$80 million of last year on a turnover of HK\$379 million. At present, over 50% of Jadewater is sold, giving total proceeds of over HK\$550 million.

Distribution of assets
(Total assets: HK\$8,132m)



Management Discussion and Analysis



The Westminster Terrace

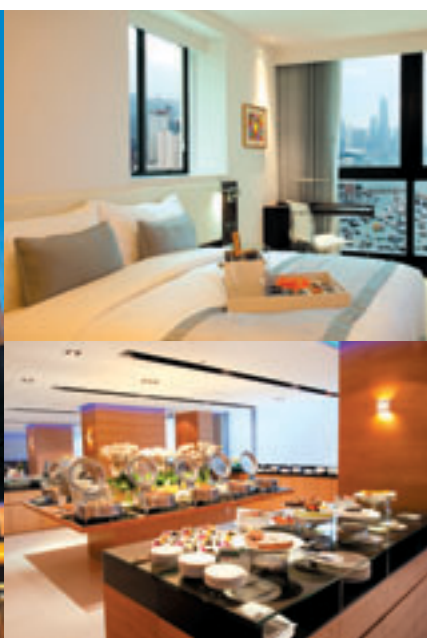


Another residential development named Westminster Terrace, the Castle Peak Road joint venture, is progressing with occupation permit issued by end of June 2009. This 200,000 sq. ft. GFA development is built to a premium standard. Presale consent is obtained and show flat design and build is currently underway.

Currently the Group holds approximately 740,000 square feet attributable GFA of residential properties under development in Hong Kong. In addition, we hold approximately 2 million sq. ft. GFA residential/commercial development in Beijing and are under progress to obtain planning clearances. The Group has a 44% interest in this development.

Rental income attributable to the Group was approximately HK\$89 million, comparing to HK\$78 million of last year. Rental income of Asia Standard Tower increased by 10% and that of Asia Orient Tower increased by 17%, resulting from increased unit rent upon tenancy renewals since last interim period. Average occupancy of the two properties approximates 87%. Revaluation deficit totaling HK\$141 million (net of deferred tax) was recorded, while last year was a surplus of HK\$294 million.

Management Discussion and Analysis



Empire Hotel Causeway Bay



Empire Hotel Kowloon

Hotel

The hotel group had a strong performance during the first half of the financial year, achieving roughly similar level of revenue and gross operating profit. With the outburst of the financial crisis in September, a 4% decrease is recorded in its full year gross profit. The hotel group also recorded a mark to market unrealised loss of HK\$269 million. Overall it reported a net loss of HK\$230 million compared to last year's HK\$96 million profit.

The hotel group's new 280 rooms hotel in Causeway Bay was completed and opened in April 2009.

Another expansion of 28 rooms to Empire Kowloon Hotel was also completed in February 2009. Currently the hotel group owns four hotels with 1,343 rooms.

Investments

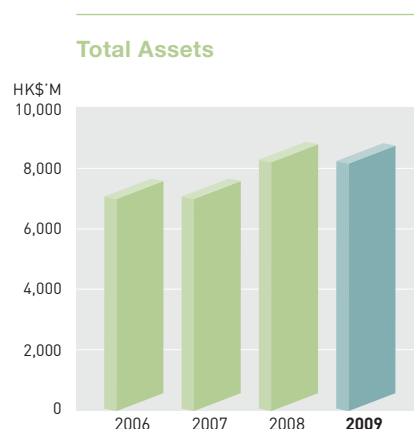
At 31st March 2009, the Group had financial investments of approximately HK\$893 million (2008: HK\$433 million). The Group recorded a net unrealised loss of HK\$415 million (2008: HK\$32 million) up to 31st March 2009, which did not affect cash flow of the Group. Income during the year from these investments amounts to HK\$48 million. In keeping with the recent improved performance of the financial market, the value of our investment portfolio has recorded substantial improvement since the reporting date.

Management Discussion and Analysis

Financial Review

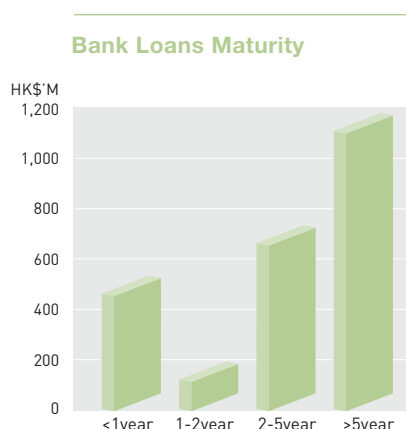
At 31st March 2009, the Group's total assets were approximately HK\$8.1 billion, same as last financial year end. The net assets decreased by 9% to HK\$5.3 billion. Adopting market value of hotel properties, the revalued net assets of the Group would be HK\$6.8 billion, down 8% compared to HK\$7.4 billion last year.

Net debt stood at HK\$2.1 billion (2008: HK\$1.2 billion), including HK\$1.3 billion (2008: HK\$0.9 billion) which belonged to the separately listed hotel group. Net debt to revalued net asset value is approximately 31% (2008: 16%). The increase in net debt was partly to fund renovations of new hotel and expansion program of existing hotels, and partly for investments. Average finance costs reduced by 26% due to lower interest rates over the year.



About 92% of the Group's borrowings are in Hong Kong dollar. All the debts are at floating rates and interest rate level is managed through interest rate swaps. As at 31st March 2009, about one quarter of the long term bank loans were hedged by these swaps. The maturity of our debts spread over a long period of up to thirteen years, with approximately 20% repayable within one year while 47% repayable after five years.

As at 31st March 2009, assets with an aggregated net book value of HK\$5,828 million (2008: HK\$5,496 million) were pledged to secure banking facilities of the Group. The guarantees provided to financial institutions for jointly controlled entities were HK\$278 million (2008: HK\$198 million).



Employees and Remuneration Policies

As at 31st March 2009, the Group employed 466 employees and approximate 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.

Future Prospect

Locally, demand for properties is picking up very strongly for inflation hedging and credit abundances at a very low interest rate. Demand for Mainland properties also witness robust recovery for similar reason.

The travel industry, not only affected by the financial crisis, was recently hampered by the swine flu pandemic resulting in fewer number of arrivals. We remain hopeful that the hotel operation will soon return to solid performance as economy recovers.

Five-year Financial Summary

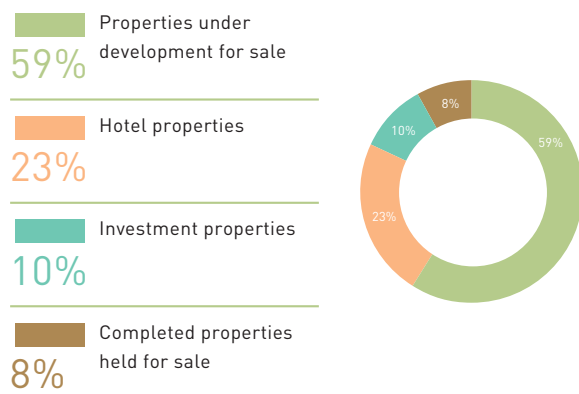
Year ended 31st March (In HK\$ million)	2009	2008	2007	2006	2005 (restated)
Results					
Revenue	855	1,084	1,374	744	707
(Loss)/profit attributable to shareholders of the Company	(381)	471	288	168	279
Assets and liabilities					
Total assets	8,132	8,190	6,964	6,984	6,774
Total liabilities	(2,857)	(2,389)	(2,228)	(2,889)	(3,100)
Minority interests	(605)	(690)	(732)	(659)	(402)
Equity attributable to shareholders of the Company	4,670	5,111	4,004	3,436	3,272

Note:

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

Principal Properties

As at 31st March 2009



	Attributed GFA (sq. ft.)
Properties under development for sale	1,620,000
Hotel properties	631,000
Investment properties	282,000
Completed properties held for sale	226,000
Total	2,759,000

Empire Hotel
Kowloon



Westminster
Terrace



Asia Orient
Tower



Asia Standard
Tower



Jadewater



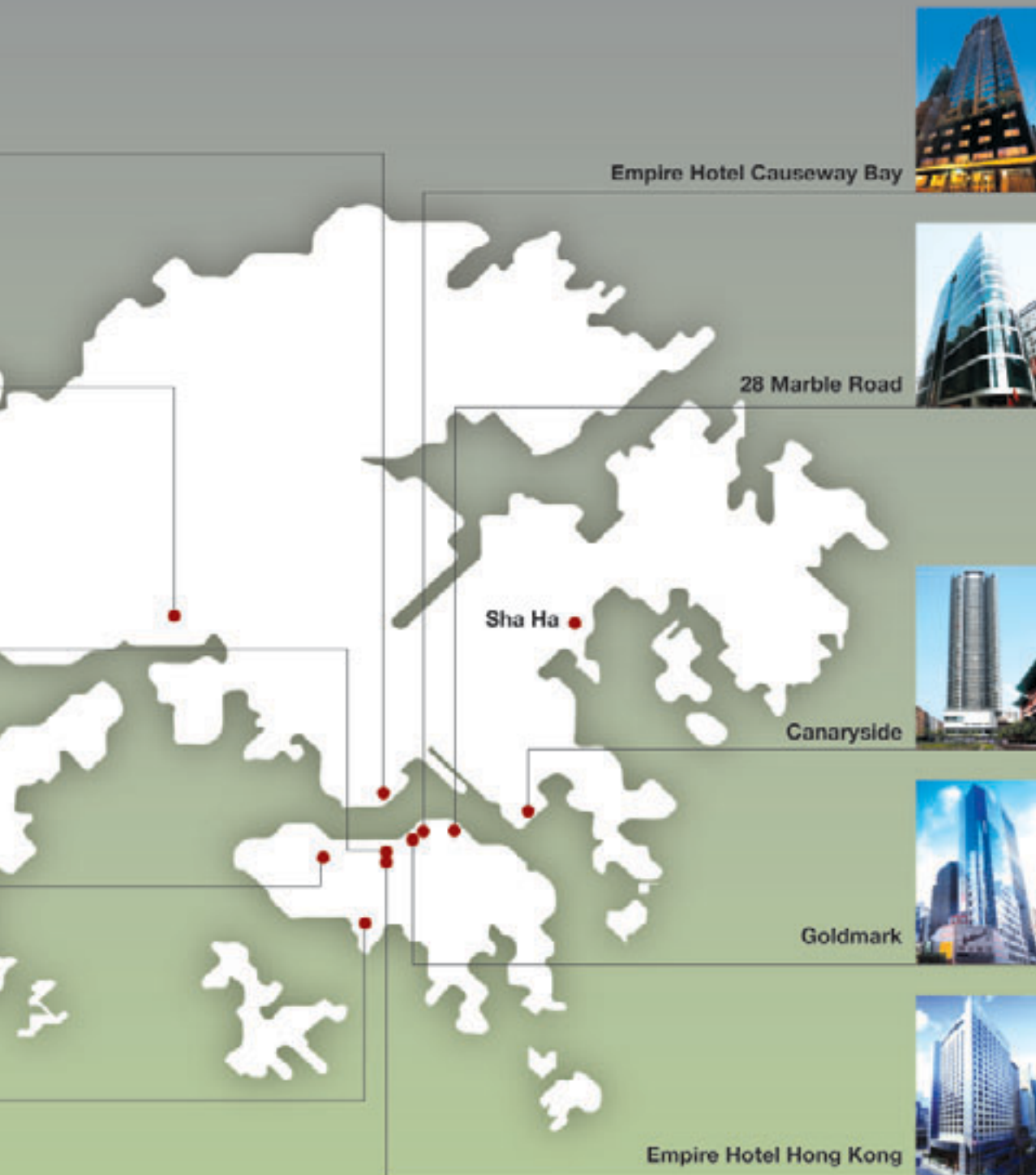
Hung Shui Kiu ●
Lam Tei ●



Principal Properties

As at 31st March 2009

Our properties in Hong Kong



Principal Properties

As at 31st March 2009

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 (343 rooms)	Hotel
07 Empire Hotel Causeway Bay 8 Wing Hing Street, Causeway Bay, Hong Kong.	67.7%	6,200	108,000 (280 rooms)	Hotel

Principal Properties

As at 31st March 2009

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%	40,000	Commercial/ Residential
10	Jadewater 238 Aberdeen Main Road, Aberdeen, Hong Kong.	100%	129,000	Commercial/ Residential
PRC				
11	Oriental Garden Nos. H212-28 Dong Feng Fang, Luo Hu District, Shenzhen, PRC.	26.32%	154,000	Commercial/ Residential

Principal Properties

As at 31st March 2009

Properties	Group's interest	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type	Stage and estimated date of completion
IV Properties under development for sale					
12 Westminster Terrace 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 (2013)
14 Lam Tei Tuen Mun, New Territories.	100%	19,000	79,000	Commercial/ Residential	Planning (2013)
15 Sha Ha Sai Kung, New Territories.	7.5%	630,000	1,133,000	Residential	Planning (2013)
16 72 Yong Shun Street West, Tongzhou District, Beijing, PRC.	44%	560,000	2,000,000	Commercial/ Residential	Planning (2013)

Corporate Governance Report

Corporate Governance Practices

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

Board of Directors

The Board consists of six Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The posts of Chairman and Chief Executive are separate and are 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 biographical details and 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. Pursuant to the Code on Corporate Governance Practices, the Chairman and the Managing Director shall also retire at the annual general meeting every three years. A retiring Director shall be eligible for re-election at the meeting. The Non-executive Director and Independent Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election 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.

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

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

Corporate Governance Report

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

Name of Director	Title	Attendance at Board meetings/ Number of Board meetings held
Mr. Fung Siu To, Clement	Chairman	4/4
Dr. Lim Yin Cheng	Deputy Chairman	4/4
Mr. Poon Jing	Managing Director and Chief Executive	4/4
Mr. Lun Pui Kan	Executive Director	4/4
Mr. Kwan Po Lam, Phileas	Executive Director	4/4
Mr. Loup, Nicholas James	Executive Director	4/4
Mr. Au Yat Chuen	Non-executive Director	4/4
Mr. Koon Bok Ming, Alan	Independent Non-executive Director	4/4
Mr. Leung Wai Keung	Independent Non-executive Director	4/4
Mr. Wong Chi Keung	Independent Non-executive Director	4/4

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

Remuneration Committee

The Remuneration Committee currently comprises the Chairman, Mr. Fung Siu To, Clement, an Executive Director Mr. Loup, Nicholas James, and all the three Independent Non-executive Directors. Mr. Fung is 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. Loup, Nicholas James had attended, to review, discuss and approve the remuneration package of the Directors and senior management.

Corporate Governance Report

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. The terms of reference were revised and adopted by the Audit Committee in compliance with the Code on Corporate Governance Practices. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls and review of the published financial statements. The Audit Committee meets at least twice a year. During the year, the Audit Committee met twice to review the Company's annual and interim financial statements and the recommendation by the auditor on enhancement 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 2009.

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.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year, and they all confirmed that they have fully complied with the required standard set out in the Model Code throughout the year ended 31st March 2009.

Code on Corporate Governance Practices

During the year, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except for the deviation from code provision A.4.1 which states that non-executive directors should be appointed for a specific term, subject to re-election. All non-executive director and independent non-executive directors of the Company are not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with the Bye-Laws of the Company.

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 Auditor's Report on page 39 of this annual report.

An amount of HK\$4,442,000 (2008: HK\$4,603,000) 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\$716,000 (2008: HK\$808,000). During the year, PricewaterhouseCoopers performed additional procedures for certain notifiable transactions of the Group, at total services fee of HK\$216,000 (2008: HK\$19,000).

Investor Relationship

The Group aims to provide its shareholders and investors with high level of transparency. During the year, the Executive Directors had various 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.

Corporate Social Responsibility

The Group is convinced that business sustainability can only be achieved by operating profitable enterprises together with enhancing the well-being of the society and the environment as a whole. Over the year, the Group has been paying increasing attention to our environment, making positive contribution to the society as well as safeguarding the interests of its stakeholders, particularly its shareholders, employees, and customers.

Environmental Protection

(a) *Property development*

As a responsible developer, the Group is conscious of environmental protection issues on the design and construction of our properties. Over the years, the design and construction of our properties has been in line with the green features as laid down in the Joint Practice Note Nos. 1-2 in relation to "Green and Innovative Buildings" issued jointly by the Buildings Department, Lands Department and Planning Department. The objectives of such green features mainly encompass: (a) to maximize the use of natural renewable resources and recycled/green building material; (b) to minimize the consumption of energy, in particular those non-renewable types; and (c) to reduce construction and demolition waste.



Corporate Governance Report

In addition to the green features, the Group has implemented a number of environmental protection facilities to its projects so as to promote a greener lifestyle. In the Westminster Terrace development, large greenery podium gardens are constructed at 3/F and 7/F levels. There is a large open lawn area provided for leisure. Greenery and buffer plantings are at peripheral of the building and along elevation of podium car park. Other measures include installation of rain water recycling and self cleaning glass to reduce water consumption and sun shade features on top of windows to reduce heat.

(b) Hotel business

The design of our new Empire Hotel in Causeway Bay was divided in four zones for optimal gas supply and energy saving. Air-conditioning in Empire Hotel Hong Kong • Causeway Bay and Empire Hotel Kowloon • Tsim Sha Tsui has a zone valve whereby electricity supply will be switched off on idle floors for energy preservation purposes. In our Empire Hotel Kowloon • Tsim Sha Tsui, the two new renovation floors have an individual electric heater supply system and can be switched off individually for energy reduction purposes.

Daily monitoring of energy and fuel consumption to identify areas for energy conservation is in place. Phased replacements of chillers, fan coil units, air handling units, laundry and kitchen equipment, electrical appliances and lighting have been enhanced to more energy-efficient models.

(c) Others

On the other hand, in order to reduce costs, consume less paper and reduce postage stationery, the Company and its listed subsidiary, Asia Standard Hotel Group Limited (“Asia Standard Hotel”) have both made the arrangement of electronic means of receipt of corporate communication* as stipulated in the Listing Rules effective January 2009. The Company and Asia Standard Hotel have sent letters to their respective shareholders asking them to elect to read future corporate communication on the websites of the Company and Asia Standard Hotel in place of receiving printed copies and to send either English or Chinese version only to shareholders of the Company and Asia Standard Hotel. So far, shareholders are in support of this arrangement.

The Community

At the Group, care for the community is a long-standing corporate value. The Group has been making charitable donations to social welfare, educational and sports organizations, and has mobilized staff members to care for the needy.

The devastating earthquake and aftershocks occurred in Sichuan Province in May 2008 have taken thousands of lives and left remnants homeless. In order to help the victims rebuild their homes, the Group has organized and sponsored a basketball fundraising tournament in June 2008 where the Group undertook to donate the same amount which the tournament has raised. With the support of our dedicated staff and the public, donations in the tournament reached an exhilarating amount of HK\$2,000,000 which was channeled through The Salvation Army and UNICEF to the victims.



Donation to the Salvation Army and UNICEF for the earthquake relief operation in Sichuan

Corporate Governance Report

Committed to good corporate citizenship, the Group has during the year sponsored and made contributions to a number of charitable and educational organizations, such as Rutgers University Foundation for the Spinal Cord Injury Project, University of British Columbia, China Literacy Foundation fundraising golf tournament, Beijing & HK Cultural Development Centre, Community Chest and Hong Kong 2009 East Asian Games.

Moreover since March 2009, Asia Standard Hotel has initiated a charity campaign entitled, The Art of Caring, through which we worked to support SAHK (formerly known as “The Spastics Association of Hong Kong”), a local rehabilitation service organization supporting and helping local children and youth with disabilities in their education and health.

We have invited SAHK child and youth members to submit over 300 of their paintings with various themes in this program. Asia Standard Hotel has fully funded and implemented the program from its inception to completion, and the donation amount made direct to SAHK already exceeds HK\$120,000.

These paintings have been beautifully mounted and framed and are now hung in all of our guest rooms in our newly opened Empire Hotel Causeway Bay. Guests visiting the hotel are welcome to purchase any paintings at their preferred amount and subsequent

proceeds generated will be donated to SAHK for future child and youth care services.



The Art of Caring - a charity campaign helping local children and youth with disabilities in their education and health

The People

In the face of a severe economic downturn, it has become ever more important to place top priority on sustaining a winning team of employees best placed to meet challenges and capitalize on the opportunities ahead. The Group is committed to caring for the overall well-being of its staff members.

The Group is dedicated to building a staff- and family-friendly workplace where members are genuinely valued. This is conducive to the development of a positive culture of co-operation, equality and dedication. While the Group empowers staff in different aspects of their working lives, such as training and development, a healthy workplace and staff involvement and communications, it is also a keen supporter of a proper work-life balance. During the year, the Group has sponsored the outdoor activity of Hong Kong & Macau O! Day 2008 organized by The Salvation Army, Basketball Wheelchairs by ACARE and Anniversary Walkathon of Hong Kong University in which a number of staff and their family members have took part and had great fun.

Over the year, staff were encouraged and sponsored to attend seminars and courses of their respective professions. Continuous personal study is encouraged to enhance personal development and corporate advancement.

* Corporate communication includes but not limited to: (a) directors' report, its annual accounts together with a copy of the auditors' report and, where applicable, its summary financial report; (b) interim report and, where applicable, its summary interim report; (c) notice of meeting; (d) listing document; (e) circular; and (f) proxy form.

Directors and Senior Management

Executive Directors

FUNG Siu To, Clement

Aged 60, is the Chairman of the Company and Chairman of the Remuneration Committee and a member of the Executive Committee of the Company. He is also the Chairman and an executive director of Asia Orient Holdings Limited ("Asia Orient"), an executive director of its listed subsidiary, Asia Standard Hotel Group Limited ("Asia Standard Hotel") and an independent non-executive director and an audit committee member of New Times Energy Corporation Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Fung is a holder of Bachelor of Applied Science (Civil Engineering) degree and is also a fellow member of the Hong Kong Institution of Engineers. He joined the Company and its subsidiaries (together the "Group") in 1988 and has over 25 years of experience in project management and construction. He is the brother-in-law of Mr. Poon Jing and Dr. Lim Yin Cheng, Managing Director and Deputy Chairman of the Company respectively.

LIM Yin Cheng

Aged 64, is the Deputy Chairman of the Company. He is also the Deputy Chairman, Chief Executive, an executive director and Chairman of the Remuneration Committee of Asia Standard Hotel, Deputy Chairman and an executive director of Asia Orient. Dr. Lim is a holder of Bachelor of Science (Chemical Engineering) and Doctor of Philosophy degrees. He has over 25 years of experience in engineering, project management and administration. He joined the Group in 1992. He is the brother-in-law of Mr. Poon Jing and Mr. Fung Siu To, Clement, Managing Director and Chairman of the Company respectively.

POON Jing

Aged 54, is the Chief Executive, Managing Director, Chairman of the Executive Committee of the Company. He is also the Chief Executive, Managing Director and an executive director of Asia Orient, Chairman and an executive director 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 of the Company respectively.

LUN Pui Kan

Aged 45, is the Finance Director and a member of the Executive Committee of the Company. He is also the Finance Director of Asia Orient. Mr. Lun has over 20 years of experience in accounting and finance. He is a holder of 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.

Directors and Senior Management

KWAN Po Lam, Phileas

Aged 50, is an executive director of the Company and Asia Orient. Mr. Kwan is a holder of 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

Aged 49, is an executive director, a member of the Remuneration Committee and the 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.

Non-executive Director

AU Yat Chuen

Aged 62, is a non-executive director of the Company. 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.

Directors and Senior Management

Independent Non-executive Directors

KOON Bok Ming, Alan

Aged 68, is an independent non-executive director, a member of the 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 project finance. He holds a bachelor degree in economics and a master degree in business administration. He joined the Group in 1999.

LEUNG Wai Keung

Aged 46, is an independent non-executive director, a member of the Remuneration Committee and the 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 13 years. He is also an independent non-executive director and a member of the Audit Committee of Asia Standard Hotel. Mr. Leung is a member of HKICPA, Hong Kong Institute of Chartered Secretaries (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. 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.

WONG Chi Keung

Aged 54, is an independent non-executive director, a member of the Audit Committee and the 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, 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 (Provisional Liquidators Appointed), FU JI Food and Catering Services Holdings Limited, Golden Eagle Retail Group Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of which 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.

Directors and Senior Management

Senior management

LEUNG King Yin, Kevin

Aged 47, is the Head of Project Management Division of the Company. Mr. Leung is a holder of 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-joined the Group in October 2007. He is responsible for property development and project management.

NG Siew Seng, Richard

Aged 57, is the Group general manager of Asia Standard Hotel and a director of a subsidiary of Asia Standard Hotel. Mr. Ng is responsible for the development and management of the hotel group's hospitality operations. With over 3 decades' 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 Asia Standard 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 2009.

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 41 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 results by principal activity and by principal market are set out in note 5 to the financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 40.

The Company paid an interim dividend of HK0.10 cent (2008: HK0.35 cent) per share, totaling HK\$11,211,000 (2008: HK\$25,377,000) for the year ended 31st March 2009.

The Board does not recommend the payment of a final dividend (2008: HK0.20 cent per share in scrip, totaling HK\$21,752,000) for the year ended 31st March 2009.

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.

Reserves

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

Report of the Directors

Principal properties

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

Donations

During the year, the Group made charitable and other donations of HK\$1,446,000 (2008: HK\$2,163,000).

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. Au Yat Chuen
Mr. Koon Bok Ming, Alan
Mr. Leung Wai Keung
Mr. Wong Chi Keung

Messrs. Lim Yin Cheng, Loup, Nicholas James and Koon Bok Ming, Alan will retire from office by rotation in accordance with the Bye-Laws of the Company and Mr. Fung Siu To, Clement will retire to comply with the Code on Corporate Governance Practices at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

Biographical details of Directors and senior management

Biographical details of the Directors and senior management are set out on pages 21 to 24.

Directors' interests in contracts

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

Report of the Directors

Arrangements to purchase shares or debentures

Apart from the share option scheme of the Company as disclosed on page 34 to 36, 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 executives’ interests and short positions in shares, underlying shares and debentures

As at 31st March 2009, 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 (the “Model Code”) as set out in Appendix 10 of 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	9,728,644	5,155,970,451	5,165,699,095	45.45

Note: By virtue of his controlling interest (38.70%) 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

(I) Long positions in shares (continued)

(b) Associated corporations

Director	Associated corporations	Number of shares held			Percentage of shares in issue (%)
		Personal interest	Corporate interest	Total	
Poon Jing	Asia Standard Hotel	408,452	9,235,914,269 <i>(Note 1)</i>	9,236,322,721	70.67
Poon Jing and Fung Siu To, Clement	Centop Investment Limited ("Centop")	—	20 <i>(Note 2)</i>	20	20
Poon Jing	Centop	—	80 <i>(Note 3)</i>	80	80
Fung Siu To, Clement	Mark Honour Limited	9	—	9	0.01

Notes:

- By virtue of his controlling interest in Asia Orient, Mr. Poon Jing is deemed to be interested in the shares of Asia Standard Hotel held by Asia Orient and the Company.
- 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 Jing and Mr. Fung Siu To, Clement is deemed to have interest in the 20 shares held by Kingscore and duplicate the interest of the other.
- By virtue of Mr. Poon Jing's interest in the Company through Asia Orient, he is deemed to be interested in the shares of all the Company's subsidiaries and associated corporations.

Report of the Directors

(II) Long positions in underlying shares

Interests in share options

(a) The Company

Director	Outstanding as at 1st April 2008 and 31st March 2009
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 to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

Report of the Directors

(II) Long positions in underlying shares (continued)

Interests in share options (continued)

(b) Associated corporation – Asia Standard Hotel

Director	Date of grant	Exercise price (HK\$)	Exercise period	Outstanding as at 1st April 2008 and 31st March 2009
Fung Siu To, Clement	29th March 2007	0.1296	29th March 2007 to 28th March 2017	80,000,000
Lim Yin Cheng	2nd April 2007	0.1300	2nd April 2007 to 1st April 2017	80,000,000
Lun Pui Kan	2nd April 2007	0.1300	2nd April 2007 to 1st April 2017	80,000,000
Kwan Po Lam, Phileas	2nd April 2007	0.1300	2nd April 2007 to 1st April 2017	80,000,000

Note: During the year, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

Interests in warrants

(a) The Company

Director	Number of warrants held		Total
	Personal interest	Corporate interest	
Poon Jing	1,879,506	977,680,196 (Note 1)	979,559,702

Notes:

- (1) By virtue of his controlling interest 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 during the period from 8th September 2008 to 7th September 2009 at an initial subscription price of HK\$0.1 per share.

Report of the Directors

(II) Long positions in underlying shares (continued)

Interests in warrants (continued)

(b) Associated corporation - 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: The warrants are exercisable during the period from 7th September 2007 to 6th September 2010 at an initial subscription price of HK\$0.146 per share. Following the third reset adjustment on 6th March 2009, the subscription price was adjusted to HK\$0.029 per share.

Save as disclosed above, as at 31st March 2009, 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.

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 2009, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

Long positions in shares and underlying shares of the Company

Shareholder	Capacity	Number of shares and underlying shares held			Percentage (%)
		Number of shares held	Number of underlying shares held	Total	
Poon Jing (Note 1)	Interests in controlled corporation	5,165,699,095	979,559,702	6,145,258,797	54.07
Asia Orient (Note 1)	Beneficial owner	392,374,359	75,804,000		
	Interests in controlled corporation	4,763,596,092	901,876,196	6,133,650,647	53.96
Asia Orient Holdings (BVI) Limited ("Asia Orient BVI") (Note 1)	Interests in controlled corporation	4,763,596,092	901,876,196	5,665,472,288	49.84
Asia Orient Company Limited ("AOCL") (Note 2)	Beneficial owner	2,302,617,771	426,432,288		
	Interests in controlled corporation	18,479,865	3,570,182	2,751,100,106	24.20
Kingfisher Inc. and Lipton Investment Limited ("Kingfisher and Lipton") (Note 2)	Interests in controlled corporation	2,137,001,231	412,853,786	2,549,855,017	22.43
Grosvenor Asset Management Limited ("Grosvenor") (Note 3)	Beneficial owner	446,373,333	134,889,270	581,262,603	5.11
Grosvenor International S.A. (Note 3)	Interests in controlled corporation	446,373,333	134,889,270	581,262,603	5.11
Grosvenor Continental Europe Holdings Limited (Note 3)	Interests in controlled corporation	446,373,333	134,889,270	581,262,603	5.11
Grosvenor Group Limited (Note 3)	Interests in controlled corporation	446,373,333	134,889,270	581,262,603	5.11
Jeremy Henry Moore Newsum (Note 3)	Trustee	446,373,333	134,889,270	581,262,603	5.11
Robin Shedden Broadhurst (Note 3)	Trustee	446,373,333	134,889,270	581,262,603	5.11

Report of the Directors

Long positions in shares of the Company (continued)

Shareholder	Capacity	Number of shares and underlying shares held			Percentage (%)
		Number of shares held	Number of underlying shares held	Total	
Mark Antony Loveday (Note 3)	Trustee	446,373,333	134,889,270	581,262,603	5.11
Gillian Lucy Newsum (Note 3)	Family interest	446,373,333	134,889,270	581,262,603	5.11
Penelope Alison Broadhurst (Note 3)	Family interest	446,373,333	134,889,270	581,262,603	5.11
Mary Elizabeth Loveday (Note 3)	Family interest	446,373,333	134,889,270	581,262,603	5.11

Notes:

1. Asia Orient BVI is a wholly-owned subsidiary of Asia Orient. In addition, as disclosed under the heading "Directors' and chief executives' 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 5,155,970,451 shares and 977,680,196 warrants held by Asia Orient and Asia Orient are deemed to have interest and duplicate the interest in the same 4,763,596,092 shares and 901,876,196 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 Luxembourg 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.

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 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 shares and underlying shares 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 interests held by Grosvenor.

Save as disclosed above, as at 31st March 2009, 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

The Company

The share option scheme was adopted on 27th August 2004 (the "Company's Share Option Scheme"). The board of Directors of the Company may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiary or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, 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 Company's Share Option Scheme must not exceed 718,514,593 shares, representing about 6.32% 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 Company's 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 Company's 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 Company's 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 Company's Share Option Scheme held by employees (including Directors):

Grantee	Outstanding as at 1st April 2008	Lapsed during the year	Outstanding as at 31st March 2009
Directors	108,264,245	—	108,264,245
Other employees	41,243,520	(10,310,880)	30,932,640

Note: The options were granted on 30th March 2005 and exercisable during the period 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

Share option schemes (continued)

Subsidiary - Asia Standard Hotel

The share option scheme of Asia Standard Hotel was adopted on 28th August 2006 (the "Asia Standard Hotel 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 Asia Standard Hotel Share Option Scheme must not exceed 1,250,880,615 shares, representing about 9.57% 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 Asia Standard Hotel 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 Asia Standard Hotel 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 Asia Standard Hotel 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 Asia Standard Hotel Share Option Scheme held by employees (including Directors):

Grantee	Exercise price (HK\$)	Exercise period	Outstanding as at 1st April 2008	Lapsed during the year	Outstanding as at 31st March 2009
Directors	0.1296	29th March 2007 to 28th March 2017	80,000,000	—	80,000,000
	0.1300	2nd April 2007 to 1st April 2017	240,000,000	—	240,000,000
Director of an associated corporation	0.1296	29th March 2007 to 28th March 2017	80,000,000	—	80,000,000
	0.1300	2nd April 2007 to 1st April 2017	80,000,000	—	80,000,000
Employees	0.1300	2nd April 2007 to 1st April 2017	380,000,000	(70,000,000)	310,000,000

Notes:

1. During the year, no option was granted, exercised or cancelled.
2. Please refer to note 8(b) to the financial statements for the fair value of the share option.

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.

Report of the Directors

Pre-emptive rights

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

Management contracts

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

Major customers and suppliers

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	20.1%
Percentage of purchases attributable to the Group's five largest suppliers	42.0%
Percentage of sales attributable to the Group's largest customer	2.1%
Percentage of sales attributable to the Group's five largest customers	8.0%

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

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 114 pursuant to Chapter 13 of the Listing Rules.

Report of the Directors

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, 7th July 2009

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 40 to 113, which comprise the balance sheets of the Company and the Group as at 31st March 2009, 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 2009 and of the loss 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, 7th July 2009

Consolidated Profit and Loss Account

For the year ended 31st March 2009

	Note	2009 HK\$'000	2008 HK\$'000
Revenue	5, 7	855,413	1,084,257
Cost of sales	7	(439,672)	(659,130)
Gross profit		415,741	425,127
Selling and administrative expenses	7	(154,900)	(154,893)
Depreciation and amortisation		(75,577)	(76,996)
Other income and charges	6	(499,937)	292,131
Operating (loss)/profit		(314,673)	485,369
Finance costs	10	(55,526)	(75,581)
Share of profits less losses of			
Jointly controlled entities		(9,197)	477
Associated companies		(83,243)	148,232
(Loss)/profit before income tax		(462,639)	558,497
Income tax credit/(expense)	11	6,242	(53,956)
(Loss)/profit for the year		(456,397)	504,541
Attributable to:			
Shareholders of the Company		(381,303)	471,471
Minority interests		(75,094)	33,070
		(456,397)	504,541
Dividends	13	11,211	47,129
(Loss)/earnings per share (HK cents)			
Basic	14	(3.44)	6.35
Diluted	14	(3.44)	6.31

Consolidated Balance Sheet

As at 31st March 2009

	Note	2009 HK\$'000	2008 HK\$'000
Non-current assets			
Property, plant and equipment	15	940,979	879,962
Investment properties	16	1,849,000	1,953,380
Leasehold land	17	1,712,251	1,738,896
Jointly controlled entities	19	524,965	506,539
Associated companies	20	565,343	665,572
Available-for-sale investments	25	186,830	326,656
Goodwill		5,103	5,103
Mortgage loans receivable	21	24,747	25,022
Deferred income tax assets	33	35,239	45,808
		5,844,457	6,146,938
Current assets			
Properties under development for sale	22	400,768	898,242
Completed properties held for sale	22	698,709	217,402
Mortgage loans receivable	21	1,874	2,388
Hotel and restaurant inventories		2,160	2,268
Trade and other receivables	23	232,958	196,313
Financial assets at fair value through profit or loss	24	693,075	106,524
Derivative financial instruments	26	13,429	—
Income tax recoverable		79	566
Bank balances and cash	27	244,783	619,223
		2,287,835	2,042,926
Current liabilities			
Trade and other payables	28	137,497	115,330
Amount due to an associated company	20	51,150	51,150
Derivative financial instruments	26	22,344	26,289
Warrant liabilities	29 (a)	8,481	19,654
Short term borrowings	32	415,011	378,295
Current portion of long term borrowings	32	42,230	331,068
Amounts due to minority shareholders	34	105,303	114,071
Income tax payable		28,743	26,277
		810,759	1,062,134
Net current assets		1,477,076	980,792
Total assets less current liabilities		7,321,533	7,127,730

Consolidated Balance Sheet

As at 31st March 2009

	Note	2009 HK\$'000	2008 HK\$'000
Non-current liabilities			
Warrant liabilities	29 (b)	7,893	16,909
Long term borrowings	32	1,860,196	1,109,535
Deferred income tax liabilities	33	177,779	200,467
		2,045,868	1,326,911
<hr/>			
Net assets		5,275,665	5,800,819
<hr/>			
Equity			
Share capital	30	113,664	108,758
Reserves	31	4,556,311	5,002,488
<hr/>			
Equity attributable to shareholders of the Company		4,669,975	5,111,246
Minority interests		605,690	689,573
		5,275,665	5,800,819
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Fung Siu To, Clement
Director

Lun Pui Kan
Director

Balance Sheet

As at 31st March 2009

	Note	2009 HK\$'000	2008 HK\$'000
Non-current assets			
Subsidiaries	18	4,867,425	4,801,256
Deferred income tax assets	33	2,241	110
		4,869,666	4,801,366
Current assets			
Trade and other receivables		544	730
Financial assets at fair value through profit or loss	24	5,823	18,415
Bank balances and cash	27	42,367	100,592
		48,734	119,737
Current liabilities			
Trade and other payables		980	2,047
Warrant liabilities	29 (a)	8,481	19,654
Current portion of long term borrowings	32	—	2,960
		9,461	24,661
Net current assets		39,273	95,076
Total assets less current liabilities		4,908,939	4,896,442
Non-current liabilities			
Long term borrowings	32	—	15,560
Net assets		4,908,939	4,880,882
Equity			
Share capital	30	113,664	108,758
Reserves	31	4,795,275	4,772,124
		4,908,939	4,880,882

Fung Siu To, Clement
Director

Lun Pui Kan
Director

Consolidated Cash Flow Statement

For the year ended 31st March 2009

	Note	2009 HK\$'000	2008 HK\$'000
Cash flows (used in)/generated from operating activities			
Net cash (used in)/generated from operations	38	(701,338)	347,495
Net income tax paid		(256)	(58)
Interest paid		(59,601)	(79,743)
Dividend received		23,908	1,725
Interest received		14,469	10,601
Net cash (used in)/generated from operating activities		(722,818)	280,020
Cash flows from investing activities			
Purchase of available-for-sale investments		—	(218,224)
Addition to investment properties		(4,674)	—
Addition to property, plant and equipment		(153,761)	(19,441)
Proceeds on disposal of property, plant and equipment		—	587
Investment in a jointly controlled entity		(1,672)	(268,110)
Advances to associated companies and jointly controlled entities		(18,375)	(23,330)
Repayment by associated companies and jointly controlled entities		5,000	1,936
Dividend received from jointly controlled entities		4,409	—
Net cash used in investing activities		(169,073)	(526,582)
Net cash used before financing activities		(891,891)	(246,562)
Cash flows from financing activities			
Drawdown of borrowings		1,109,400	706,039
Repayment of borrowings		(624,197)	(738,869)
Redemption of convertible notes		—	(19,000)
Conversion of warrants		9,825	925
Dividend paid		—	(34,969)
Drawdown of short term borrowings		33,355	99,111
Net proceeds from rights shares		—	644,262
Distribution of dividend by a listed subsidiary to minority shareholders		—	(16,760)
Net cash generated from financing activities		528,383	640,739

Consolidated Cash Flow Statement

For the year ended 31st March 2009

	Note	2009 HK\$'000	2008 HK\$'000
Net (decrease)/increase in cash and cash equivalents		(363,508)	394,177
Cash and cash equivalents at the beginning of the year		592,949	196,826
Changes in exchange rates		(2,673)	1,946
<hr/>			
Cash and cash equivalents at the end of the year		226,768	592,949
<hr/>			
Analysis of the balances of cash and cash equivalents			
Bank balances and cash (excluding restricted bank balances)	27	226,768	592,949
<hr/>			

Consolidated Statement of Changes in Equity

For the year ended 31st March 2009

	Shareholders of the Company	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000
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-sale 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
Currency translation differences	(24,311)	(11,598)	(35,909)
Fair value loss on available-for-sale investments	(147,868)	(66,438)	(214,306)
Charged to profit and loss account on impairment of available-for-sale investments	128,486	57,327	185,813
Loss for the year	(381,303)	(75,094)	(456,397)
Total recognised loss for the year	(424,996)	(95,803)	(520,799)
Issue of warrants	(26,102)	—	(26,102)
Conversion of warrants	9,827	—	9,827
Scrip dividend	32,963	2,919	35,882
2008 final dividend	(21,752)	(2,919)	(24,671)
2009 interim dividend	(11,211)	—	(11,211)
Increase in shareholdings of a subsidiary	—	11,920	11,920
	(16,275)	11,920	(4,355)
At 31st March 2009	4,669,975	605,690	5,275,665

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

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

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

2 Principal accounting policies

(a) The adoption of new/revised HKFRS

During the year, the Group adopted HKAS 39 & HKFRS 7 (Amendments) “Reclassification of Financial Assets” which are relevant to its operations.

The adoption of HKAS 39 and HKFRS 7 (Amendments) resulted in the reclassification of certain financial assets at fair value through profit or loss to available-for-sale investments. These amendments are effective prospectively from 1st July 2008 and the financial impact is disclosed in note 25.

Standards and amendments to existing standards that are relevant to the Group’s operation but not yet effective

Effective for annual periods beginning on or after:

1st January 2009

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 40 (Amendment)	Investment Property
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

1st July 2009

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

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

- (i) HKAS 1 (Revised) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.
- (ii) HKAS 23 (Revised) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.
- (iii) HKAS 40 (Amendment), 'Investment property' (and consequential amendments to HKAS 16) (effective from 1st January 2009). Property that is under construction or development for future use as investment property is within the scope of HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.
- (iv) HKFRS 2 (Amendment) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

Notes to the Financial Statements

2 Principal accounting policies (continued)

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

- (v) HKFRS 7 (Amendment) proposes amendments to disclosure requirement that are based on a three-level fair value hierarchy. The amendment also proposed amendments to liquidity risk disclosure to clarify the existing HKFRS 7 requirements.
- (vi) HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments.
- (vii) HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in the profit and loss account.
- (viii) HKFRS 3 (Revised) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The Group has not early adopted the above standards and amendments. The Group has already commenced an assessment of the related impact to the Group. The Group is not in a position to state whether they will have substantial change to the Group's accounting policies and presentation of the financial statements.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(b) Basis of consolidation

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

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

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

The profit or loss on disposal of subsidiaries, jointly controlled entities or associated companies is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill, 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.

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 of the carrying value of the net assets of the subsidiary acquired, 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) 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 advances that are equity in nature, in substance forming part of the investments, and 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 advances that are equity in nature, in substance forming part of the investments, and 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 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 as intangible asset is tested for impairment at least annually and whenever there is any impairment indication and carried at cost less accumulated impairment losses.

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, available-for-sale investments and derivative financial instruments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) *Financial assets at fair value through profit or loss and derivative financial instruments*

This category represents financial assets that are either designated in this category at inception (except for subsequent reclassification permitted under the standard) or held for trading. A financial asset is classified in this category if so designated by management or for the purpose of selling them in the short term. 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.

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 income from financial assets at fair value through profit or loss is recognised in the profit and loss account when the Group’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 and impairment.

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

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

The 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 investments, 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 investments, 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).

Derivatives financial instruments, mainly representing interest rate swaps, warrants and call options of listed securities, range accrual notes and derivative financial instruments for purchase of listed securities are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(g) Financial assets/liabilities (continued)

Changes in the fair value of derivative financial instruments are recognised immediately in the profit and loss account.

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables or held-to-maturity investments out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(h) Property, plant and equipment (continued)

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 (note 2(i)).

(i) Impairment of assets

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(j) Investment properties

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

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

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

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

(k) Properties under development for sale

Properties 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 are stated at the lower of cost and net realisable value.

(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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(m) Hotel and restaurant inventories

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

(n) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments 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 "selling and 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 "selling and administrative expenses" in the profit and loss account. 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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(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 or capitalised when applicable (note (2(y))) over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The fair value of the liability portion of a convertible 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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(r) Employee benefits (continued)

(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 (for example, profitability and sales growth targets). 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. 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.

The Group has adopted the transitional provisions under HKFRS 2 for options granted after 7th November 2002 and vested at the effective date of HKFRS 2.

(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, associates 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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(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 immediately 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.

(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 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 is recognised when the tickets are delivered.

Revenue from hotel reservation service is recognised when 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 the profit and loss account, 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 the profit and loss account 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.

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.

(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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(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. In the course of hotel properties conversion, the amortisation charge of leasehold land is included as part of the costs of hotel properties under conversion. 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 is 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.

(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.

(ae) Scrip dividend

Where the Company pays its dividends in the form of shares or gives the shareholders the options to receive a dividend in either cash or ordinary shares (referred to as scrip dividend), the shares issued are recognised at fair value.

Notes to the Financial Statements

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.

(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.

The Group is also exposed to foreign currency risk with respect to financial assets at fair value through profit or loss, derivative financial instruments, bank balances and borrowings which are denominated in United States dollars, Sterling pounds, Euros and Japanese Yen.

At 31st March 2009, the Group's entities with functional currency of Hong Kong dollar had United States dollars net monetary assets of HK\$601,580,000 (2008: HK\$30,652,000). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to United States dollars, management considers that there are no significant foreign exchange risk with respect to United States dollars.

At 31st March 2009, the Group's entities with functional currency of Hong Kong dollar had Japanese Yen net monetary liabilities of HK\$104,723,000 (2008: HK\$20,110,000). If Japanese Yen had strengthened/weakened by 5%, the Groups' post tax loss (2008: post tax profit) would have been HK\$10,248,000 higher/lower (2008: HK\$830,000 lower/higher).

At 31st March 2009, the Group's entities with functional currency of Hong Kong dollar had Sterling pound net monetary assets of HK\$5,754,000 (2008: nil). If Sterling pound had strengthened/weakened by 5%, the Groups' post tax loss (2008: post tax profit) would have been HK\$288,000 lower/higher (2008: nil).

At 31st March 2009, the Group's entities with functional currency of Hong Kong dollar had Euro net monetary assets of HK\$38,230,000 (2008: nil). If Euro had strengthened/weakened by 5%, the Groups' post tax loss (2008: post tax profit) would have been HK\$1,911,000 lower/higher (2008: nil).

Notes to the Financial Statements

3 Financial risk management (continued)

(i) Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to equity and debt securities price risk from the Group's available-for-sale investments and financial assets at fair value through profit or loss and derivative financial instruments. The performance of the Group's investments are closely monitored, together with an assessment of their relevance to the Group's long term strategic plans.

The Group's investments in equity and debt securities of other entities (classified as "available-for-sale investments" and "financial assets at fair value through profit or loss") are traded in the Hong Kong Stock Exchange, New York Stock Exchange and Luxembourg Stock Exchange. Gains and losses arising from changes in fair value of available-for-sale investments and financial assets at fair value through profit or loss are dealt with in equity and the profit and loss account respectively. For every 10% increase/decrease in the prices of financial assets at fair value through profit or loss, the post tax loss (2008: post tax profit) would decrease/increase by HK\$68,262,000 (2008: increase/decrease by HK\$8,788,000). For every 10% increase/decrease in the prices of available-for-sale investments, the post tax loss (2008: post tax profit) would decrease/increase by HK\$9,213,000 (2008: nil) and the available-for-sale investments reserve would increase/decrease by HK\$9,470,000 (2008: HK\$32,666,000).

The Group's warrants and call options of Hong Kong listed equity securities are publicly traded in the Hong Kong Stock Exchange. For every 10% increase/decrease in price of the underlying shares with all other variables held constant, the post tax loss (2008: post tax profit) would decrease/increase by HK\$1,281,000 (2008: decrease/increase by HK\$42,000) respectively.

Warrants issued by the Company are not publicly traded in the Hong Kong Stock Exchange. For every 10% increase/decrease in price of the underlying shares with all other variables held constant, post tax loss (2008: post tax profit) for the year would increase/decrease by HK\$5,777,000 (2008: HK\$11,147,000).

Notes to the Financial Statements

3 Financial risk management (continued)

(i) Financial risk factors (continued)

(b) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, financial assets at fair value through profit or loss (note 24), derivative financial assets (note 26), as well as credit exposures to mortgage loans receivable and trade and other receivables.

The Group is not exposed to 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.

The Group has limited its credit exposure by restricting their selection of financial institutions.

Trade and other debtors are assessed based on the credit quality of the debtors, 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.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group closely monitors its liquidity through maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and compliance of financial covenants of borrowings. The Group maintains flexibility in funding by keeping committed credit lines available and maintaining a reasonable level of marketable securities to meet any unexpected and material cash requirements in the course of ordinary business and to provide contingency liquidity support.

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 are analysed in the financial statements.

The tables below analyse the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amount disclosed in the table are the contractual face value without applying discounted cash flow model based on the earliest date on which the Group is required to pay, as follows:

Notes to the Financial Statements

3 Financial risk management (continued)

(i) Financial risk factors (continued)

(c) Liquidity risk (continued)

	Within 1 year HK\$'000	Within 2 to 5 years HK\$'000	After 5 years HK\$'000	Total undiscounted cash flow HK\$'000
At 31st March 2009				
Non-derivative financial liabilities				
Trade and other payables	137,497	—	—	137,497
Amount due to an associated company	51,150	—	—	51,150
Borrowings	493,984	849,275	1,165,114	2,508,373
Amount due to minority shareholder	105,303	—	—	105,303
	787,934	849,275	1,165,114	2,802,323
Derivative financial liabilities				
Interest rate swaps (net)	10,777	10,549	—	21,326
Interest rate swaps (gross)				
– Inflow	(1,403)	(118,259)	—	(119,662)
– Outflow	823	125,004	—	125,827
	10,197	17,294	—	27,491
	798,131	866,569	1,165,114	2,829,814
At 31st March 2008				
Non-derivative financial liabilities				
Trade and other payables	115,330	—	—	115,330
Amount due to an associated company	51,150	—	—	51,150
Borrowings	753,016	303,725	1,028,792	2,085,533
Amounts due to minority shareholders	114,071	—	—	114,071
	1,033,567	303,725	1,028,792	2,366,084
Derivative financial liabilities				
Interest rate swaps	13,099	2,524	—	15,623
Derivative financial instruments for purchase of listed securities	68,592	—	—	68,592
	81,691	2,524	—	84,215
	1,115,258	306,249	1,028,792	2,450,299

Notes to the Financial Statements

3 Financial risk management (continued)

(i) Financial risk factors (continued)

(d) Cash flow interest rate risk

Other than bank balances and deposits, mortgage loans receivable, loans receivable and advance to an associated company (collectively "Interest Bearing Assets"), the Group has no other significant interest bearing assets. The Group's interest rate risk also arises from borrowings and amounts due to minority shareholders ("Interest Bearing Liabilities").

Interest Bearing Assets and Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk. The Group manages this risk by limited use of floating-to-fixed interest rate swaps.

At 31st March 2009, with all other variables held constant, if the interest rate had increased/decreased by 10 basis point, the Group's post tax loss (2008: post tax profit) would have been HK\$1,186,000 higher/lower (2008: HK\$20,000 higher/lower).

(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 taxes, in addition to the Net assets. According to the Group's accounting policies, no properties other than investment properties are to be carried at valuation. Details of the valuation of the hotel properties, prepared for readers' information only, are set out in note 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 cash and bank balances.

Notes to the Financial Statements

3 Financial risk management (continued)

(ii) Capital risk management (continued)

The gearing ratios at 31st March 2009 and 2008 were as follows:

	2009	2008
	HK\$'000	HK\$'000
Borrowings (<i>note 32</i>)	2,317,437	1,818,898
Less: bank balances and cash (<i>note 27</i>)	(244,783)	(619,223)
Net debt	2,072,654	1,199,675
Net assets value	5,275,665	5,800,819
Gearing ratio against net asset value	39%	21%
Revalued net assets value	6,757,000	7,378,000
Gearing ratio against revalued net assets value	31%	16%

(iii) Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) 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. Techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Notes to the Financial Statements

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom 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.

(a) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar properties. 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.

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

Notes to the Financial Statements

4 Critical accounting estimates and judgements (continued)

(b) Impairment of trade and other receivables

The policy for provision for impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis and by management judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables.

(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 (note 33), 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 warrant liabilities

The fair values of derivative financial instruments (note 26) and warrant liabilities (note 29) 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) Impairment of available-for-sale investments

The Group follows the guidance of HKAS 39 to determine when an available-for-sale investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors the duration and extent to which the fair value of an investment is less than its cost.

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 securities investments. Turnover comprises revenue from property sales and leasing, hotel and travel agency, management services and interest income and dividend income, together with gross proceeds from disposal of financial assets at fair value through profit or loss. Revenue include revenue from property sales and leasing, hotel and travel agency, management services, interest income and dividend income.

Primary reporting format – business segments

The Group is organised into four main business segments, comprising property sales, property leasing, hotel and travel and investments. 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. Segment assets consist primarily of property, plant and equipment, leasehold land, investment properties, available-for-sale investments, other non-current assets, hotel inventories, properties, trade and other receivables and financial assets at fair value through profit or loss. Segment liabilities comprise mainly trade and other payables and derivative financial instruments.

	Property sales	Property leasing	Hotel and travel	Investments	Others	Group
2009 (in HK\$'000)						
Turnover	144,188	73,331	577,666	70,282	12,017	877,484
Segment revenue	144,188	73,331	577,666	48,211	12,017	855,413
Contribution to segment results	51,376	71,137	131,785	48,211	12,017	314,526
Depreciation and amortisation	(9,321)	—	(65,320)	—	(936)	(75,577)
Other income and charges	(5,500)	(109,054)	—	(431,672)	46,289	(499,937)
Segment results	36,555	(37,917)	66,465	(383,461)	57,370	(260,988)
Unallocated corporate expenses						(53,685)
Operating loss						(314,673)
Finance costs						(55,526)
Share of profits less losses of						
Jointly controlled entities	(9,194)	—	—	—	(3)	(9,197)
Associated companies	(45,169)	(37,856)	—	—	(218)	(83,243)
Loss before income tax						(462,639)
Income tax credit						6,242
Loss for the year						(456,397)

Notes to the Financial Statements

5 Turnover and segment information (continued)

Primary reporting format – business segments (continued)

	Property sales	Property leasing	Hotel and travel	Investments	Others	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	1,725	10,602	1,084,257
Contribution to segment results	80,471	62,671	163,230	1,725	10,602	318,699
Depreciation and amortisation	(9,321)	—	(66,671)	—	(1,004)	(76,996)
Other income and charges	16,057	177,230	(25,948)	3,078	121,714	292,131
Segment results	87,207	239,901	70,611	4,803	131,312	533,834
Unallocated corporate expenses						(48,465)
Operating profit						485,369
Finance costs						(75,581)
Share of profits less losses 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

Notes to the Financial Statements

5 Turnover and segment information (continued)

Primary reporting format – business segments (continued)

	Property sales	Property leasing	Hotel and travel	Investments	Others	Group
2009 (in HK\$'000)						
Segment assets	1,182,155	1,897,244	2,718,696	924,328	121,359	6,843,782
Jointly controlled entities and associated companies	620,013	469,329	—	—	966	1,090,308
Unallocated assets						198,202
						<u>8,132,292</u>
Segment liabilities	48,358	74,367	60,703	24,068	3,495	210,991
Unallocated liabilities						2,645,636
						<u>2,856,627</u>
Capital expenditure	—	4,674	164,007	—	33	168,714
Depreciation	—	—	45,280	—	620	45,900
Amortisation of leasehold land	9,321	—	20,040	—	316	29,677
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
						<u>8,189,864</u>
Segment liabilities	42,648	79,611	64,773	13,395	4,262	204,689
Unallocated liabilities						2,184,356
						<u>2,389,045</u>
Capital expenditure	—	—	23,784	—	899	24,683
Depreciation	—	—	45,583	—	688	46,271
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 (loss)/profit	Total assets	Capital expenditure
2009 (in HK\$'000)					
Hong Kong	747,796	728,291	(125,475)	6,925,006	159,785
China (excluding Hong Kong)	5,476	5,476	(653)	317,826	1,084
North America	90,972	90,972	(50,319)	266,464	7,845
Europe	33,240	30,674	(138,226)	622,996	—
	877,484	855,413	(314,673)	8,132,292	168,714
2008 (in HK\$'000)					
Hong Kong	1,444,602	974,004	465,395	7,861,132	23,113
China (excluding Hong Kong)	8,744	8,744	2,236	17,603	—
North America	101,509	101,509	17,738	311,129	1,570
	1,554,855	1,084,257	485,369	8,189,864	24,683

6 Other income and charges

	2009 HK\$'000	2008 HK\$'000
Fair value change of investment properties	(109,054)	177,230
Unrealised losses on financial assets at fair value through profit or loss	(218,058)	(19,195)
Realised (loss)/gain on financial assets at fair value through profit or loss	(16,826)	35,668
Net fair value loss on derivative financial instruments	(10,975)	(13,395)
Net fair value gains on warrant liabilities	46,289	85,261
Impairment of available-for-sale investments	(185,813)	—
(Provision)/write-back of provision for diminution in value of properties held for sale	(5,500)	16,057
Share option expense of a listed subsidiary	—	(22,400)
Impairment of goodwill	—	(3,548)
Negative goodwill on acquiring additional interest in a listed subsidiary	—	36,453
	(499,937)	292,131

Notes to the Financial Statements

7 Income and expenses by nature

	2009 HK\$'000	2008 HK\$'000
Income		
Net rental income (<i>note</i>)	71,137	61,420
Interest income		
— Listed investments	16,787	—
— Unlisted investments	2,145	—
— Loans	6,247	6,050
— Bank deposit	4,007	4,551
Dividend income		
— Listed investments	29,180	1,656
— Unlisted investments	99	69
Expenses		
Operating lease rental expense for land and buildings	5,796	6,111
Employee benefit expense including Director's emoluments (<i>note 8</i>)	125,250	139,160
Auditor's remuneration	4,442	4,603
Cost of properties and goods sold	310,076	516,960

Note:

Net rental income

	2009 HK\$'000	2008 HK\$'000
Gross rental income		
— Investment properties	67,057	59,593
— Properties held for sale	6,274	5,364
	73,331	64,957
Outgoings	(2,194)	(3,537)
	71,137	61,420

Notes to the Financial Statements

8 Employee benefit expense

	2009 HK\$'000	2008 HK\$'000
Wages and salaries	121,951	114,580
Retirement benefits cost (note (a))	4,000	3,675
Share option expense of a listed subsidiary (note (b))	—	22,400
	125,951	140,655
Capitalised under properties under development	(701)	(1,495)
	125,250	139,160

Staff costs are stated inclusive of Directors' emoluments.

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

Notes:

(a) Retirement benefits costs

	2009 HK\$'000	2008 HK\$'000
Gross contributions	4,072	3,675
Forfeitures utilised	(72)	—
Net contributions	4,000	3,675

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% (2008: 5%) or a fixed sum and 4.95% (2008: 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.

As at 31st March 2009, no forfeiture (2008: nil) was available to reduce the Group's future contributions to the ORSO Scheme.

Notes to the Financial Statements

8 Employee benefit expense (continued)

(b) Share options

The Company and Asia Standard Hotel Group Limited ("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.

Company

Details of share options held under the share option scheme of the Company as at 31st March 2009 are as follows:

Date of grant	Exercise price per share	Expiry date	Number of share options		
			Outstanding at 1st April 2008	Lapsed during the year <i>(note (ii))</i>	Outstanding at 31st March 2009
30th March 2005	HK\$0.315	29th March 2015			
Directors			108,264,245	—	108,264,245
Employees			41,243,520	(10,310,880)	30,932,640
			149,507,765	(10,310,880)	139,196,885

During the year, no share option was granted, exercised, cancelled (2008: nil). 10,310,880 share options were lapsed upon the resignation of an employee (2008: 15,466,321 share options were lapsed upon the demise of an employee).

Notes to the Financial Statements

8 Employee benefit expense (continued)

(b) Share options (continued)

Asia Standard Hotel

Details of share options held under the share option scheme of Asia Standard Hotel as at 31st March 2009 are as follows:

Date of grant	Exercise price per share	Expiry date	Number of share options		
			Outstanding at 1st April 2008 <i>(note (i))</i>	Lapsed during the year <i>(note (ii))</i>	Outstanding at 31st March 2009
29th March 2007	HK\$0.1296	28th March 2017			
Directors			80,000,000	—	80,000,000
Employees			80,000,000	—	80,000,000
			160,000,000	—	160,000,000
2nd April 2007	HK\$0.1300	1st April 2017			
Directors			240,000,000	—	240,000,000
Director of Asia Standard Hotel			80,000,000	—	80,000,000
Employees			380,000,000	(70,000,000)	310,000,000
			700,000,000	(70,000,000)	630,000,000
			860,000,000	(70,000,000)	790,000,000

Notes to the Financial Statements

8 Employee benefit expense (continued)

(b) Share options (continued)

Notes :

- (i) The fair value of options granted during the year ended 31st March 2008 determined using the Binomial option pricing model was HK\$22,400,000.
- (ii) The fair value of HK\$2,240,000 (2008: HK\$2,840,000) in respect of the share options was lapsed during the year.
- (iii) The volatility measured at the standard deviation of expected share price returns was based on statistical analysis of daily share prices over one year immediately preceding the grant date.
- (iv) The calculation of the fair values of share options granted in April 2007 was based on the assumption that there was no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares.
- (v) The following assumptions were used to calculate the fair value of share options granted in March and April 2007:

Closing share price at the date of grant (HK\$)	0.13
Exercise price (HK\$)	0.1296
Expected life of options (years)	1.6
Expected volatility (%)	51.71
Risk free rate (%)	4.302

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

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 2009 and 2008 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
2009 (in HK\$'000)					
Executive					
Mr. Fung Siu To, Clement	—	2,689	—	42	2,731
Dr. Lim Yin Cheng	—	4,428	—	60	4,488
Mr. Poon Jing	—	15,363	—	12	15,375
Mr. Lun Pui Kan	—	1,913	—	95	2,008
Mr. Kwan Po Lam, Phileas	—	3,587	—	53	3,640
Mr. Loup, Nicholas James	100	—	—	—	100
	100	27,980	—	262	28,342
Non-executive					
Mr. Au Yat Chuen	120	—	—	—	120
Independent Non-executive					
Mr. Koon Bok Ming, Alan	120	—	—	—	120
Mr. Leung Wai Keung	200	—	—	—	200
Mr. Wong Chi Keung	100	—	—	—	100
	420	—	—	—	420
	640	27,980	—	262	28,882

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
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	120	—	—	—	120
	420	—	—	—	420
Independent Non-executive					
Mr. Koon Bok Ming, Alan	120	—	—	—	120
Mr. Leung Wai Keung	200	—	—	—	200
Mr. Wong Chi Keung	100	—	—	—	100
	420	—	—	—	420
	940	27,052	7,680	262	35,934

Notes:

- (i) Balance includes HK\$11,250,000 (2008: HK\$9,700,000) paid by subsidiaries of Asia Standard Hotel.
- (ii) Granted 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 (2008: 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 (2008: nil).

10 Finance costs

	2009 HK\$'000	2008 HK\$'000
Interest expense		
Long term bank loans	46,415	64,323
Convertible notes	—	842
Loans from minority shareholders of subsidiaries (note 34)	3,152	4,107
Short term bank loans and overdrafts	4,257	9,989
Other incidental borrowing costs	4,021	8,509
Net foreign exchange loss on borrowings	5,472	2,503
Fair value loss on interest rate swaps (note 26(a))	1,746	10,777
	65,063	101,050
Interest capitalised under properties under development	(9,537)	(25,469)
	55,526	75,581

To the extent funds are borrowed 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 2.2% (2008: 4.5%) per annum.

Notes to the Financial Statements

11 Income tax (credit)/expense

	2009 HK\$'000	2008 HK\$'000
Current income tax		
Hong Kong profits tax	365	2,466
Overseas profits tax	486	—
Under provisions in prior years	2,359	2,745
	3,210	5,211
Deferred income tax	(9,452)	48,745
	(6,242)	53,956

In 2008, the Hong Kong government enacted a change in profits tax rate from 17.5% to 16.5% for fiscal year of 2008/2009. Hong Kong profits tax is provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profit for the year. Income tax on overseas profits has been calculated on the estimated assessable profit for the year at the rates of tax prevailing in the countries in which the Group operates.

Share of income tax of jointly controlled entities and associated companies for the year of charge of HK\$209,000 (2008: charge of HK\$29,000) and credit of HK\$11,399,000 (2008: charge of HK\$32,643,000) are included in the profit and loss account as share of profits less losses of jointly controlled entities and associated companies respectively.

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

	2009 HK\$'000	2008 HK\$'000
(Loss)/profit before income tax	(462,639)	558,497
Share of profits less losses of jointly controlled entities and associated companies	92,440	(148,709)
	(370,199)	409,788
Calculated at a tax rate of 16.5% (2008: 17.5%)	(61,083)	71,713
Under provisions in prior years	2,359	2,745
Effect of different tax rates in other countries	1,184	(1,381)
Effect of change of profits tax rate	(8,853)	—
Income not subject to income tax	(20,925)	(22,483)
Expenses not deductible for tax purposes	77,404	9,432
Tax losses not recognised	6,626	3,058
Recognition of previously unrecognised tax losses	(5,231)	(5,350)
Reversal of previously recognised tax loss	1,650	—
Utilisation of previously unrecognised tax losses	(386)	(1,507)
Others	1,013	(2,271)
Income tax (credit)/expense	(6,242)	53,956

Notes to the Financial Statements

12 Profit attributable to shareholders of the Company

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK\$44,332,000 (2008: HK\$66,900,000).

13 Dividends

	2009	2008
	HK\$'000	HK\$'000
Interim, paid, of HK0.10 cent (2008: HK0.35 cent) per share	11,211	25,377
Final, proposed, of nil (2008: HK0.20 cent) per share	—	21,752
	11,211	47,129

14 (Loss)/earnings per share

The calculation of basic loss (2008: earnings) per share is based on loss attributable to shareholders of the Company of HK\$381,303,000 (2008: profit of HK\$471,471,000) and divided by the weighted average number of 11,071,373,190 (2008: 7,430,223,474) shares in issue during the year.

For the year ended 31st March 2009, the Company's and its listed subsidiary's outstanding share options and warrants did not have a dilutive effect on the loss per share.

The calculation of diluted earnings per share for the year ended 31st March 2008 was 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's and its listed subsidiary's outstanding share options and warrants did not have a dilutive effect on the earnings per share in the prior year.

Notes to the Financial Statements

15 Property, plant and equipment

	Freehold land of a hotel in Canada	Hotel buildings	Other buildings	Other equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
Cost					
At 31st March 2008	77,259	1,272,251	19,000	51,668	1,420,178
Currency translation difference	(14,505)	(83,106)	—	152	(97,459)
Additions	—	155,047	—	8,993	164,040
Disposals	—	(4,727)	—	(8,651)	(13,378)
At 31st March 2009	62,754	1,339,465	19,000	52,162	1,473,381
Accumulated depreciation					
At 31st March 2008	—	484,683	5,766	49,767	540,216
Currency translation difference	—	(43,825)	—	150	(43,675)
Charge for the year	—	44,077	376	1,447	45,900
Disposals	—	(1,697)	—	(8,342)	(10,039)
At 31st March 2009	—	483,238	6,142	43,022	532,402
Net book value					
At 31st March 2009	62,754	856,227	12,858	9,140	940,979

Notes to the Financial Statements

15 Property, plant and equipment (continued)

Notes:

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Hotel properties		
Hotel buildings	856,227	787,568
Hotel freehold land	62,754	77,259
Hotel leasehold land (note 17)	1,636,022	1,662,351
	2,555,003	2,527,178

As at 31st March 2009, hotel properties under conversion amounted to HK\$587,850,000 (2008: HK\$467,802,000). The conversion was completed in April 2009.

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\$4,322,981,000 (2008: HK\$4,455,139,000).

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\$926,258,000 (2008: HK\$872,325,000).

16 Investment properties

	Group	
	2009	2008
	HK\$'000	HK\$'000
Beginning of the year	1,953,380	1,776,150
Addition	4,674	—
Fair value change	(109,054)	177,230
	1,849,000	1,953,380

Investment properties were revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis applying the income approach as at 31st March 2009. 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\$1,849,000,000 (2008: HK\$1,953,380,000).

Notes to the Financial Statements

17 Leasehold land

	Hotel properties HK\$'000	Properties under development HK\$'000	Self-used properties HK\$'000	Total HK\$'000
Cost				
At 31st March 2007, 2008 and 2009	1,936,356	46,099	35,865	2,018,320
Accumulated amortisation				
At 31st March 2007	247,675	652	4,451	252,778
Recognised in the profit and loss account	21,088	54	262	21,404
Recognised 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
Recognised in the profit and loss account	20,039	54	262	20,355
Recognised in property, plant and equipment	6,290	—	—	6,290
Amortisation for the year	26,329	54	262	26,645
At 31st March 2009	300,334	760	4,975	306,069
Net book value				
At 31st March 2009	1,636,022	45,339	30,890	1,712,251
At 31st March 2008	1,662,351	45,393	31,152	1,738,896

The Group's prepaid leasehold land payments comprise:

	2009 HK\$'000	2008 HK\$'000
Leasehold land in Hong Kong		
Long term lease	1,151,999	1,163,900
Medium term lease	560,252	574,996
	1,712,251	1,738,896

The aggregate net book value of leasehold land pledged as securities for loans amounted to HK\$1,666,912,000 (2008: HK\$1,738,896,000).

Notes to the Financial Statements

18 Subsidiaries

	2009	2008
	HK\$'000	HK\$'000
Unlisted shares, at cost	1,229,076	1,229,076
Amounts due by subsidiaries less provisions	3,638,349	3,572,180
	4,867,425	4,801,256

The shares in certain subsidiaries are pledged to secure loan facilities granted to the Group.

Details of the principal subsidiaries are set out in note 41.

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

19 Jointly controlled entities

	Group	
	2009	2008
	HK\$'000	HK\$'000
Share of net assets	86,574	96,011
Advances to jointly controlled entities	475,774	445,411
Provisions on advances to jointly controlled entities	(37,383)	(34,883)
	524,965	506,539

Advances to jointly controlled entities amounting to HK\$221,026,000 (2008: HK\$202,752,000) are subordinated to the repayment of the loans of those jointly controlled entities.

Advances to jointly controlled entities are equity in nature and made to finance property development projects. The majority of the advances to jointly controlled entities are in Hong Kong dollar. 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 41.

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	
	2009	2008
	HK\$'000	HK\$'000
Assets		
Non-current assets	817,777	715,515
Current assets	148,770	94,716
	966,547	810,231

Liabilities		
Non-current liabilities	312,366	234,991
Current liabilities	567,607	479,229
	879,973	714,220

Net assets	86,574	96,011
Income	4,146	13,530
Expenses	(13,134)	(13,024)
(Loss)/profit before income tax	(8,988)	506
Income tax expense	(209)	(29)
(Loss)/profit for the year	(9,197)	477

Notes to the Financial Statements

20 Associated companies

	Group	
	2009	2008
	HK\$'000	HK\$'000
Share of net assets	469,329	507,185
Advances to associated companies	648,798	665,786
Provisions for advances to associated companies	(552,784)	(507,399)
	565,343	665,572
Amount due to an associated company included in current liabilities	(51,150)	(51,150)
Total carrying amounts of associated companies	514,193	614,422

As at 31st March 2009, the shares in an associated company are pledged to secure the loan facilities granted to the Group.

Advances to associated companies of HK\$647,885,000 (2008: HK\$664,875,000) are equity in nature and made to finance property development projects. Except for an amount of HK\$913,000 (2008: HK\$911,000) due from an associated company which is interest bearing at The Hong Kong and Shanghai Banking Corporation (HSBC) prime rate, the remaining amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment. The majority of advances to associated companies are in Hong Kong dollar.

Details of the principal associated companies are set out in note 41.

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Assets	688,064	807,935
Liabilities	(218,735)	(300,750)
	469,329	507,185
Revenues	16,101	182,976
(Loss)/profit for the year	(83,243)	148,232

Notes to the Financial Statements

21 Mortgage loans receivable

	Group	
	2009 HK\$'000	2008 HK\$'000
Mortgage loans receivable	26,621	27,410
Less: current portion included in current assets	(1,874)	(2,388)
	24,747	25,022

The mortgage loans receivable carry interest at rates ranged from HSBC prime rate plus 1.5 to 2% (2008: HSBC prime rate plus 1.5% to 2%) per annum. The effective interest rate at 31st March 2009 was 7.3% (2008: 7.5%) 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 under development for sale and completed properties held for sale

	Group	
	2009 HK\$'000	2008 HK\$'000
Properties under development for sale		
Leasehold land	374,135	635,353
Development costs	26,633	262,889
	400,768	898,242
Completed properties held for sale		
Leasehold land	333,758	117,957
Development costs	364,951	99,445
	698,709	217,402

At 31st March 2009, properties amounting to HK\$916,340,000 (2008: HK\$923,482,000) were pledged to banks to secure certain banking facilities of the Group.

Notes to the Financial Statements

23 Trade and other receivables

	Group	
	2009	2008
	HK\$'000	HK\$'000
Trade receivables		
Fully performing	88,098	47,039
Past due but not impaired	5,562	10,379
Impaired	308	115
	93,968	57,533
Less: provision for impairment of receivables	(308)	(115)
Trade receivables, net	93,660	57,418
Prepayments	9,092	9,228
Utility and other deposits	19,052	7,293
Other receivables	111,154	122,374
	232,958	196,313

As at 31st March 2009, other receivables comprise loan receivable of HK\$51,440,000 (2008: HK\$95,540,000), interest and dividend receivable from financial assets at fair value through profit or loss and available-for-sale investments, which are fully performing. Loan receivable is interest bearing from HSBC prime rate to 2% above HSBC prime rate per annum and repayable within one year (2008: 5% to 2% above HSBC prime rate per annum and repayable within one year).

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
0 day to 60 days	93,259	56,321
61 days to 120 days	160	1,082
More than 120 days	241	15
	93,660	57,418

Notes to the Financial Statements

23 Trade and other receivables (continued)

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

	2009	2008
	HK\$'000	HK\$'000
0 day to 60 days	5,296	10,135
More than 60 days	266	244
	5,562	10,379

As of 31st March 2009, trade receivables of HK\$308,000 (2008: HK\$115,000) 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 debtors, credit evaluations of customers are performed periodically.

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

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Hong Kong dollar	91,547	54,490
Canadian dollar	2,113	2,861
Renminbi	—	67
	93,660	57,418

Notes to the Financial Statements

24 Financial assets at fair value through profit or loss

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Listed				
– Equity securities – Hong Kong	63,359	106,524	5,823	18,415
– Equity securities – USA	15,025	—	—	—
– Equity securities – Europe	7,678	—	—	—
– Preference securities – USA	345,146	—	—	—
– Preference securities – Europe	60,026	—	—	—
– Debt securities – Europe	201,471	—	—	—
Unlisted preference securities	370	—	—	—
	693,075	106,524	5,823	18,415

Notes:

- (a) At 31st March 2009, nominal value of preference securities is equivalent to HK\$1,116,562,000 (2008: nil).
- (b) The debt securities carry fixed interest ranging from 5.926% to 8.399% per annum and their nominal value is equivalent to HK\$685,429,000 (2008: nil).
- (c) At 31st March 2009, financial assets at fair value through profit or loss equivalent to HK\$14,968,000 (2008: nil) were pledged as securities for foreign currency interest rate swaps (note 26 (b)).
- (d) Financial assets at fair value through profit or loss (held for trading) are denominated in the following currencies:

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Hong Kong dollar	63,359	106,524	5,823	18,415
United States dollar	585,734	—	—	—
Euro	38,230	—	—	—
Sterling pound	5,752	—	—	—
	693,075	106,524	5,823	18,415

Notes to the Financial Statements

25 Available-for-sale investments

	Group	
	2009	2008
	HK\$'000	HK\$'000
Equity securities listed in Hong Kong	186,830	326,656

Notes:

- (a) As at 31st March 2008, available-for-sale investments of HK\$116,480,000 were pledged as securities for the short term bank borrowings.
- (b) During the year, the Group reclassified certain financial assets at fair value through profit or loss into the available-for-sale investments. The Group believes that the deterioration of the world's financial markets that occurred during the third quarter of 2008 represents a rare circumstance that allows such a reclassification. No such reclassification was permitted for the year ended 31st March 2008.

The fair values of reclassified financial assets as of the date of reclassification amounted to HK\$67,943,000 and impairment loss of HK\$42,293,000 was recognised in the profit and loss account subsequent to reclassification. As at 31st March 2009, the fair values of reclassified financial assets were HK\$31,471,000.

In respect of the reclassified financial assets, during the year the Group has recognised fair value loss of HK\$16,317,000 before reclassification.

- (c) Impairment provision of HK\$185,813,000 (2008: nil) on available-for-sale investments was recognised in profit and loss account during the year (note 6).

Notes to the Financial Statements

26 Derivative financial instruments

	Group			
	2009		2008	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Interest rate swaps (<i>notes (a) and (b)</i>)	—	22,344	—	12,894
Range accrual notes	2,163	—	—	—
Warrants and call options of Hong Kong listed equity securities	11,266	—	—	—
Derivative financial instruments for purchase of listed securities (<i>note (c)</i>)	—	—	—	13,395
	13,429	22,344	—	26,289

Notes:

- (a) The notional principal amounts of the outstanding interest rate swaps contracts at 31st March 2009 were HK\$450,000,000 (2008: HK\$600,000,000).
- (b) The notional principal amounts of US\$15,000,000 (2008: nil) of the outstanding foreign currency interest rate swaps were secured by fixed deposit (note 27) and certain financial assets at fair value through profit or loss (note 24(b)).
- (c) At 31st March 2008, the derivative financial instruments for purchase of listed securities were secured by fixed deposit of the Group (note 27).
- (d) The Group's derivative financial instruments are settled on a net basis, except for interest income and expenses, and notional principal amounts derived from foreign currency interest rate swaps which are settled in gross.

Notes to the Financial Statements

27 Bank balances and cash

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Cash at bank and in hand	99,436	77,940	504	580
Restricted bank balances	18,015	26,274	—	—
Short term bank deposits	127,332	515,009	41,863	100,012
	244,783	619,223	42,367	100,592

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

	Group	
	2009 HK\$'000	2008 HK\$'000
Hong Kong dollar	208,947	574,729
Canadian dollar	7,581	1,772
Renminbi	12,304	12,070
United States dollar	15,846	30,652
Others	105	—
	244,783	619,223

The effective interest rate on restricted bank balances was 0.1% (2008: 2.3%) 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 0.2% (2008: 1.5%) per annum for the Group and 0.001% (2008: 2%) per annum for the Company. These deposits have an average maturity of 3 days (2008: 6 days) for the Group and 1 day (2008: 6 days) for the Company.

At 31st March 2009, bank balances amounted to HK\$12,000,000 (2008: HK\$18,816,000) was pledged as securities for certain derivative financial instruments (notes 26 (b) and (c)).

Notes to the Financial Statements

28 Trade and other payables

Trade and other payables of the Group include trade payables, rental and management fee deposits, retentions payable of construction costs and various accruals. Trade payables of the Group amounted to HK\$17,128,000 (2008: HK\$23,870,000).

Aging analysis of trade payables is as follows:

	2009	2008
	HK\$'000	HK\$'000
0 day to 60 days	16,974	23,524
61 days to 120 days	41	33
More than 120 days	113	313
	17,128	23,870

The carrying amounts of trade and other payables approximate their fair values. The majority of trade and other payables are Hong Kong dollar.

29 Warrant liabilities

(a) The Company

Old warrants

On 7th September 2007, the Company issued 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, 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 warrants were expired on 6th September 2008.

New Warrants

On 8th September 2008, the Company issued new warrants to shareholders on the basis of one warrant for every five shares of the Company. The initial subscription price was at HK\$0.1 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 ten business days before the date of expiration of the warrants.

Notes to the Financial Statements

29 Warrant liabilities (continued)

(a) The Company (continued)

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

	2009 HK\$'000	2008 HK\$'000
At 1st April	19,654	—
Expiry of old warrants	(19,654)	—
Issue of new warrants	26,102	83,492
Fair value gain credited to profit and loss account	(17,619)	(63,652)
Set off against reserve upon conversion of warrants	(2)	(186)
At 31st March	8,481	19,654

The following assumptions were used to calculate the fair values of warrants at 31st March 2008 and 2009:

Closing share price at 31st March (HK\$)	0.060	0.147
Exercise price (HK\$)	0.100	0.179
Expected remaining life of warrants (years)	0.4	0.4
Expected volatility (%)	75.12	47.13
Risk free rate (%)	0.19	0.80

(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 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. Following the reset adjustments arrangement, the subscription price was further adjusted from HK\$0.084 to HK\$0.029 per share on 6th March 2009.

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

	2009 HK\$'000	2008 HK\$'000
At 1st April	16,909	—
Issue of warrants	—	38,523
Fair value gain credited to profit and loss account	(9,016)	(21,609)
Set off against minority interest upon conversion of warrants	—	(5)
At 31st March	7,893	16,909

The following assumptions were used to calculate the fair values of warrants at 31st March 2008 and 2009:

Closing share price at 31st March (HK\$)	0.031	0.076
Exercise price (HK\$)	0.029	0.084
Expected remaining life of warrants (years)	1.4	2.4
Expected volatility (%)	53.59	43.85
Risk free rate (%)	0.62	1.39

Notes to the Financial Statements

30 Share capital

Shares of HK\$0.01 each			Number of shares	Amount HK\$'000
Authorised:				
At 31st March 2008 and 2009			400,000,000,000	4,000,000
	Number of shares		Amount	
	2009	2008	2009 HK\$'000	2008 HK\$'000
Issued and fully paid:				
At the beginning of the year	10,875,834,587	6,917,288,795	108,758	69,173
Issue of rights shares	—	3,625,274,773	—	36,253
Conversion of convertible notes	—	267,857,140	—	2,678
Scrip dividend (note (a))	384,668,748	62,223,578	3,847	622
Conversion of warrants (note (b))	105,882,634	3,190,301	1,059	32
At the end of the year	11,366,385,969	10,875,834,587	113,664	108,758

Notes:

- (a) In October 2008, 228,964,941 new shares were allotted and issued at HK0.20 cent per share in lieu of final dividend for the year ended 31st March 2008.

In February 2009, 155,703,807 new shares were allotted and issued at HK0.10 cent per share in lieu of interim dividend for the six months ended 30th September 2008.

- (b) 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 ended 31st March 2008.

In September 2008, 105,435,240 of these warrants were converted at adjusted exercise price of HK\$0.094, the remaining warrants lapsed upon maturity.

In September 2008, 2,175,166,964 new warrants were issued and 447,394 of these warrants were converted at HK\$0.10 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 options 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 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 (with scrip option)	—	—	—	—	—	—	—	(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
At 31st March 2008	1,885,487	—	43,868	18,146	(83,306)	8,610	2,670,292	459,391	5,002,488
Currency translation differences	—	—	—	—	—	—	—	(24,311)	(24,311)
Fair value loss on available-for-sale investments	—	—	—	—	—	(147,868)	—	—	(147,868)
Charged to profit and loss account on impairment of available- for-sale investments	—	—	—	—	—	128,486	—	—	128,486
Loss for the year	—	—	—	—	—	—	—	(381,303)	(381,303)
Issue of warrants	—	—	—	—	(26,102)	—	—	—	(26,102)
Conversion of warrants	8,766	—	—	—	5,413	—	—	(5,411)	8,768
Expiry of warrants	—	—	—	—	77,898	—	—	(77,898)	—
2008 final dividend (with scrip option)	19,462	—	—	—	—	—	—	(21,752)	(2,290)
2009 interim dividend (with scrip option)	9,654	—	—	—	—	—	—	(11,211)	(1,557)
Share options lapsed in a listed subsidiary	—	—	—	(1,508)	—	—	—	1,508	—
At 31st March 2009	1,923,369	—	43,868	16,638	(26,097)	(10,772)	2,670,292	(60,987)	4,556,311

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 2007	1,188,179	43,868	—	2,684,451	226,399	4,142,897
Profit for the year	—	—	—	—	66,900	66,900
Issue of rights shares (net of expenses)	608,009	—	—	—	—	608,009
Conversion of convertible notes	72,321	—	—	—	—	72,321
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
At 31st March 2008	1,884,336	43,868	(83,306)	2,684,451	242,775	4,772,124
Profit for the year	—	—	—	—	44,332	44,332
Issue of warrants	—	—	(26,102)	—	—	(26,102)
Conversion of warrants	8,766	—	5,413	—	(5,411)	8,768
Expiry of warrants	—	—	77,898	—	(77,898)	—
2008 final dividend (with scrip option)	19,462	—	—	—	(21,752)	(2,290)
2009 interim dividend (with scrip option)	9,654	—	—	—	(11,211)	(1,557)
At 31st March 2009	1,922,218	43,868	(26,097)	2,684,451	170,835	4,795,275

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is also distributable.

Notes to the Financial Statements

32 Borrowings

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Short term bank loans and overdrafts				
Secured	385,011	358,295	—	—
Unsecured	30,000	20,000	—	—
	415,011	378,295	—	—
Long term bank loans, secured	1,902,426	1,440,603	—	18,520
	2,317,437	1,818,898	—	18,520
The maturity of the long term loans is as follows:				
Bank loans, secured				
Repayable within one year	42,230	331,068	—	2,960
Repayable between one and two years	111,568	13,942	—	2,960
Repayable between two and five years	650,758	185,828	—	8,880
	804,556	530,838	—	14,800
Wholly repayable within five years	804,556	530,838	—	14,800
Repayable after five years	1,097,870	909,765	—	3,720
	1,902,426	1,440,603	—	18,520
Current portion included in current liabilities	(42,230)	(331,068)	—	(2,960)
	1,860,196	1,109,535	—	15,560
The carrying amount of the borrowings are denominated in the following currencies:				
Hong Kong dollar	2,133,100	1,680,339	—	18,520
Canadian dollar	87,214	118,449	—	—
Japanese Yen	97,123	20,110	—	—
	2,317,437	1,818,898	—	18,520

The effective interest rates of the borrowing at the balance sheet date range from 0.68% to 2.2% (2008: 1.3% to 5%) per annum. The interest rates of the borrowings are not subject to contractual repricing.

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

Notes to the Financial Statements

33 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	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Deferred income tax assets	35,239	45,808	2,241	110
Deferred income tax liabilities	(177,779)	(200,467)	—	—
	(142,540)	(154,659)	2,241	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	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
At the beginning of the year	(2,668)	—	(53,017)	(51,794)	(195,423)	(166,858)	(84,427)	(84,386)	(335,535)	(303,038)
Recognised in the profit and loss account	—	—	610	(1,223)	29,161	(28,565)	24,363	(41)	54,134	(29,829)
Recognised in equity	2,668	(2,668)	—	—	—	—	—	—	2,668	(2,668)
At the end of the year	—	(2,668)	(52,407)	(53,017)	(166,262)	(195,423)	(60,064)	(84,427)	(278,733)	(335,535)

Deferred income tax assets

	Accelerated accounting depreciation		Tax losses		Difference in cost base of properties		Total	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
At the beginning of the year	296	—	88,689	118,024	91,891	81,768	180,876	199,792
Recognised in the profit and loss account	(57)	296	(23,261)	(29,335)	(21,365)	10,123	(44,683)	(18,916)
At the end of the year	239	296	65,428	88,689	70,526	91,891	136,193	180,876

Notes to the Financial Statements

33 Deferred income tax (continued)

Company

	Tax losses	
	2009	2008
	HK\$'000	HK\$'000
At the beginning of the year	110	110
Credit for the year	2,131	—
	<hr/>	<hr/>
At the end of the year	2,241	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\$77 million (2008: HK\$82 million) in respect of losses amounting to HK\$466 million (2008: HK\$450 million) that can be carried forward against future taxable income. Except for tax losses of HK\$448 million (2008: HK\$409 million) which have no expiry date, the balance will expire at various dates up to and including 2029 (2008: 2026).

34 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\$105,303,000 (2008: HK\$102,151,000) bear interest at 1.5% (2008: 1.5%) per annum above HSBC prime rate. The remaining balance as at 31st March 2008 was interest free.

35 Capital commitments

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

	2009	2008
	HK\$'000	HK\$'000
Property, plant and equipment		
Contracted but not provided for	35,992	115,013
Authorised but not contracted for	33,162	31,827
	<hr/>	<hr/>
	69,154	146,840

Notes to the Financial Statements

36 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 2009, the future aggregate minimum rental receipts receivable under non-cancellable operating leases were as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
In respect of land and buildings:		
Within one year	78,708	78,500
In the second to fifth year inclusive	64,704	62,008
	143,412	140,508

(b) Lessee

At 31st March 2009, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
In respect of land and buildings:		
Within one year	6,702	4,284
In the second to fifth year inclusive	7,911	3,250
After the fifth year	6,312	—
	20,925	7,534

37 Financial guarantees

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Guarantees for the banking and loan facilities of:				
Subsidiaries	—	—	913,893	817,125
Jointly controlled entities	278,390	197,840	278,390	197,840
	278,390	197,840	1,192,283	1,014,965

Notes to the Financial Statements

38 Note to consolidated cash flow statement

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

	2009 HK\$'000	2008 HK\$'000
(Loss)/profit before income tax	(462,639)	558,497
Share of profits less losses of		
Jointly controlled entities	9,197	(477)
Associated companies	83,243	(148,232)
Depreciation	45,900	46,271
Amortisation of leasehold land	29,677	30,725
Impairment of goodwill	—	3,548
Net realised and fair value losses/(gains) on		
financial assets at fair value through profit or loss	234,884	(16,473)
Impairment of available-for-sale investments	185,813	—
Net fair value loss on derivative financial instruments	10,975	13,395
Fair value change on revaluation of investment properties	109,054	(177,230)
Net fair value gain on warrant liabilities	(46,289)	(85,261)
Negative goodwill on acquiring additional interest in a listed subsidiary	—	(36,453)
Employee's share option expense of a listed subsidiary	—	22,400
Loss/(gain) on disposal of property, plant and equipment	3,339	(582)
Provision/(write-back of provision) for diminution in value of		
properties held for sale	5,500	(16,057)
Dividend income	(29,279)	(1,725)
Interest income	(29,186)	(10,601)
Interest expense	55,526	75,581
Operating profit before working capital changes	205,715	257,326
Decrease/(increase) in mortgage loans receivable	789	(16,424)
Decrease in properties under development		
for sale (excluding interest expense capitalised)	6,893	171,544
Decrease/(increase) in hotel and restaurant inventories	108	(78)
Increase in trade and other receivables	(25,858)	(18,165)
Increase in financial assets at fair value through profit or loss	(889,420)	(22,734)
(Increase)/decrease in derivative financial instruments	(30,000)	5,556
Decrease/(increase) in restricted bank balances	8,259	(1,754)
Increase/(decrease) in trade and other payables	22,176	(27,776)
Net cash (used in)/generated from operations	(701,338)	347,495

Notes to the Financial Statements

39 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. The Group is an associated company of Asia Orient.

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

(a) Sales and purchases of goods and services

	2009 HK\$'000	2008 HK\$'000
Income from/(expense to) subsidiaries of Asia Orient		
Rental income (<i>note (a)</i>)	555	407
Management fee expense (<i>note (b)</i>)	(1,015)	(1,027)
Cleaning expense (<i>note (c)</i>)	(744)	(809)
Rental income from associated companies of Asia Orient (<i>note (a)</i>)	—	313
Project management fee from a jointly controlled entity (<i>note (d)</i>)	1,282	—
Interest income from an associated company (<i>note 20</i>)	2	3
Interest expense to a minority shareholder (<i>note 34</i>)	(3,152)	(4,107)

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.
- (d) Project management fee is subject to mutual agreed terms.

(b) Key management compensation

	2009 HK\$'000	2008 HK\$'000
Fee	640	940
Salaries, allowances and benefits in kind	30,790	28,528
Employer's contribution to retirement benefit scheme	286	275
Share option expense	—	7,680
	31,716	37,423

Key management includes the Company's directors and two (2008: two) senior management members.

Notes to the Financial Statements

40 Comparative figures

Certain comparative figures has been restated to conform with current year's presentation.

41 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)	Investment holding	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
Mark Honour Limited (99.9% owned)	Property development	HK\$100,000
Mega Royal 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
Tilpifa Company Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$10,000
Tonlok Limited	Property development	HK\$1,000

Notes to the Financial Statements

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

Subsidiaries (continued)

Name	Principal activity	Issued and fully paid ordinary share capital
<i>Incorporated in Hong Kong (continued)</i>		
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
Waliway Limited	Property holding	HK\$100
Way Link Holdings Limited (99.9% 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\$261,408,565
<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
<i>Incorporated in the People's Republic of China (the "PRC")</i>		
Shanghai Hong Hua TGIF Restaurant Company Limited (64.3% owned)***	Catering operation	RMB17,384,640

* Direct subsidiary of the Company

** Operates in Canada

*** Operates in the PRC, cooperative joint venture

Notes to the Financial Statements

41 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\$1,000 and non-voting deferred share capital of HK\$10,000	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
Lucky New Investment Limited	Property development	HK\$1	50%
Ocean Champion Development Limited	Property development	HK\$10,000	50%
Paramount Shine Limited	Property development	HK\$2	50%
Sheenity Enterprises Limited	Property development	HK\$10,000	50%
Singon Holdings Limited	Property development	HK\$4	25%
<i>Incorporated in the PRC</i>			
漁陽房地產開發(深圳)有限公司#	Property development	RMB40,000,000	26.32%
北京黃海房地產開發有限公司#	Property development	RMB240,000,000	44%

operates in the PRC

42 Approval of financial statements

The financial statements were approved by the Board of Directors on 7th July 2009.

Combined Balance Sheet of Affiliated Companies

The Group had amounts due from and loans to certain affiliated companies in a total sum of HK\$1,122 million (before Group's provisions) and guarantees given to banks for facilities utilised of HK\$278 million totalling HK\$1,400 million as at 31st March 2009 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 2009 HK\$'000	Group's attributable interest 2009 HK\$'000
Property, plant and equipment	5,832	2,092
Investment properties	1,567,000	517,110
Properties under development for sale	1,951,796	885,825
Deferred income tax assets	7,570	3,785
Current assets	612,105	245,799
Current liabilities	(285,336)	(150,277)
Borrowings	(815,875)	(356,984)
Deferred income tax liabilities	(161,149)	(54,666)
Minority interests	(4,751)	(2,376)
Shareholders' advance	(2,267,157)	(534,405)
	610,035	555,903

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 2009.

Consolidated profit and loss account

For the year ended 31st March 2009

	2009 HK\$'000	2008 HK\$'000
Revenue	603,533	632,774
Cost of sales	(352,025)	(370,837)
Gross profit	251,508	261,937
Selling and administrative expenses	(94,221)	(94,467)
Depreciation and amortisation	(68,660)	(68,364)
Other income and charges	(268,666)	50,745
Operating (loss)/profit	(180,039)	149,851
Finance costs	(38,055)	(39,629)
(Loss)/profit before income tax	(218,094)	110,222
Income tax expense	(12,201)	(13,952)
(Loss)/profit for the year attributable to shareholders	(230,295)	96,270
Dividends	—	42,141
(Loss)/earnings per share — basic and diluted (HK cents)	(1.77)	0.76

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

Consolidated balance sheet

As at 31st March 2009

	2009 HK\$'000	2008 HK\$'000
Non-current assets		
Property, plant and equipment	958,262	899,114
Leasehold land	1,658,726	1,685,653
Available-for-sale investments	182,428	313,976
Goodwill	–	9,640
Deferred income tax assets	7,771	18,883
	2,807,187	2,927,266
Current assets		
Inventories	2,160	2,268
Derivative financial instruments	12,806	–
Financial assets at fair value through profit or loss	308,132	88,108
Trade and other receivables	83,867	88,101
Bank balances and cash	75,884	84,116
	482,849	262,593
Current liabilities		
Derivative financial instruments	15,773	18,332
Trade and other payables	53,931	51,540
Current income tax payable	14,512	14,025
Short term borrowings	415,011	378,295
Current portion of long term borrowings	43,432	11,075
	542,659	473,267
Net current liabilities	(59,810)	(210,674)
Total assets less current liabilities	2,747,377	2,716,592
Non-current liabilities		
Warrant liabilities	23,935	51,325
Long term borrowings	948,964	594,373
Deferred income tax liabilities	602	2,607
	973,501	648,305
Net assets	1,773,876	2,068,287
Equity		
Share capital	261,409	258,164
Reserves	1,512,467	1,810,123
	1,773,876	2,068,287

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