ASIA STANDARD HOTEL GROUP LIMITED

Stock Code: 292

2009
Annual Report

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

Annual Report
For the year ended
31st March 2009

Contents

Corporate Information

Directors

Executive

Mr. Poon Jing *(Chairman)*
Dr. Lim Yin Cheng *(Deputy Chairman and Chief Executive)*
Mr. Fung Siu To, Clement
Mr. Poon Tin Sau, Robert
Mr. Woo Wei Chun, Joseph

Independent Non-executive

Mr. Ip Chi Wai
Mr. Leung Wai Keung
Mr. Hung Yat Ming

Audit committee

Mr. Hung Yat Ming *(Chairman)*
Mr. Leung Wai Keung
Mr. Ip Chi Wai

Remuneration committee

Dr. Lim Yin Cheng *(Chairman)*
Mr. Hung Yat Ming
Mr. Ip Chi Wai

Authorised representatives

Dr. Lim Yin Cheng
Mr. Lee Tai Hay, Dominic

Company secretary

Mr. Lee Tai Hay, Dominic

Registered office

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

Principal office in Hong Kong

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

Principal bankers

Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Wing Hang Bank Limited
Chong Hing Bank Limited
The Bank of East Asia (Canada)

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,
Wan Chai,
Hong Kong

Financial Highlights

For the year ended 31st March (in HK$ million, except otherwise indicated)	2009	2008	Change
Consolidated profit and loss account			
Revenue	**604**	633	-5%
Contribution from hotel operations	**150**	180	-17%
Depreciation and amortisation	**(69)**	(68)	+1%
Finance costs	**(38)**	(40)	-5%
Net investments (loss)/gain	**(264)**	13	N/A
(Loss)/profit for the year attributable to shareholders	**(230)**	96	N/A
Basic (loss)/earnings per share (HK cents)	**(1.77)**	0.76	N/A
Consolidated balance sheet			
Total assets	**3,290**	3,190	+3%
Net assets	**1,774**	2,068	-14%
Net debt	**1,332**	900	+48%

Supplementary information with hotel properties at valuations (note):

	2009	2008	Change
Revalued total assets	**4,998**	5,062	-1%
Revalued net assets	**3,211**	3,599	-11%
Revalued net assets per share (HK$)	**0.25**	0.28	-11%
Gearing — net debt to revalued net assets (%)	**42%**	25%	+17%

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 the net assets value based on the financial statements prepared in accordance with HKFRS.**

The hotel properties in Hong Kong and Canada were revalued by Knight Frank and Grant Thornton Management Consultants respectively, independent professional valuers, on an open market value basis as at 31st March 2009.

Chairman's Statement

For the year ended 31st March 2009, the Group's revenue for the year decreased 5% to HK$604 million (2008: HK$633 million) and contributions from hotel operation decreased 17% to HK$150 million. The Group recorded a consolidated net loss of approximately HK$230 million. The loss was largely a result of net unrealised loss in investments which did not affect the cash flow of the Group. Basic loss per share in 2009 was HK1.77 cents as compared with basic earnings per share of HK0.76 cents in 2008. As the market value of the Group's investment portfolio changes constantly with the changing market conditions, following the current financial market performances, the market value of the Group's investment portfolio as at 30th June 2009 has recorded an improvement.

Projects that have been completed during the year included our new 280 rooms Empire Hotel Causeway Bay, which was fully opened in May 2009, the expansion of 28 new rooms in our Empire Hotel Kowloon opened in February 2009, and the recently completed new meeting rooms and facilities in our Empire Hotel Hong Kong. Consequently the Group's room portfolio increased 30% from 1,035 rooms to 1,343. As these major projects were completed just prior to and after this reporting period, we expect them to bring in substantial revenue and income contribution in the coming years.

In addition, our Vancouver Hotel is under planning for a renovation program for its room operations.

Looking forward, given the uncertainties in global financial markets, the management is cautious about challenges it faces but none the less remains optimistic about the future of the Group.

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

By Order of the Board
Poon Jing
Chairman

Hong Kong, 7th July 2009

Management Discussion and Analysis


Empire Hotel Hong Kong • Executive Club Lounge • Empire Grand Room

RESULTS

The Group's revenue and contributions from hotel operation for the twelve months ended 31st March 2009 were HK$604 million and HK$150 million respectively, while the former had a 5% drop and the latter a 17% drop over the same period of last year. Loss attributable to shareholders for the year was HK$230 million as compared to a profit of HK$96 million for the same period of last year. The loss was mainly due to the unrealised mark to market losses of HK$269 million arising from the investment activities of the Group that had no effect on the cash flow of the Group and did not affect the core businesses of the Group.

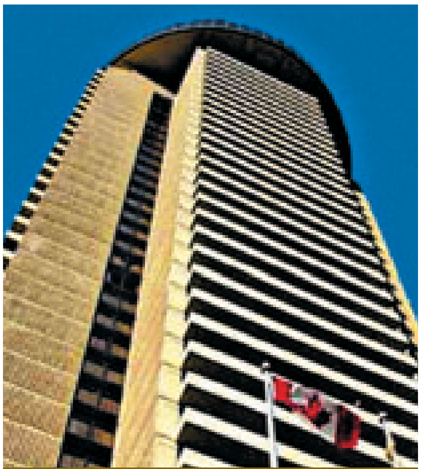
BUSINESS REVIEW

2008 has been a strong year for Hong Kong tourism where the travel industry concluded with a growth of 4.7% at 29.5 million in visitor arrivals and 4.6% in the per capita spending of overnight visitors. For the first quarter of 2009, the total arrivals were 7.4 million, 1.8% ahead of the same period last year. However, the financial crisis and the ensuing credit crunch in the second half of year posed immense challenges to the global markets. All long-haul regions continued their decline trend from the last quarter of 2008 and registered double-digit decreases. As for the short-haul regions, all, except Mainland China, registered shortfall in arrivals in the first quarter. In line with the market, our hotels achieved steady results during the year, though the negative market sentiments began to affect business activity in the first quarter of 2009.

Management Discussion and Analysis

Empire Hotel Hong Kong

Empire Hotel Kowloon



Empire Landmark Hotel Vancouver

Empire Hotel Hong Kong

Empire Hong Kong's average room rate increased by 5% and occupancy rate stood at 83%. Total revenue amounted to HK$111 million. During the year a number of assets enhancement programs have been implemented, in particular, the establishment of a new meeting venue and a new executive club lounge to specifically target for the high yield business travelers, thus further capitalizing on its prime location in Wan Chai, one of Hong Kong's prominent business districts.

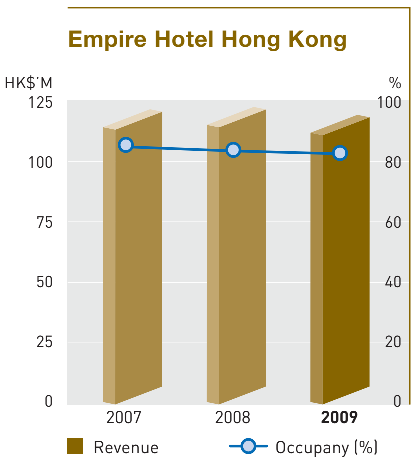
Empire Hotel Kowloon

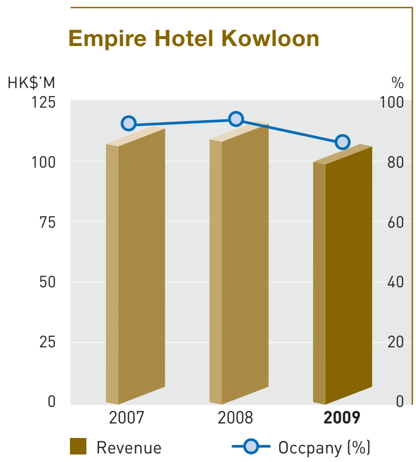
Empire Kowloon's average room rate increased by 2% while maintaining a high occupancy rate of 87%. Total revenue amounted to HK$99 million. The new 28 additional guest rooms were commissioned in February 2009 bringing our total room inventory from 315 rooms to 343 rooms, an increase of 9%. These 28 additional rooms, built with contemporary and simplistic design, are geared towards commanding a premium over the room rates achieved by other guests' rooms.

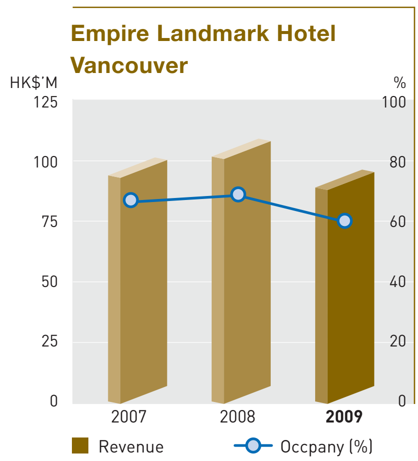
Empire Landmark Hotel Vancouver

Empire Landmark's average room rate increased by 5% but occupancy dropped from 69% to 60%. Total revenue amounted to HK$88 million. An extensive renovation and upgrading work has been planned to carry out in phases to avoid a discontinuity of guest arrivals, and at the same time, minimize disruption to the hotel's operation.

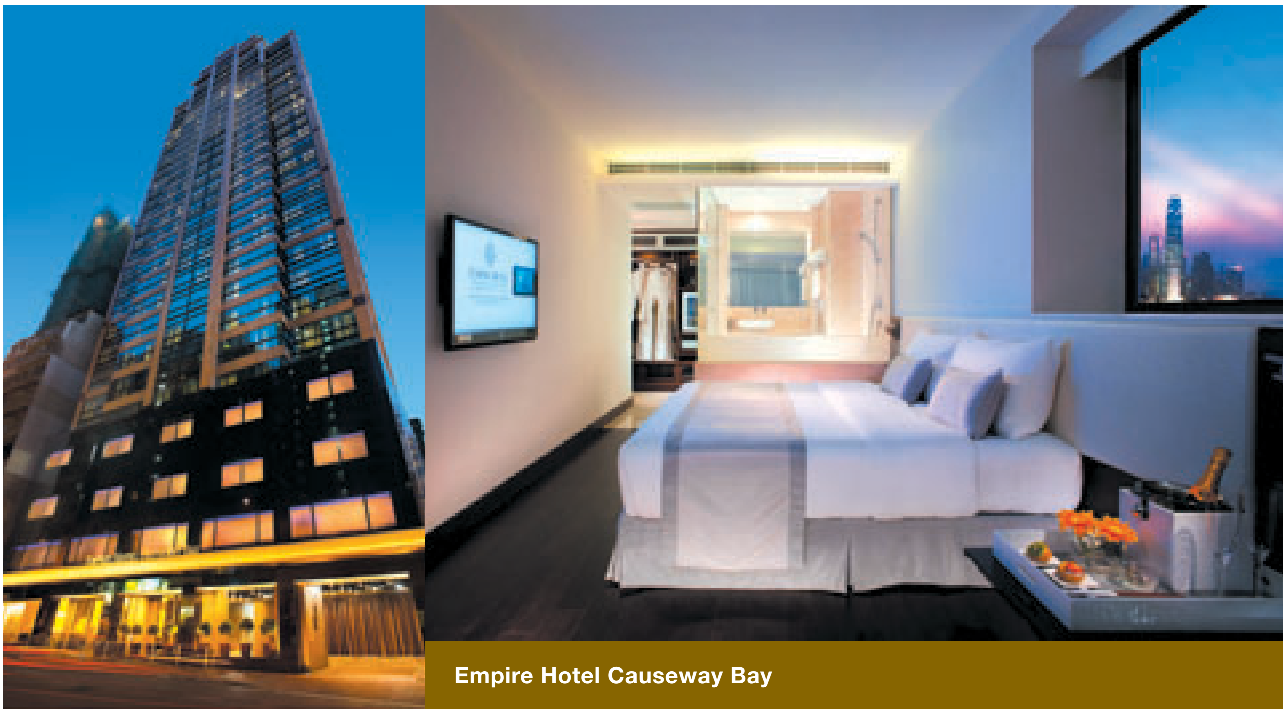
Empire Landmark Hotel, the tallest hotel in the heart of Vancouver with the award-winning revolving "Cloud 9" restaurant, will be sharing the excitement of the Winter Olympic Games hosted by Canada in February 2010 through the provision of hotel accommodation and its 13,000 sq.ft. meeting facilities to delegates and athletes from around the world.







Management Discussion and Analysis



Empire Hotel Causeway Bay

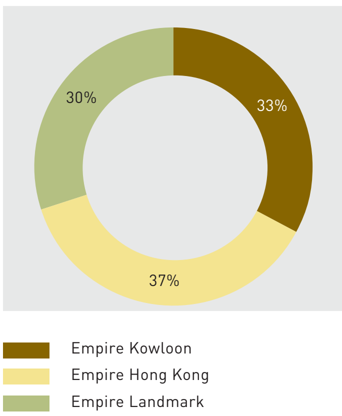
The New 280 rooms' hotel in Causeway Bay

We are pleased to report that development of this hotel has been completed, with the occupation permit obtained in April 2009, and all 280 rooms were fully opened in May 2009. Consequently this hotel has no contribution to the Group's operating profit in this reporting period. However, with its stylish design and convenient location, we expect it to be well received by corporate clients and leisure visitors, and would bring in substantial contribution in years to come.

We are also pleased that this hotel, on the strength of its convenience, has been selected as one of the hotels for accommodating athletes for the 5th 2009 East Asian Games in Hong Kong, a major event in the Asian international sports arena held once every four years.

The Group's room portfolio will increase 30% from the current 1,035 rooms to 1,343 rooms as a direct result.

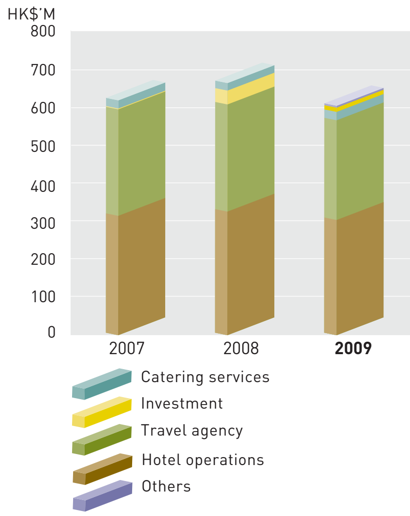
2009 Revenue by Hotel



Travel and Catering

Revenues for the travel and catering amounted to HK$264 million and HK$16 million respectively.

Revenue by Business Segment



Management Discussion and Analysis

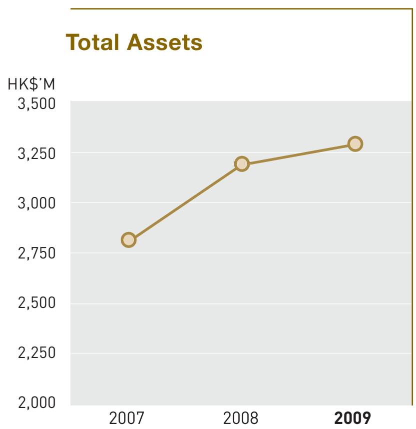
FINANCIAL REVIEW

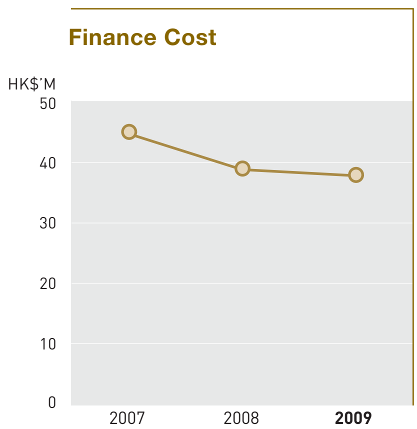
As at 31st March 2009, total assets amounted to HK$3,290 million, increased by 3% when compared with HK$3,190 million as at 31st March 2008. Appraised by independent professional valuers on an open market value basis, the total revalued amount of the four hotel properties as at 31st March 2009 was HK$4,323 million, down by 3% when compared with that prepared on the same basis as at 31st March 2008.

The shareholders' funds amounted to HK$1,774 million, decreased by HK$294 million over last year. The decrease was mainly due to loss for the year of HK$230 million, and the exchange translation loss of HK$36 million from Canada operation. Taking into account the market value of the hotel properties, the revalued net asset value of the Group would become HK$3,211 million.

The Group maintains a diversified investment portfolio which comprises mainly listed equities. As at 31st March 2009, the Group has long term securities investments of HK$182 million and other financial assets and derivative financial instruments of HK$305 million. This segment of business generated a total of HK$22 million dividend and interest income, offset by a realised loss of HK$17 million from the disposal of some of the investments during the year, which resulted in a net realised gain of HK$5 million. However, owing to fair value changes on the investment portfolio at the balance sheet date, the Group recorded a significant unrealised mark to market loss of HK$269 million, which was recognised through profit and loss account. Such loss has no impact on the cash flow of the Group. As at 30th June 2009, the market value of the Group's investment portfolio has recorded an improvement along with the current financial market performances.

The consolidated net debt was HK$1,332 million, increased by HK$432 million when compared with that at 31st March 2008. Gearing on net asset value increased from 43% to the present 75%, but after taking into account the fair value of hotel properties at the balance sheet date, the gearing was at a comfortable level at 42% (2008: 25%), which is also at a relatively low level compared to the thresholds stated at the financial covenants of the bank borrowings. The increase in gearing was due to increased bank borrowings, in part to finance the new hotel, the new additional rooms in our Empire Hotel Kowloon and a number of asset enhancement programs implemented in our existing hotels, and in other part, in the investment of fixed income financial assets, which their recurring dividend and interest income are expected to generate a steady and significant cash contribution to the Group. Despite the increase, the Group's liquidity and financing strength remained strong, with in excess of HK$400 million unused banking facilities and liquidity of HK$490 million in aggregate of its available-for-sale investment and financial assets at fair value through profit or loss at the balance sheet date.





Management Discussion and Analysis

87% of the total debt is denominated in HK dollar, the remaining is the Vancouver property mortgage loan of HK$87 million (2008: HK$118 million) that was borrowed in Canadian dollar, the local currency. A total of HK$200 million interest rate swap contracts denominated in HK dollar were entered for hedging purposes against our borrowings which are all at floating interest rate.

The aggregate net book value of hotel properties pledged as securities for loans of the Group as at 31st March 2009 amounted to HK$2,615 million (2008: HK$2,583 million).

HUMAN RESOURCES

As at 31st March 2009, the total number of employees of the Company and its subsidiaries were 423. In addition to salary payment, other additional benefits include insurance, share options, medical scheme and retirement plans and others.

Options to subscribe for a total of 700,000,000 shares of the Company at an exercise price of HK$0.13 per share were granted on 2nd April 2007 under the share option scheme. Up to 31st March 2009, none of the option shares granted have been exercised.

FUTURE PROSPECTS

We remain optimistic on the longer-term prospects as the global economy regains footing, which will lead to growth in the tourism sector. However, for the short term, we expect the global economic slowdown and the widespread infections of H1N1 (swine-flu) to have an adverse impact on tourism industries around the globe.

Following the series of measures by the PRC government to facilitate Mainland residents to visit Hong Kong, we have refined our marketing strategy to better capitalize on the growth of the Mainland market and selected short-haul markets in light of the macro environment. More resources will also be deployed to develop emerging markets, high potential visitor segments, and new marketing windows. We will further step up our promotion on MICE capitalizing on our new meeting facilities and location conveniences, and to take action to develop a number of marketing initiatives, whilst at the same time, to optimize operational efficiency.

Five-year Financial Summary

Year ended 31st March (in HK$'M)	**2009**	2008	2007	2006	2005 (restated)
Revenue	**604**	633	621	574	572
Gross profit	**252**	262	254	217	184
Depreciation and amortisation	**(69)**	(68)	(75)	(73)	(72)
Finance costs	**(38)**	(40)	(45)	(54)	(38)
(Loss)/profit for the year attributable to shareholders	**(230)**	96	28	(21)	29
As at 31st March					
Total assets	**3,290**	3,190	2,811	2,417	2,540
Total liabilities	**(1,516)**	(1,122)	(868)	(940)	(1,313)
Equity	**1,774**	2,068	1,943	1,477	1,227

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

Hotel Properties

		Group's interest	Approx. site area (sq.ft.)	Approx. gross floor area (sq.ft.)
1.	Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong	100%	10,600	184,000 (362 rooms)
2.	Empire Hotel Kowloon, 62 Kimberley Road, Tsimshatsui, Kowloon	100%	11,400	220,000 (343 rooms)
3.	Empire Landmark Hotel, 1400 Robson Street, Vancouver B. C., Canada	100%	41,000	420,000 (358 rooms)
4.	Empire Hotel Causeway Bay, 8 Wing Hing Street, Causeway Bay, Hong Kong	100%	6,200	108,000 (280 rooms)

Corporate Governance Report

Corporate Governance Practices

The Company is committed to 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 five Executive Directors and three Independent Non-executive Directors. The posts of Chairman and Chief Executive are separate and are held by different individuals. The Chairman, Mr. Poon Jing is responsible for overseeing the functioning of the Board and the strategies and policies of the Group. The Chief Executive and Deputy Chairman, Dr. Lim Yin Cheng is responsible for managing the Group's business. The biographical details and relationship of the Directors are disclosed in the biography of Directors set out on pages 18 to 20.

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 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/ No. of Board Meetings held
Mr. Poon Jing	Chairman	4/4
Dr. Lim Yin Cheng	Deputy Chairman and Chief Executive	4/4
Mr. Fung Siu To, Clement	Executive Director	4/4
Mr. Poon Tin Sau, Robert	Executive Director	4/4
Mr. Woo Wei Chun, Joseph	Executive Director	4/4
Mr. Ip Chi Wai	Independent Non-executive Director	4/4
Mr. Leung Wai Keung	Independent Non-executive Director	4/4
Mr. Hung Yat Ming	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 Chief Executive (who also act as the Chairman of the Remuneration Committee), and two Independent Non-executive Directors, Mr. Ip Chi Wai and Mr. Hung Yat Ming. The duties of the Committee includes making recommendations to the Board on the remuneration policy and structure of the Directors and senior management, approving the remuneration, determining the remuneration packages of all Executive Directors and senior management and approving the compensation to the 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 Remuneration Committee held one meeting, which all members had attended, to review, discuss and approve the remuneration packages of the Directors and senior management.

Audit Committee

The Audit Committee members currently comprise all the Independent Non-executive Directors, Mr. Hung Yat Ming (as Chairman), Mr. Leung Wai Keung and Mr. Ip Chi Wai. 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 final 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.

Corporate Governance Report

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 compliance 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 Independent Non-executive Directors of the Company were 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.

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 32 of this annual report.

An amount of HK$2,016,000 (2008: HK$2,193,000) was charged to the financial statements of the Group for their audit services. Taxation services, review on interim results and other services provided by PricewaterhouseCoopers to the Group amounted to HK$361,000 (2008: HK$216,000).

Corporate Governance Report

Investor Relationship

The Group aims to provide its shareholders and investors with high level of transparency. During the year, the Executive Directors had numerous meetings with various investors and analysts. The Board is committed to providing clear and full performance information of the Group to the 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.asiastandardhotel.com which enables shareholders, investors and public to access to the information of the Company on a timely basis.

Corporate Social Responsibility

At the Empire Hotels and Resorts, we are committed to making positive contribution to society and communities in Hong Kong and China, a place in which we operate and have grown over the past decade. Focusing our corporate responsibility and effort on imminent and important social issues, we shall endeavour to contribute, support and help to provide for those who most needed a great place to live, learn and grow.

The Community

An innovative charity program — The Art of Caring

Since March 2009, the Group has initiated a charity campaign entitled, The Art of Caring, through which we work to support SAHK (formerly known as "The Spastics Association of Hong Kong"), a local rehabilitation service organisation 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. 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 and subsequent proceeds generated will be donated to SAHK for future child and youth care services. The Group has fully funded and implemented the program from its inception to completion, and the donation amount made direct to SAHK already exceeded HK$120,000.

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

Corporate Governance Report

Donations

To support the earthquake relief operation in Sichuan, the Group donated HK$250,000 to the Salvation Army and UNICEF respectively. Employees of the Group and its managed hotels also donated a total of HK$10,000 to UNICEF, all in support of the relief, reconstruction and disaster preparedness operation in the affected areas.

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

The Group also fund-raised for a variety of charitable causes, such as the "HK & Macau O! Day" organised by The Salvation Army in 2008 and 2009, Basketball Wheelchairs by ACARE, and Anniversary Walkathon of HKU by The University of Hong Kong. Total amount raised was HK$528,000.

In addition, the Group is also a donor to the Corporate Contribution Program of Hong Kong Spinal Cord Injury Fund. Donation made in 2008 was HK$947,000.

Environmental Protection

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 the system 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.

The People

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. Employee Handbooks outline terms and conditions of employment, expectations for employees' behaviour and service delivery, employees' rights and benefits. We establish and implement policies that promote a fair and respectful workplace. We provide ongoing training and development opportunities to enhance our employees' career progression.

Corporate Governance Report

Responsible sourcing

The Group has adopted high standards for all building materials in our premises construction, and equipment and products varying from more efficient and environmentally-responsible refrigerators in the guest rooms of our Empire Hotel in Causeway Bay, to high-quality, durable linens and towels that are used in all our hotels.

To enhance our procurement of environmentally responsible items, we continue to review options to purchase more products from organic and/or sustainably managed sources, environmentally superior products, as well as local or regional companies to reduce the environmental impact of their manufacture and transportation.

To reduce paper consumption, we maximize the use of electronic communications and file storage systems for general office work, guest logs and nightly reports and whenever possible we use e-confirmations for guest reservations.

Directors and Senior Management

Executive Directors

POON Jing

Aged 54, is the Chairman of the Company, Chief Executive, Managing Director, an Executive Director and Chairman of the Executive Committee of Asia Standard International Group Limited ("ASI"). He is also the Chief Executive, Managing Director and an Executive Director of Asia Orient Holdings Limited ("Asia Orient"). Mr. Poon is the founder of the Group. He is the brother-in-law of Mr. Fung Siu To, Clement and Dr. Lim Yin Cheng, the Director and Deputy Chairman of the Company respectively. He is a brother of Mr. Poon Tin Sau, Robert, the Director of the Company.

LIM Yin Cheng

Aged 64, is the Deputy Chairman, Chief Executive and Chairman of the Remuneration Committee of the Company. He is also the Deputy Chairman and an Executive Director of ASI and 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 1994. He is the brother-in-law of Mr. Poon Jing, the Chairman of the Company.

FUNG Siu To, Clement

Aged 60, is the Director of the Company, the Chairman, an Executive Director, Chairman of the Remuneration Committee and a member of the Executive Committee of ASI. He is the Chairman, an Executive Director and Chairman of the Remuneration Committee of Asia Orient. He is also the 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. He is a fellow member of the Hong Kong Institute of Engineers. He joined the Group in 1994 and has over 25 years of experience in project management and construction. He is the brother-in-law of Mr. Poon Jing, the Chairman of the Company.

POON Tin Sau, Robert

Aged 63, is the Director of the Company. Mr. Poon was a restaurant entrepreneur in the U.S.A. during the period from 1970 to 1996 and joined the Group in 1996. He is a brother of Mr. Poon Jing, the Chairman of the Company.

WOO Wei Chun, Joseph

Aged 45, is the Director and Group Financial Controller of the Company. Mr. Woo is registered as a certified public accountant in the U.S.A. and is an associate member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). He holds a bachelor degree in Accounting with Computing and a master degree in Business Administration. Mr. Woo has over 20 years of experience in accounting and finance. He joined the Group in 2006.

Directors and Senior Management

Independent Non-executive Directors

IP Chi Wai

Aged 41. Mr. Ip graduated from the University of Hong Kong with a bachelor's degree in law. He is a qualified solicitor in Hong Kong and has over 10 years of experience in the legal profession. He is an Independent Non-executive Director, a member of the Audit Committee and the Remuneration Committee of the Company and Bio Cassava Technology Holdings Limited. He joined the Group in September 2003.

LEUNG Wai Keung

Aged 46, is an Independent Non-executive Director and a member of 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 the Independent Non-executive Director, a member of the Audit Committee and the Remuneration Committee of ASI. Mr. Leung is a member of HKICPA, HKICS, ACCA, ICSA and the Chartered Institute of Arbitrators. He was admitted to the High Court of Hong Kong as a barrister in 1994. He holds a master degree in accounting and finance from the University of Lancaster and obtained a bachelor of laws from Manchester Metropolitan University. He was the President of the Hong Kong Institute of Chartered Secretaries in 2006. In 2007, Mr. Leung has been appointed by the Government to be a member of the Guardianship Board, Registration of Persons Tribunal and the Board of Review. Mr. Leung joined the Group in 2004.

HUNG Yat Ming

Aged 57. Mr. Hung has over 25 years of experience in audit, accounting and financial management in several firms in Sydney and Hong Kong and is a financial controller of a Hong Kong listed company. Mr. Hung is a member of the Institute of Chartered Accountants of Scotland and HKICPA. He graduated from the University of Hong Kong with a bachelor degree in Mathematics and obtained a post-graduate diploma in Accountancy from the University of Strathclyde, Scotland. He is an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company and Asia Orient. He joined the Group in September 2004.

Directors and Senior Management

Senior management

NG Siew Seng, Richard

Aged 57, is the Group General Manager of the Company and Director of a subsidiary of the Company. Mr. Ng is responsible for the development and management of the Group's hospitality operations. With over 3 decade's extensive experience in hotel and travel industry for both local and overseas markets, Mr. Ng has held senior marketing and operational positions in a number of major international chain hotels and travel agents in Hong Kong and Macau. He joined the Group in September 2007.

TSANG Chin Lap, Johnny

Aged 59. Mr. Tsang has over 35 years experience in hotel industry and has held senior positions as Director of Sales and General Manager in a number of international hotels in Hong Kong before being appointed as General Manager of Empire Landmark Hotel in Vancouver in 2003.

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 35 to the financial statements.

The activities of the Group are mainly based in Hong Kong, Canada and Mainland China. Analyses of the Group's revenue and contribution to operating results by principal activities and by principal markets are set out in note 5 to the financial statements.

Results and appropriations

The results of the Group for the year ended 31st March 2009 are set out in the consolidated profit and loss account on page 33.

The Board did not recommend the payment of a dividend (2008: interim dividend of HK0.26 cent per share and final dividend of HK0.07 cent in scrip per share) to shareholders 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 10.

Purchase, sale or redemption of listed securities

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

Property, plant and equipment and leasehold land

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

Report of the Directors

Share capital

Details of the movements in share capital of the Company during the year are set out in note 25 to the financial statements.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK$521,000 (2008: HK$1,655,000).

Directors

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

Mr. Poon Jing
Dr. Lim Yin Cheng
Mr. Fung Siu To, Clement
Mr. Poon Tin Sau, Robert
Mr. Woo Wei Chun, Joseph
Mr. Ip Chi Wai
Mr. Leung Wai Keung
Mr. Hung Yat Ming

Messrs. Lim Yin Cheng and Ip Chi Wai will retire from office by rotation in accordance with the Bye-Laws of the Company and Dr. Lim will also 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 the Directors and senior management

Biographical details of the Directors and senior management are set out on pages 18 to 20.

Report of the Directors

Directors' interests in contracts

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

Arrangements to purchase shares or debentures

Apart from the share option scheme of the Company as disclosed under the heading "Share option scheme" below, and that of its holding company, ASI, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures

As at 31st March 2009, the interests and short position of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of the Hong Kong Securities and Futures Ordinance (the "SFO") which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules were as follows:

(I) Long positions in shares

(a) The Company

	Number of shares held			
Name of Director	**Personal interest**	**Corporate interest**	**Total**	**Percentage of shares in issue (%)**
Poon Jing	408,452	9,235,914,269	9,236,322,721	70.67

By virtue of his interest in the Company through Asia Orient and its subsidiaries as disclosed under the heading "Substantial shareholders and other persons' interests and short positions in shares and underlying shares" below, Mr. Poon is deemed to be interested in the shares of all of the Company's subsidiaries.

Report of the Directors

(I) Long positions in shares (continued)

(b) Associated corporations

Name of Director	Associated corporation	Number of shares held: Personal interest	Corporate interest	Total	Percentage of shares in issue (%)
Poon Jing	ASI *(Note 1)*	9,728,644	5,155,970,451	5,165,699,095	45.45
Poon Jing and Fung Siu To, Clement	Centop Investment Limited ("Centop") *(Note 2)*	—	20	20	20
Poon Jing	Centop *(Note 3)*	—	80	80	80
Fung Siu To, Clement	Mark Honour Limited	9	—	9	9

Notes:

1. By virtue of Mr. Poon Jing's controlling interest in Asia Orient, he is deemed to be interested in the shares of ASI held by subsidiaries of Asia Orient.

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

3. By virtue of Mr. Poon Jing's controlling interest in Asia Orient, he is deemed to be interested in the Company's subsidiaries and associated corporations, including the 80 shares of Centop held by ASI.

(II) Long positions in underlying shares

Interests in share options

(a) The Company

As at 31st March 2009, details of the share options granted to Directors under the share option scheme of the Company was adopted on 28th August 2006 ("Share Option Scheme") are as follows:

Name of Director	Date of grant	Exercise price (HK$)	Exercise period	Number of share options 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
Poon Tin Sau, Robert	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
Woo Wei Chun, Joseph	2nd April 2007	0.1300	2nd April 2007 to 1st April 2017	80,000,000

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

(b) Associated corporation — ASI

Name of Director	Number of share options outstanding as at 1st April 2008 and 31st March 2009
Poon Jing	5,155,440
Lim Yin Cheng	20,621,761
Fung Siu To, Clement	20,621,761

Share 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).

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 warrants

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

(a) The Company

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

The warrants of the Company are exercisable 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 adjustments on 6th March 2009, the subscription price of the warrants was adjusted to HK$0.029 per share.

(b) Associated corporation — ASI

Name of Director	Number of underlying shares subject to the warrants		
	Personal interest	Corporate interest	Total
Poon Jing	1,879,506	977,680,196 *(Note 1)*	979,559,702

Notes:

(1) By virtue of Mr. Poon Jing's controlling interest in Asia Orient, he is deemed to be interested in the warrants of ASI 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.

Save as disclosed above, as at 31st March 2009, none of the Directors or the Chief Executive (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which 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 the Chief Executive.

(a) Long positions in shares of the Company

Name of Shareholder	Number of shares held	Percentage (%)
Asia Standard Development (Holdings) Limited ("ASDHL")	2,995,061,058	22.91
Asia Standard International Limited ("ASIL")	5,845,322,522	44.72
ASI *(Note 1)*	8,848,600,618	67.70
Asia Orient Holdings (BVI) Limited *(Note 2)*	9,235,914,269	70.66
Asia Orient *(Note 3)*	9,235,914,269	70.66

(b) Long positions in underlying shares of the Company

Interest in warrants

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

Report of the Directors

The warrants of the Company are exercisable from 7th September 2007 to 6th September 2010 at an initial subscription price of HK$0.146 per share. Following the third reset adjustments on 6th March 2009, the subscription price of the warrants was adjusted to HK$0.029 per share.

Notes:

(1) ASDHL and ASIL are the wholly owned subsidiaries of ASI. ASI is deemed to be interested in and duplicate the interest held by ASDHL and ASIL.

(2) Asia Orient Holdings (BVI) Limited and its subsidiaries together hold more than one-third of the issued shares of ASI and is deemed to be interested in and duplicate the interest held by ASI.

(3) Asia Orient Holdings (BVI) Limited is a wholly owned subsidiary of Asia Orient. Asia Orient is deemed to be interested in and duplicate the interest held by Asia Orient Holdings (BVI) Limited and its subsidiaries.

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.

Share Option Scheme

Pursuant to the Share Option Scheme of the Company, the Board may grant share options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiary or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, recognise and acknowledge the contributions of, motivate and maintain and ongoing relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Group.

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

There was no requirement for a grantee to hold the share options for a certain period before exercising the share options unless otherwise determined by the Directors. The exercise period should be any period determined by the Board 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.

Report of the Directors

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

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

	Number of share options		
Grantee	**outstanding as at 1st April 2008**	**lapsed during the year**	**outstanding as at 31st March 2009**
Directors	320,000,000 *(Note a)*	—	320,000,000
Directors of an associated corporation	160,000,000 *(Note b)*	—	160,000,000
Employees of an associated corporation	380,000,000 *(Note b)*	(70,000,000)	310,000,000

Notes:

(a) The share options were granted on 29th March 2007 and exercisable during the period from 29th March 2007 to 28th March 2017 at an exercise price of HK$0.1296 per share. The closing price of the shares immediately before the date of grant of such options is HK$0.126.

(b) These share options were granted on 2nd April 2007 and exercisable during the period from 2nd April 2007 to 1st April 2017 at an exercise price of HK$0.13 per share. The closing price of the shares immediately before the date of grant of such share options is HK$0.13.

(c) During the year, no share option was granted, exercised or cancelled.

Purchase, sale or redemption of listed securities

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

Pre-emptive rights

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

Management contracts

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

Report of the Directors

Major customers and suppliers

For the year ended 31st March 2009, the aggregate amount of revenue attributable to the Group's five largest customers represented less than 30% of the Group's total amount of revenue. The percentage of purchases attributable to the Group's five largest suppliers and the Group's largest supplier were 73% and 37% respectively.

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

Connected Transactions

During the year ended 31st March 2009, the Group had the following continuing connected transactions constituted by the tenancy agreements entered into by JBC Travel Company Limited ("JBC"), the Group's wholly owned subsidiary.

JBC Tenancy Agreements

(a) Pursuant to a tenancy agreement dated 28th February 2007 entered into between JBC and Hoi Chak Properties Limited ("Hoi Chak"), a subsidiary of ASI, JBC has been leasing an office situated in 16th Floor, Asia Standard Tower, 59-65 Queen's Road Central, Hong Kong (the "Premise") from Hoi Chak for a period of two years commencing from 1st March 2007 to 28th February 2009 at a monthly rental of HK$108,400. The annual caps in respect of the amount of annual rent is not exceeding HK$1,300,800 and HK$1,192,400 for the years ended 31st March 2008 and 2009 respectively.

During the year ended 31st March 2009, a total rent of HK$1,192,400 (2008: HK$1,300,800) was paid by JBC to Hoi Chak for the aforesaid agreement.

(b) Pursuant to a tenancy agreement dated 20th April 2009 entered into between JBC and Hoi Chak, JBC has been leasing the Premise from Hoi Chak for a period of two years commencing from 1st March 2009 to 28th February 2011 at a monthly rental of HK$130,080. The annual cap in respect of the amount of annual rent is not exceeding HK$130,080 for the year ended 31st March 2009.

During the year ended 31st March 2009, a total rental of HK$130,080 (2008: Nil) was paid by JBC to Hoi Chak for the aforesaid tenancy agreement.

Hoi Chak is an indirect wholly-owned subsidiary of ASI, which is in turn a substantial shareholder of the Company holding approximately 67.7% of the issued share capital of the Company. Both Hoi Chak and ASI are regarded as connected persons of the Company under the Listing Rules. Accordingly, the aforesaid tenancy agreements constitute continuing connected transactions of the Company for the purpose of the Listing Rules.

Report of the Directors

Pursuant to Rule 14A.37 of the Listing Rules, the Independent Non-executive Directors of the Company have reviewed the continuing connected transaction and confirmed that the continuing connected transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors engaged the independent auditor of the Company to perform certain agreed-upon procedures on the above continuing connected transactions in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and the auditor reported that these transactions (a) have been approved by the Board of Directors of the Company; (b) have been entered into in accordance with the relevant agreements; and (c) have not exceeded the respective annual caps as set out in the Company's announcements.

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.

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

POON JING
Chairman

Hong Kong, 7th July 2009

Independent Auditor's Report

To the Shareholders of Asia Standard Hotel Group Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Asia Standard Hotel Group Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 33 to 96, which comprise the balance sheets of the Company and of 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	**603,533**	632,774
Cost of sales	7	**(352,025)**	(370,837)
Gross profit		**251,508**	261,937
Selling and administrative expenses	7	**(94,221)**	(94,467)
Depreciation and amortisation		**(68,660)**	(68,364)
Other income and charges	6	**(268,666)**	50,745
Operating (loss)/profit		**(180,039)**	149,851
Finance costs	10	**(38,055)**	(39,629)
(Loss)/profit before income tax		**(218,094)**	110,222
Income tax expense	11	**(12,201)**	(13,952)
(Loss)/profit for the year attributable to shareholders	12	**(230,295)**	96,270
Dividends	13	**—**	42,141
(Loss)/earnings per share — basic and diluted (HK cents)	14	**(1.77)**	0.76

Consolidated Balance Sheet

As at 31st March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	15	**958,262**	899,114
Leasehold land	15	**1,658,726**	1,685,653
Goodwill	16	**—**	9,640
Deferred income tax assets	28	**7,771**	18,883
Available-for-sale investments	17	**182,428**	313,976
		2,807,187	2,927,266
Current assets			
Inventories		**2,160**	2,268
Derivative financial instruments	19	**12,806**	—
Financial assets at fair value through profit or loss	20	**308,132**	88,108
Trade and other receivables	21	**83,867**	88,101
Bank balances and cash	22	**75,884**	84,116
		482,849	262,593
Current liabilities			
Derivative financial instruments	19	**15,773**	18,332
Trade and other payables	23	**53,931**	51,540
Current income tax payable		**14,512**	14,025
Short term borrowings	27	**415,011**	378,295
Current portion of long term borrowings	27	**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	24	**23,935**	51,325
Long term borrowings	27	**948,964**	594,373
Deferred income tax liabilities	28	**602**	2,607
		973,501	648,305
Net assets		**1,773,876**	2,068,287
Equity			
Share capital	25	**261,409**	258,164
Reserves	26	**1,512,467**	1,810,123
		1,773,876	2,068,287

Lim Yin Cheng
Director

Fung Siu To, Clement
Director

Balance Sheet

As at 31st March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Subsidiaries	18	**2,571,942**	2,664,312
Deferred income tax assets	28	**97**	137
		2,572,039	2,664,449
Current assets			
Prepayments	21	**818**	777
Bank balances and cash	22	**698**	2,974
		1,516	3,751
Current liabilities			
Trade and other payables	23	**1,040**	1,063
Amounts due to subsidiaries	18	**—**	122,239
Short term borrowings	27	**30,000**	20,000
		31,040	143,302
Net current liabilities		**(29,524)**	(139,551)
Total assets less current liabilities		**2,542,515**	2,524,898
Non-current liabilities			
Warrant liabilities	24	**(23,935)**	(51,325)
Net assets		**2,518,580**	2,473,573
Equity			
Share capital	25	**261,409**	258,164
Reserves	26	**2,257,171**	2,215,409
		2,518,580	2,473,573

Lim Yin Cheng
Director

Fung Siu To, Clement
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	33	**(275,090)**	94,811
Interest paid		**(35,354)**	(39,001)
Interest element on finance leases		**(8)**	(18)
Income tax refunded		**—**	2
Interest received		**5,598**	2,666
Dividend received		**12,763**	1,725
		(292,091)	60,185
Cash flows used in investing activities			
Addition of property, plant and equipment		**(153,727)**	(15,094)
Decrease/(increase) in pledged deposits		**6,816**	(18,816)
Proceeds from disposal of property, plant and equipment		**—**	587
Purchase of available-for-sale investments		**—**	(205,894)
		(146,911)	(239,217)
Cash flows from financing activities			
Drawdown of short term borrowings		**33,355**	234,000
Drawdown of long term borrowings		**608,900**	128,139
Repayment of long term borrowings		**(201,945)**	(164,389)
Capital element of finance lease payments		**(51)**	(100)
Dividends paid		**—**	(24,142)
Conversion of warrants		**—**	17
		440,259	173,525
Increase/(decrease) in cash and cash equivalents		**1,257**	(5,507)
Cash and cash equivalents at the beginning of the year		**65,300**	68,861
Changes in exchange rates		**(2,673)**	1,946
Cash and cash equivalents at the end of the year	22	**63,884**	65,300

Consolidated Statement of Changes in Equity

For the year ended 31st March 2009

	Note	2009 HK$'000	2008 HK$'000
Total equity at the beginning of the year		**2,068,287**	1,942,641
Net income directly recognised in equity:			
Exchange differences	26	**(35,910)**	19,475
Share options granted	26	**–**	22,400
Net fair value (loss)/gain on available-for-sale investments	26	**(205,692)**	12,291
Impairment of available-for-sale investments charged to profit and loss account	26	**177,486**	–
Net (expense)/income recognised directly in equity		**(64,116)**	54,166
(Loss)/profit for the year	26	**(230,295)**	96,270
Total recognised (expense)/income for the year		**(294,411)**	150,436
Issue of shares upon conversion of warrants	25, 26	**–**	22
Issue of shares upon conversion of convertible bonds	25, 26	**–**	116,162
Issue of shares as scrip dividend	25, 26	**9,036**	41,486
Issue of warrants	24	**–**	(116,832)
Dividends	26	**(9,036)**	(65,628)
		–	(24,790)
Total equity at the end of the year		**1,773,876**	2,068,287

Notes to the Financial Statements

1 Basis of preparation

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

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

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

2 Principal accounting policies

(a) The adoption of new/revised HKFRS

During the year, the Group adopted the HKAS 39 and 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 17.

Standards and amendments to existing standards that are relevant to the Group's operations 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
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) 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.

(iv) 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.

(v) 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.

Notes to the Financial Statements

2 Principal accounting policies (continued)

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

(vi) 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.

(vii) 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 changes to the Group's accounting policies and presentation of the financial statements.

(b) Basis of consolidation

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

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

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

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(b) Basis of consolidation (continued)

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

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

(c) Subsidiaries

Subsidiaries are all entities (including special purpose entities) 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) Segment reporting

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items and other costs incurred to bring the asset into its existing use and location.

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

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

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

No depreciation is provided for buildings under development.

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

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

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

Freehold land is accounted for as property, plant and equipment and stated at cost less impairment. No amortisation is provided for freehold land.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(f) Goodwill

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

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill 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.

(g) Inventories

Inventories comprise primarily food, beverages and operating supplies and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

(h) Impairment of assets

Assets that have an indefinite useful life and are not subject to depreciation 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. 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)

(i) 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.

2 Principal accounting policies (continued)

(i) 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 including interest and dividend income are included in the profit and loss account in the period in which they arise. Dividends on available-for-sale equity instruments are recognised in the profit and loss account as part of income when the Group's right to receive payments is established. Change in the fair value of available-for-sale investments are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investments 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 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 trade receivables is described in note 2(p).

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.

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(i) Financial assets/liabilities (continued)

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.

(j) Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(k) Current and deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively 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, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

(m) Finance leases

Assets leased under agreements that transfer substantially all the risks and rewards incident to ownership of the relevant assets to the Group are classified as finance leases. At the inception of a finance lease, the fair value of the asset or, if lower, the present value of the minimum lease payments is capitalised as a property, plant and equipment; the corresponding obligations, net of finance charges, is included under long term liabilities. Gross rental payable in respect of finance leases are apportioned between interest charges and a reduction of the lease obligations based on the interest rates implicit in the relevant leases.

Notes to the Financial Statements

2 Principal accounting policies (continued)

(n) Operating leases

Leases in which a significant portion of risks and rewards of ownership of assets are retained by the lessors are classified as operating leases. Receipts or payments made under operating leases net of incentives received from the lessors, are charged to the profit and loss account on a straight-line basis over the terms of the leases.

(o) Leasehold land

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

(p) Trade and other receivables

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(q) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in ordinary course of the Group's activities. Revenue is shown, net of returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

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

Operating lease rental income is recognised on a straight-line basis over the term of the lease.

Revenue from sale of air tickets is recognised when the tickets are delivered.

Revenue from hotel reservation service is recognised when service is rendered.

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

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

(r) 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 in the profit and loss account, and other changes in the carrying amount are recognised in equity.

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)

(r) 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 and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the profit and loss account as part of the gain or loss on sale.

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

(s) Employee benefits

(i) Employee leave entitlements

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

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

(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.

2 Principal accounting policies (continued)

(s) Employee benefits (continued)

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to 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 consolidated profit and loss account with a corresponding adjustment to equity.

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

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

(t) Borrowing costs

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

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

(u) Trade payables

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

(v) Warrant liabilities

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

Notes to the Financial Statements

2 Principal accounting policies (continued)

(w) Dividend distribution

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

(x) 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.

(y) Share capital

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

(z) Cash and cash equivalents

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

(aa) Related parties

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries 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.

Notes to the Financial Statements

3 Financial risk management and fair value estimation

3.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including 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 dollar net monetary assets of HK$212,423,000 (2008: HK$30,646,000). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to United States dollars, management considers that there is 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 and fair value estimation (continued)

3.1 Financial risk management (continued)

(a) ***Market risk*** *(continued)*

(ii) *Price risk*

The Group is exposed to equity and debt securities price risk from the Group's financial assets at fair value through profit or loss, available-for-sale investments 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 debts securities of other entities (classified as "available-for-sale investments" and "financial assets at fair value through profit or loss") are traded in 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$29,864,000 (2008: increase/decrease by HK$7,269,000). For every 10% increase/decrease in the prices of available-for-sale investments, the post tax loss (2008: post tax profit) would decrease/increase HK$8,773,000 (2008: Nil) and the available-for-sale investments reserve would increase/decrease HK$9,470,000 (2008: HK$31,398,000).

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, post tax loss (2008: post tax profit) for the year would be HK$1,281,000 lower/higher (2008: HK$42,000 higher/lower).

Bonus warrants (note 24) 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 be HK$6,086,000 higher/lower (2008: HK$6,937,000 lower/higher).

Notes to the Financial Statements

3 Financial risk management and fair value estimation (continued)

3.1 Financial risk management (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 20), derivative financial assets (note 19) which are placed with banks and financial institutions, as well as credit exposures to trade and other receivables.

The Group is not exposed to significant concentrations of credit risk. 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 quoted securities to meet any unexpected and material cash requirements in the course of ordinary business and to provide contingency liquidity support.

The Group measures its liquidity using the gearing ratio, which represents the net borrowings against the net assets value, after taking into account the fair value of hotel properties. Currently it is at a relatively low level compared to the thresholds stated at the financial covenants of the bank borrowings.

At 31st March 2009, the Group's net current liabilities amounted to HK$59,810,000. The current liabilities mainly included short term bank loans of HK$415 million which were subject to annual review and were reviewed between December 2008 and May 2009.

The Directors of the Company believe that based on the Group's available unused banking facilities in excess of HK$400 million, its assets backing and liquidity of available-for-sale investments of over HK$182.4 million, the Group has sufficient financial resources to satisfy its working capital requirements and payments of liabilities as and when they fall due and its future capital commitments of HK$67,248,000.

The relevant maturity groupings on the contractual undiscounted cash flow 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.

Notes to the Financial Statements

3 Financial risk management and fair value estimation (continued)

3.1 Financial risk management (continued)

(c) ***Liquidity risk*** *(continued)*

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 fee value without applying discounted cash flow model based on the earliest date on which the Group can be required to pay, as follows:

	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	**53,931**	**—**	**—**	**53,931**
Borrowings	**479,243**	**322,814**	**704,044**	**1,506,101**
	533,174	**322,814**	**704,044**	**1,560,032**
Derivative financial liabilities :				
Interest rate swaps (settled on a net basis)	**4,340**	**9,074**	**—**	**13,414**
Interest rate swaps (settled on a gross basis)				
— Inflow	**(1,403)**	**(118,259)**	**—**	**(119,662)**
— Outflow	**823**	**125,004**	**—**	**125,827**
	(580)	**6,745**	**—**	**6,165**
	3,760	**15,819**	**—**	**19,579**
	536,934	**338,633**	**704,044**	**1,579,611**
At 31st March 2008				
Non-derivative financial liabilities				
Trade and other payables	51,540	—	—	51,540
Borrowings	412,413	184,233	494,853	1,091,499
	463,953	184,233	494,853	1,143,039
Derivative financial liabilities settled on a net basis:				
Interest rate swaps	4,440	511	—	4,951
Derivative financial instruments for purchase of listed securities	68,592	—	—	68,592
	73,032	511	—	73,543
	536,985	184,744	494,853	1,216,582

Notes to the Financial Statements

3 Financial risk management and fair value estimation (continued)

3.1 Financial risk management (continued)

(d) Cash flow interest rate risk

Other than bank balances and deposits and loans receivable (collectively "Interest Bearing Assets"), the Group has no other significant interest bearing assets. The Group's interest rate risk also arises from borrowings ("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$750,000 higher/lower (2008: HK$363,000 lower/higher).

3.2 Capital risk management

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

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

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

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

Notes to the Financial Statements

3 Financial risk management and fair value estimation (continued)

3.2 Capital risk management (continued)

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

	2009	2008
	HK$'000	HK$'000
Total borrowings *(note 27)*	**1,407,407**	983,743
Less: Bank and cash balances *(note 22)*	**(75,884)**	(84,116)
Net debt	**1,331,523**	899,627
Net assets	**1,773,876**	2,068,287
Gearing ratio against net assets	**75%**	43%
Revalued net assets	**3,211,000**	3,599,000
Gearing ratio against Revalued net assets	**42%**	25%

The increase in gearing was due to increased bank borrowings to finance the hotel properties under conversion and other capital expenditure, and the investment of financial assets at fair value through profit or loss.

3.3 Fair value estimation

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

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

Notes to the Financial Statements

4 Critical accounting estimates and judgements

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

(a) Impairment of trade and other receivables

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

(b) Income taxes

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

Recognition of deferred tax assets (note 28), which principally relate to tax losses, depends on management's expectation of future taxable profits that will be available against which tax losses can be utilised. The outcome of their utilisation may be different.

Notes to the Financial Statements

4 Critical accounting estimates and judgements (continued)

(c) Fair values of derivative financial instruments and warrant liabilities

The fair values of derivative financial instruments (note 19) and warrant liabilities (note 24) that are not traded in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the fair values of derivative financial instruments and warrants.

(d) 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.

5 Revenue and segment information

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

(a) Turnover

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

Turnover comprises revenue from hotel, catering services, travel agency operations, dividend and interest income, together with gross proceeds from sales of securities investments.

Notes to the Financial Statements

5 Revenue and segment information (continued)

(a) Turnover (continued)

Revenue includes revenue from hotel, catering services, travel agency operations and dividend and interest income.

	2009 HK$'000	2008 HK$'000
Turnover		
Revenue		
Hotel operating income	**298,142**	325,212
Catering income	**15,572**	20,349
Sale of air ticket and hotel reservation service	**263,952**	282,817
Investments	**22,276**	1,725
Other operations	**3,591**	2,671
	603,533	632,774
Gross proceeds from sales of securities investments	**20,722**	482,242
	624,255	1,115,016

(b) Segment information

Primary reporting format — business segments

The Group is organised into the following main business segments:

Hotel operation — hotel operation in Hong Kong and Canada

Catering services — restaurant operation in Hong Kong and Mainland China

Travel agency — sale of air tickets and hotel reservation service in Hong Kong

Investment — investment in financial instruments

Notes to the Financial Statements

5 Revenue and segment information (continued)

(b) Segment information (continued)

***Primary reporting format — business segments** (continued)*

There is no other significant identifiable separate business segment. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments. Segment assets consist primarily of property, plant and equipment, leasehold land, inventories, trade and other receivables, available-for-sale investments, financial assets at fair value through profit or loss and derivative financial instruments, excluding deferred income tax assets, bank balances and cash. Segment liabilities comprise trade and other payables and derivative financial instruments, excluding borrowings, current income tax payable, warrant liabilities, interest rate swaps, and bank overdrafts.

	Hotel operation	Catering services	Travel agency	Investments	Others	Total
2009 (in HK$'000)						
Room rentals	238,873					
Food and beverages	40,525					
Ancillary services	6,185					
Rental income	12,559					
Turnover	298,142	15,572	263,952	42,998	3,591	624,255
Segment revenue	298,142	15,572	263,952	22,276	3,591	603,533
Contribution to segment results	150,449	231	(636)	21,958	3,591	175,593
Depreciation and amortisation	(68,460)	(57)	(54)	—	(89)	(68,660)
Other income and charges	—	(9,640)	—	(286,416)	27,390	(268,666)
Segment results	81,989	(9,466)	(690)	(264,458)	30,892	(161,733)
Unallocated corporate expenses						(18,306)
Operating loss						(180,039)
Finance costs						(38,055)
Loss before income tax						(218,094)
Income tax expenses						(12,201)
Loss for the year attributable to shareholders						(230,295)

Notes to the Financial Statements

5 Revenue and segment information (continued)

(b) Segment information (continued)

Primary reporting format — business segments *(continued)*

2008 (in HK$'000)	Hotel operation	Catering services	Travel agency	Investments	Others	Total
Room rentals	252,108					
Food and beverages	47,874					
Ancillary services	10,849					
Rental income	14,381					
Turnover	325,212	20,349	282,817	483,967	2,671	1,115,016
Segment revenue	325,212	20,349	282,817	1,725	2,671	632,774
Contribution to segment results	180,400	1,763	(162)	1,725	2,671	186,397
Depreciation and amortisation	(68,177)	(39)	(60)	—	(88)	(68,364)
Other income and charges	—	—	(3,548)	11,191	43,102	50,745
Segment results	112,223	1,724	(3,770)	12,916	45,685	168,778
Unallocated corporate expenses						(18,927)
Operating profit						149,851
Finance costs						(39,629)
Profit before income tax						110,222
Income tax expenses						(13,952)
Profit for the year attributable to shareholders						96,270

Notes to the Financial Statements

5 Revenue and segment information (continued)

(b) Segment information (continued)

Primary reporting format — business segments *(continued)*

	Hotel operation	Catering services	Travel agency	Investments	Others	Total
2009 (HK$'000)						
Segment assets	**2,649,595**	**4,010**	**13,035**	**513,103**	**26,638**	**3,206,381**
Unallocated assets						**83,655**
Total assets						**3,290,036**
Segment liabilities	**36,477**	**1,787**	**14,572**	**7,703**	**1,095**	**61,634**
Unallocated liabilities						**1,454,526**
Total liabilities						**1,516,160**
Depreciation	**47,823**	**57**	**54**	**—**	**89**	**48,023**
Amortisation of leasehold land	**20,637**	**—**	**—**	**—**	**—**	**20,637**
Capital expenditure	**162,757**	**1,125**	**114**	**—**	**10**	**164,006**
2008 (HK$'000)						
Segment assets	2,616,782	12,594	19,061	407,145	31,278	3,086,860
Unallocated assets						102,999
Total assets						3,189,859
Segment liabilities	31,917	2,379	16,125	13,395	1,119	64,935
Unallocated liabilities						1,056,637
Total liabilities						1,121,572
Depreciation	46,491	40	60	—	88	46,679
Amortisation of leasehold land	21,685	—	—	—	—	21,685
Capital expenditure	24,256	57	45	—	—	24,358

Notes to the Financial Statements

5 Revenue and segment information (continued)

(b) Segment information (continued)

Secondary reporting format — geographical segments

The Group's business segments operating in various geographical areas are as follows:

Hong Kong	—	all the Group's business segments
China (excluding Hong Kong)	—	catering
North America	—	hotel, catering and investment
Europe	—	investment

Geographical segments

	Turnover	Segment revenue	Operating (loss)/profit	Total assets	Capital expenditure
2009 (in HK$'000)					
Hong Kong	**518,480**	**500,324**	**(115,625)**	**2,766,214**	**155,077**
China (excluding Hong Kong)	**4,996**	**4,996**	**(1,133)**	**13,482**	**1,084**
North America	**90,972**	**90,972**	**(50,319)**	**266,464**	**7,845**
Europe	**9,807**	**7,241**	**(12,962)**	**243,876**	**—**
	624,255	**603,533**	**(180,039)**	**3,290,036**	**164,006**
2008 (in HK$'000)					
Hong Kong	992,136	522,520	129,877	2,861,126	22,788
China (excluding Hong Kong)	8,745	8,745	2,236	17,603	—
North America	114,135	101,509	17,738	311,130	1,570
	1,115,016	632,774	149,851	3,189,859	24,358

Notes to the Financial Statements

6 Other income and charges

	2009 HK$'000	2008 HK$'000
Impairment of goodwill *(note 16)*	**(9,640)**	(3,548)
Share options expense *(note 8)*	**—**	(22,400)
Fair value gain on warrant liabilities *(note 24)*	**27,390**	65,502
Net realised (loss)/gain on disposal of financial assets at fair value through profit or loss	**(17,130)**	34,745
Unrealised loss on financial assets at fair value through profit or loss	**(80,202)**	(10,159)
Fair value loss on derivative financial instruments	**(11,598)**	(13,395)
Impairment of available-for-sale investments	**(177,486)**	—
	(268,666)	50,745

7 Income and expenses by nature

	2009 HK$'000	2008 HK$'000
Income		
Operating lease rental income for hotel buildings	**12,559**	14,381
Dividend income		
— Listed investments	**17,861**	1,656
— Unlisted investments	**99**	69
Interest income		
— Listed investments	**1,956**	—
— Unlisted investments	**2,145**	—
— Loans *(note 21(f))*	**2,875**	958
— Bank deposits	**716**	1,713
Gain on disposal of property, plant and equipment	**—**	582
Expenses		
Cost of goods sold	**231,679**	249,849
Depreciation	**48,023**	46,679
Amortisation of leasehold land	**20,637**	21,685
Loss on disposal of property, plant and equipment	**3,051**	—
Auditors' remuneration	**2,016**	2,193
Employee benefit expense *(note 8)*	**96,389**	110,422
Operating lease rental expense for land and buildings	**5,939**	6,099

Notes to the Financial Statements

8 Employee benefit expense

	2009	2008
	HK$'000	HK$'000
Wages and salaries	92,526	84,812
Share options expense *(note 6)*	—	22,400
Termination benefit	692	153
Retirement benefit costs	3,386	3,057
	96,604	110,422
Less: Staff cost capitalised in property, plant and equipment	(215)	—
	96,389	110,422

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

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

In Hong Kong, the Group participates in defined contribution schemes under the ORSO which are available to employees joining before 1st December 2000. Under these schemes, contributions of 5% of the employee's monthly salaries are made by the employees and by the Group. The Group's contributions may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Forfeited contributions totaling HK$71,000 (2008: Nil) were utilised during the year. As at 31st March 2009, no forfeitures (2008: Nil) were available to reduce the Group's future contributions to the ORSO schemes.

The Group also participates in the MPF schemes 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.

Notes to the Financial Statements

8 Employee benefit expense (continued)

Share option scheme

The Company has a share option scheme whereby share options may be granted to employees of the Group including the Directors to subscribe for shares of the Company. Consideration to be paid on each grant of share option is HK$1.

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

			Number of share options		
Date of grant	**Exercise price per share**	**Expiry date**	**outstanding at 1st April 2008** *(note (a))*	**lapsed during the year** *(note (e))*	**outstanding at 31st March 2009**
29th March 2007	HK$0.1296	28th March 2017			
Directors			160,000,000	—	160,000,000
2nd April 2007	HK$0.1300	1st April 2017			
Directors			160,000,000	—	160,000,000
Others			540,000,000	(70,000,000)	470,000,000
			700,000,000	(70,000,000)	630,000,000
			860,000,000	(70,000,000)	790,000,000

Notes:

(a) 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.

(b) The following assumption were used to calculate the fair value of share options granted in April 2007:

	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 (%) *(note (c) & (d))*	51.71
Risk free rate (%)	4.302

Notes to the Financial Statements

8 Employee benefit expense (continued)

Share option scheme (continued)

(c) The volatility measured at the standard deviation of expected share price returns was based on statistical analysis of daily share prices over one year immediatetly preceding the grant date.

(d) 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.

(e) 70,000,000 share options were lapsed upon the resignation of an employee of an associated company (2008: 84,465,909 share options were lapsed for a deceased director). The fair value of HK$2,240,000 (2008: HK$2,840,000) on the date of grant in respect of the share options lapsed during the year was transferred from share options reserve to revenue reserve.

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

9 Directors' and senior management's emoluments

(a) Directors' remuneration

The remuneration of each Director for the year ended 31st March 2009 is set out below:—

	Fees HK$'000	Salary allowances and benefits in kind HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Executive Director				
Mr. Poon Jing	—	7,750	—	7,750
Dr. Lim Yin Cheng	—	2,500	—	2,500
Mr. Poon Tin Sau, Robert	—	869	36	905
Mr. Fung Siu To, Clement	—	—	—	—
Mr. Woo Wei Chun, Joseph	—	720	12	732
	—	11,839	48	11,887
Non-executive Director				
Mr. Ip Chi Wai	120	—	—	120
Mr. Hung Yat Ming	100	—	—	100
Mr. Leung Wai Keung, Richard	100	—	—	100
	320	—	—	320
Total for 31st March 2009	320	11,839	48	12,207

Notes to the Financial Statements

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

(a) Directors' remuneration (continued)

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

	Fees HK$'000	Salary allowances and benefits in kind HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Share options expense HK$'000	Total HK$'000
Executive Director					
Mr. Poon Jing	—	7,500	—	—	7,500
Dr. Lim Yin Cheng	—	200	—	2,560	2,760
Mr. Poon Tin Sau, Robert	—	869	36	—	905
Mr. Fung Siu To, Clement	—	2,000	—	—	2,000
Mr. Woo Wei Chun, Joseph	—	1,120	12	2,560	3,692
Mr. Wong Shu Pui (deceased)	—	340	17	—	357
	—	12,029	65	5,120	17,214
Non-executive Director					
Mr. Ip Chi Wai	120	—	—	—	120
Mr. Hung Yat Ming	100	—	—	—	100
Mr. Leung Wai Keung, Richard	100	—	—	—	100
Mr. Liang Shangli (resigned on 28th February 2008)	100	—	—	—	100
	420	—	—	—	420
Total for 31st March 2008	420	12,029	65	5,120	17,634

Notes to the Financial Statements

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

(b) None of the Directors have waived the right to receive their emoluments (2008: Nil).

(c) During the year, no emolument was paid or is payable by the Group to any of the above Directors or the five highest paid individuals are an inducement to join or upon joining the Group or as compensation for loss of office (2008: Nil).

(d) The five highest paid individuals in the Group for the year include three (2008: three) Directors whose emoluments are already reflected in the analysis presented above. The emoluments payable to the remaining two (2008: two) individuals are as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and other emoluments	**2,262**	920
Share options expense	**—**	5,120
	2,262	6,040

The emoluments of these individuals fell within the following bands:

	2009	2008
	Number	Number
Emolument bands		
HK$1,000,001 — HK$2,000,000	**2**	—
HK$2,500,001 — HK$3,500,000	**—**	2
	2	2

Notes to the Financial Statements

10 Finance costs

	2009 HK$'000	2008 HK$'000
Interest expenses		
Bank loans and overdrafts	**32,202**	36,454
Finance lease obligations wholly repayable within five years	**8**	18
Other incidental borrowing costs	**1,230**	1,358
Net foreign exchange loss on bank borrowings	**5,472**	2,503
Fair value loss on interest rate swaps	**3,132**	3,318
	42,044	43,651
Interest capitalised under property, plant and equipment	**(3,989)**	(4,022)
	38,055	39,629

To the extent funds are borrowed for the purpose of financing certain hotel properties under conversion, the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation as part of the costs of these properties is 2.0% (2008: 4.6%) per annum.

11 Income tax expense

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

	2009 HK$'000	2008 HK$'000
Current income tax		
Hong Kong profits tax	**—**	2,463
Overseas profits tax	**487**	—
	487	2,463
Deferred income tax *(note 28)*	**11,714**	11,489
Income tax expense	**12,201**	13,952

Notes to the Financial Statements

11 Income tax expense (continued)

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

	2009	2008
	HK$'000	HK$'000
(Loss)/profit before income tax	**(218,094)**	110,222
Calculation at a tax rate of 16.5% (2008: 17.5%)	**(35,986)**	19,289
Effect of different tax rates in other countries	**1,184**	(1,402)
Effect of tax rate change	**912**	—
Income not subject to income tax	**(9,982)**	(11,919)
Expenses not deductible for tax purposes	**50,989**	9,693
Tax losses not recognised	**6,768**	2,151
Utilisation of previously unrecognised tax losses	**(168)**	(4,430)
Temporary differences not recognised	**(1,516)**	570
Income tax expense	**12,201**	13,952

12 (Loss)/profit for the year attributable to shareholders

The (loss)/profit for the year attributable to shareholders is dealt with in the financial statements of the Company to the extent of profit of HK$45,007,000 (2008: HK$130,767,000).

13 Dividends

No interim dividend was declared for the year (2008: HK0.26 cent per share). The Board did not recommend the payment of a final dividend for the year ended 31st March 2009 (2008: HK0.07 cent in scrip per share).

14 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to shareholders of HK$230,295,000 (2008: profit of HK$96,270,000) and divided by the weighted average number of 12,988,206,347 (2008: 12,605,196,985) shares in issue during the year.

The outstanding warrants, share options and convertible bonds did not have any dilutive effect on the (loss)/earnings per share for the years ended 31st March 2009 and 2008, so the diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share for the years ended 31st March 2009 and 2008.

Notes to the Financial Statements

15 Property, plant and equipment and leasehold land

Group

	Freehold land and hotel buildings HK$'000	Plant and equipment HK$'000 *(note a)*	Sub-total HK$'000	Leasehold land HK$'000 *(note b)*	Total HK$'000
Cost					
At 1st April 2008	1,071,393	345,101	1,416,494	1,936,356	3,352,850
Exchange difference	(83,769)	(13,690)	(97,459)	—	(97,459)
Additions	115,781	48,225	164,006	—	164,006
Disposals	(3,542)	(6,379)	(9,921)	—	(9,921)
At 31st March 2009	**1,099,863**	**373,257**	**1,473,120**	**1,936,356**	**3,409,476**
Accumulated depreciation and amortisation					
At 1st April 2008	273,169	244,211	517,380	250,703	768,083
Exchange difference	(31,970)	(11,705)	(43,675)	—	(43,675)
Capitalised in property, plant and equipment	—	—	—	6,290	6,290
Recognised in the profit and loss account	26,300	21,723	48,023	20,637	68,660
Charge for the year	26,300	21,723	48,023	26,927	74,950
Disposals	(512)	(6,358)	(6,870)	—	(6,870)
At 31st March 2009	**266,987**	**247,871**	**514,858**	**277,630**	**792,488**
Net book value					
At 31st March 2009	**832,876**	**125,386**	**958,262**	**1,658,726**	**2,616,988**

Notes to the Financial Statements

15 Property, plant and equipment and leasehold land (continued)

Group

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

Notes to the Financial Statements

15 Property, plant and equipment and leasehold land (continued)

Notes:

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

(b) The Group's leasehold land comprise:

	Group	
	2009	2008
	HK$'000	HK$'000
Leasehold land in Hong Kong		
Long term lease	**1,075,770**	1,087,356
Medium term lease	**582,956**	598,297
	1,658,726	1,685,653

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

	2009	2008
	HK$'000	HK$'000
Freehold land and hotel buildings	**832,876**	798,224
Plant and equipment	**123,608**	99,174
Property, plant and equipment	**956,484**	897,398
Leasehold land	**1,658,726**	1,685,653
	2,615,210	2,583,051

(d) At 31st March 2009, the net book value of hotel properties and leasehold land (note 15(c)) were pledged to banks to secure bank borrowings of HK$1,377,407,000 (2008: HK$870,559,000) (note 27(a)).

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

(f) Supplementary information with hotel properties at valuation:

The aggregate valuation of the hotel properties in Hong Kong and Canada were revalued by Knight Frank and Grant Thornton Management Consultants respectively, independent professional valuers, 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 HKASs 16 and 17.

Notes to the Financial Statements

16 Goodwill

	2009	2008
	HK$'000	HK$'000
Net book value		
At 1st April	**9,640**	13,188
Impairment charge *(note 6)*	**(9,640)**	(3,548)
At 31st March	**–**	9,640

Note:

Goodwill arose from the acquisition of catering service businesses. The recoverable amount of goodwill has been determined based on a value-in-use calculation which is based on a projected net cash inflow from the operation of catering service businesses. The Group made a goodwill impairment loss of HK$9,640,000 (2008: HK$3,548,000) based on the value-in-use assessment during the year.

17 Available-for-sale investments

	Group	
	2009	2008
	HK$'000	HK$'000
Equity securities		
Listed in Hong Kong	**182,428**	313,976

Notes:

(a) 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 profit and loss account subsequent to reclassification. At 31st March 2009, the fair values of reclassified financial assets amounted to HK$31.471,000.

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

(b) As at 31st March 2008, available-for-sale investments of HK$116,480,000 were pledged as securities for the short term bank borrowings (note 27(a)).

(c) HK$177,486,000 impairment provision on available-for-sale investment was recognised in profit and loss account during the year (2008: Nil).

Notes to the Financial Statements

18 Subsidiaries

	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	—	—
Amounts due from subsidiaries	2,571,942	2,664,312
	2,571,942	2,664,312
Amounts due to subsidiaries	—	(122,239)

Details of the principal subsidiaries are set out in note 35.

Amount of HK$15,588,000 (2008: Nil) due from a subsidiary is secured, interest bearing at 1.5% per annum above Hong Kong interbank offer rate, and has no fixed terms of repayment.

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

19 Derivative financial instruments

	Group			
	2009		2008	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Interest rate swaps *(note (a))*	—	8,070	—	4,937
Foreign currency interest rate swaps *(note (b))*	—	7,703	—	—
Warrants and call options of Hong Kong listed equity securities	10,643	—	—	—
Range accrual notes	2,163	—	—	—
Derivative financial instruments for purchase of listed securities *(note (c))*	—	—	—	13,395
	12,806	15,773	—	18,332

19 Derivative financial instruments (continued)

Notes:

(a) The notional principal amounts of the outstanding Hong Kong dollar interest rate swaps at 31st March 2009 were HK$200,000,000 (2008: HK$300,000,000). At 31st March 2009, the fixed interest rates vary from 2.77% to 4.20% (2008: 2.77% to 4.83%) per annum and the main floating rates are HIBOR.

(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 22(b)) and financial assets at fair value through profit or loss (note 20(c)).

(c) At 31st March 2008, the derivative financial instruments for purchase of listed securities were secured by fixed deposit of the Group (note 22(b)).

(d) The Group's derivative financial instruments are settled on a net basis, except for interest income and expense, and notional principal amounts derived from foreign currency interest rate swaps which are settled in gross.

20 Financial assets at fair value through profit or loss

	Group	
	2009	2008
	HK$'000	HK$'000
Listed securities, at fair value		
— Equity securities — Hong Kong	**57,536**	88,108
— Equity securities — USA	**15,025**	—
— Equity securities — Europe	**7,678**	—
— Preference securities — Europe *(note a)*	**36,190**	—
— Preference securities — USA *(note a)*	**133,399**	—
— Debt securities — Europe *(note b)*	**57,934**	—
Unlisted securities, at fair value		
— Preference securities — Europe	**370**	—
	308,132	88,108

Notes to the Financial Statements

20 Financial assets at fair value through profit or loss (continued)

Notes:

(a) At 31st March 2009, nominal value of preference securities is equivalent to HK$501,466,000 (2008: Nil).

(b) The debt securities had fixed interest ranging from 6.467% to 8.399% per annum and maturity dates between 30th June 2012 and 21st September 2027 and their nominal values are equivalent to HK$126,460,000 (2008: Nil).

(c) At 31st March 2009, financial assets at fair value through profit or loss equivalent of HK$14,968,000 (2008: Nil) were pledged as securities for foreign currency interest rate swaps (note 19(b)).

(d) Financial assets at fair value through profit or loss (held for trading) are denominated in the following currencies:

	Group	
	2009	2008
	HK$'000	HK$'000
United States dollar	**206,614**	—
Hong Kong dollar	**57,536**	88,108
Euro	**38,230**	—
Sterling pound	**5,752**	—
	308,132	88,108

21 Trade and other receivables

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables				
— Fully performing	**18,739**	27,842	**—**	—
— Past due but not impaired *(note b)*	**4,716**	9,257	**—**	—
— Impaired and provided for	**308**	115	**—**	—
	23,763	37,214	**—**	—
Less: provision for impairment	**(308)**	(115)	**—**	—
Trade receivables — net *(note a)*	**23,455**	37,099	**—**	—
Prepayments	**8,522**	8,381	**818**	777
Deposits	**14,784**	5,762	**—**	—
Other receivables *(note f)*	**37,106**	36,859	**—**	—
	83,867	88,101	**818**	777

Notes to the Financial Statements

21 Trade and other receivables (continued)

Notes:

(a) The aging analysis of trade receivables net of provision for impairment is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
0 — 60 days	**23,054**	36,002
61 — 120 days	**160**	1,082
Over 120 days	**241**	15
	23,455	37,099

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

	2009	2008
	HK$'000	HK$'000
0 — 60 days	**4,450**	9,013
Over 60 days	**266**	244
	4,716	9,257

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

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

(e) 79% (2008: 91%) of carrying amounts of the trade and other receivables of the Group are denominated in Hong Kong dollar.

(f) Other receivables comprise loans receivable of HK$25,000,000 (2008: HK$30,000,000), interest and dividend receivables of HK$10,095,000 (2008: HK$5,276,000) from financial assets at fair value through profit or loss and available-for-sale investments. Loan receivables are unsecured, interest bearing at 2% above Hong Kong prime rate per annum and repayable within one year which are fully performing.

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

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

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

Notes to the Financial Statements

22 Bank balances and cash

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**57,247**	51,587	**698**	2,974
Short-term bank deposits	**6,637**	13,713	**—**	—
Cash and cash equivalents	**63,884**	65,300	**698**	2,974
Pledged deposits *(note b)*	**12,000**	18,816	**—**	—
Total cash and cash balances	**75,884**	84,116	**698**	2,974

Notes:

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

	Group	
	2009	2008
	HK$'000	HK$'000
Hong Kong dollar	**51,259**	39,628
Canadian dollar	**7,581**	1,772
Renminbi	**11,130**	12,070
United States dollar	**5,809**	30,646
Others	**105**	—
	75,884	84,116

(b) At 31st March 2009, cash and bank balances amounted to HK$12,000,000 (2008: HK$18,816,000) were pledged as securities for the derivative financial instruments (notes 19(b) and (c)).

23 Trade and other payables

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(note a)*	**13,888**	16,710	**—**	—
Accrued expenses	**26,028**	28,645	**1,040**	1,063
Construction and retention payables	**10,441**	748	**—**	—
Other payables	**3,574**	5,437	**—**	—
	53,931	51,540	**1,040**	1,063

Notes:

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

	Group	
	2009	2008
	HK$'000	HK$'000
0 — 60 days	**13,734**	16,364
61 — 120 days	**41**	33
Over 120 days	**113**	313
	13,888	16,710

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

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

	Group	
	2009	2008
	HK$'000	HK$'000
Hong Kong dollar	**40,339**	32,934
Canadian dollar	**12,628**	17,258
Renminbi	**964**	1,348
	53,931	51,540

Notes to the Financial Statements

24 Warrant liabilities

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

	Group and Company	
	2009	2008
	HK$'000	HK$'000
At 1st April	**51,325**	—
Issue of warrants *(note 26)*	**—**	116,832
Fair value gain credited to profit and loss account *(note 6)*	**(27,390)**	(65,502)
Conversion of warrants *(note 26)*	**—**	(5)
At 31st March	**23,935**	51,325

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

	2009	2008
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

25 Share capital

	Number of shares of HK$0.02 per share	Amount HK$'000
Authorised:		
At 1st April 2008 and 31st March 2009	**35,000,000,000**	**700,000**
Issued and fully paid:		
At 1st April 2007	11,080,234,729	221,605
Conversion of convertible bonds *(note a)*	1,428,571,427	28,571
Final scrip dividend *(note b)*	223,946,076	4,479
Interim scrip dividend *(note c)*	175,335,305	3,507
Conversion of warrants *(note d)*	119,104	2
At 31st March 2008	12,908,206,641	258,164
Final scrip dividend *(note e)*	162,221,627	3,245
At 31st March 2009	**13,070,428,268**	**261,409**

Notes:

(a) In April 2007, convertible bond of the Company was converted into totally 1,428,571,427 shares of the Company at a conversion price of HK$0.105 per share.

(b) In October 2007, 223,946,076 new shares were allotted and issued in lieu of final dividend of HK0.26 cent per share for the year ended 31st March 2007.

(c) In February 2008, 175,335,305 new shares were allotted and issued in lieu of interim dividend of HK0.26 cent per share for the six months ended 30th September 2007.

(d) In September 2007, 2,501,761,231 warrants were issued, and 119,104 warrants were converted at HK$0.146 per share during the year. 2,501,642,127 warrants are outstanding at 31st March 2008 and 31st March 2009.

(e) In October 2008, 162,221,627 new shares were allotted and issued in lieu of final dividend of HK0.07 cent per share for the year ended 31st March 2008.

Notes to the Financial Statements

26 Reserves

Group

	Share premium HK$'000	Contributed surplus HK$'000	Convertible bonds – equity component HK$'000	Available-for-sale investment reserve HK$'000	Exchange reserve HK$'000	Share options reserve HK$'000	Warrant reserve HK$'000	Revenue reserve HK$'000	Total HK$'000
At 1st April 2007	875,912	899,333	33,838	–	46,106	7,960	–	(142,113)	1,721,036
Exchange differences	–	–	–	–	19,475	–	–	–	19,475
Issue of shares as scrip dividend	33,500	–	–	–	–	–	–	–	33,500
Issue of share upon conversion of convertible bonds	121,429	–	(33,838)	–	–	–	–	–	87,591
Issue of warrants *(note 24)*	–	–	–	–	–	–	(116,832)	–	(116,832)
Issue of share upon conversion of warrants *(note 24)*	15	–	–	–	–	–	5	–	20
Fair value gain on investments	–	–	–	14,898	–	–	–	–	14,898
Deferred tax *(note 28)*	–	–	–	(2,607)	–	–	–	–	(2,607)
Share options expense	–	–	–	–	–	22,400	–	–	22,400
Share options lapsed	–	–	–	–	–	(2,840)	–	2,840	–
Profit for the year	–	–	–	–	–	–	–	96,270	96,270
Dividends paid	–	–	–	–	–	–	–	(65,628)	(65,628)
At 31st March 2008	1,030,856	899,333	–	12,291	65,581	27,520	(116,827)	(108,631)	1,810,123
Exchange differences	–	–	–	–	(35,910)	–	–	–	(35,910)
Issue of shares as scrip dividend	5,791	–	–	–	–	–	–	–	5,791
Fair value loss on investments	–	–	–	(208,299)	–	–	–	–	(208,299)
Deferred tax *(note 28)*	–	–	–	2,607	–	–	–	–	2,607
Impairment loss charged to profit and loss account	–	–	–	177,486	–	–	–	–	177,486
Share options lapsed	–	–	–	–	–	(2,240)	–	2,240	–
Loss for the year	–	–	–	–	–	–	–	(230,295)	(230,295)
Dividend paid	–	–	–	–	–	–	–	(9,036)	(9,036)
At 31st March 2009	**1,036,647**	**899,333**	**–**	**(15,915)**	**29,671**	**25,280**	**(116,827)**	**(345,722)**	**1,512,467**

Notes to the Financial Statements

26 Reserves (continued)

Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible bonds – equity component HK$'000	Share options reserve HK$'000	Warrant reserve HK$'000	Revenue reserve HK$'000	Total HK$'000
At 1st April 2007	875,912	1,088,229	33,838	7,960	–	117,652	2,123,591
Issue of shares as scrip dividend	33,500	–	–	–	–	–	33,500
Issue of shares upon conversion of convertible bonds	121,429	–	(33,838)	–	–	–	87,591
Issue of warrants *(note 24)*	–	–	–	–	(116,832)	–	(116,832)
Issue of share upon conversion of warrants *(note 24)*	15	–	–	–	5	–	20
Share options expense	–	–	–	22,400	–	–	22,400
Share options lapsed	–	–	–	(2,840)	–	2,840	–
Profit for the year	–	–	–	–	–	130,767	130,767
Dividends paid	–	–	–	–	–	(65,628)	(65,628)
At 31st March 2008	1,030,856	1,088,229	–	27,520	(116,827)	185,631	2,215,409
Issue of shares as scrip dividend	5,791	–	–	–	–	–	5,791
Share options lapsed	–	–	–	(2,240)	–	2,240	–
Profit for the year	–	–	–	–	–	45,007	45,007
Dividend paid	–	–	–	–	–	(9,036)	(9,036)
At 31st March 2009	**1,036,647**	**1,088,229**	**–**	**25,280**	**(116,827)**	**223,842**	**2,257,171**

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is also distributable. Accordingly, the total distributable reserves of the Company as at 31st March 2009 amounted to HK$1,220,524,000 (2008: HK$1,184,553,000)

Notes to the Financial Statements

27 Borrowings

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Short term bank borrowings, unsecured	**30,000**	20,000	**30,000**	20,000
Short term bank and other borrowings, secured *(note a)*	**385,011**	358,295	**—**	—
	415,011	378,295	**30,000**	20,000
Long term bank borrowings, secured *(notes a & b)*	**992,396**	605,385	**—**	—
Obligations under finance leases *(note b)*	**—**	63	**—**	—
	1,407,407	983,743	**30,000**	20,000

Notes:

(a) The short term bank borrowings of HK$385,011,000 (2008: HK$265,111,000) and the long term bank borrowings of HK$992,396,000 (2008: HK$605,385,000) are secured by mortgages of the Group's hotel properties and leasehold land (note 15(d)), floating charges over all the assets of certain subsidiaries and corporate guarantees given by the Company. At 31st March 2008, the short term other borrowings of HK$93,184,000 were secured by certain available-for-sale investments (note 17(b)).

(b) The maturity of long term bank borrowings and obligations under finance leases is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Bank borrowings not wholly repayable within five years		
Repayable within one year	**43,432**	11,012
Repayable within one to two years	**57,770**	11,012
Repayable within two to five years	**217,811**	122,038
Repayable after five years	**673,383**	461,323
	992,396	605,385
Obligations under finance leases wholly repayable within five years	**—**	63
	992,396	605,448
Current portion included in current liabilities	**(43,432)**	(11,075)
	948,964	594,373

Notes to the Financial Statements

27 Borrowings (continued)

(c) The carrying amounts of the borrowings are denominated in the following currencies:—

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**1,223,070**	845,184	**30,000**	20,000
Canadian dollar	**87,214**	118,449	**—**	—
Japanese Yen	**97,123**	20,110	**—**	—
	1,407,407	983,743	**30,000**	20,000

The effective interest rates of the borrowings at the balance sheet date ranged from 0.68% to 2.2% (2008: 1.29% to 4.95%) per annum.

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

28 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates.

The movement of the net deferred income tax assets is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
At 1st April	**16,276**	30,372
Recognised in the profit and loss account *(note 11)*	**(11,714)**	(11,489)
Recognised in equity *(note 26)*	**2,607**	(2,607)
At 31st March	**7,169**	16,276

Notes to the Financial Statements

28 Deferred income tax (continued)

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

Group

Deferred income tax liabilities

	Fair value gain	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000
At 1st April 2007	—	39,804	39,804
Recognised in the profit and loss account	—	(53)	(53)
Recognised in equity	2,607	—	2,607
At 31st March 2008	2,607	39,751	42,358
Recognised in the profit and loss account	—	(3,027)	(3,027)
Recognised in equity	(2,607)	—	(2,607)
At 31st March 2009	**—**	**36,724**	**36,724**

Deferred income tax assets

	Accelerated accounting depreciation	Tax losses	Total
	HK$'000	HK$'000	HK$'000
At 1st April 2007	331	69,845	70,176
Recognised in the profit and loss account	(35)	(11,507)	(11,542)
At 31st March 2008	296	58,338	58,634
Recognised in the profit and loss account	(57)	(14,684)	(14,741)
At 31st March 2009	**239**	**43,654**	**43,893**

Notes to the Financial Statements

28 Deferred income tax (continued)

Company

Deferred income tax assets

	Tax losses	
	2009	2008
	HK$'000	HK$'000
At 1st April	**137**	137
Recognised in the profit and loss account	**(40)**	—
At 31st March	**97**	137

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets with current income tax liabilities and when the deferred income tax relates to the same authority. The following amounts, determined after appropriate offsetting, are shown separately on the balance sheet.

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred income tax assets	**7,771**	18,883	**97**	137
Deferred income tax liabilities	**(602)**	(2,607)	**—**	—
	7,169	16,276	**97**	137

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of HK$18 million (2008: HK$14 million) in respect of losses amounting to HK$105 million (2008: HK$61 million) that can be carried forward against future taxable income. Except for tax losses of HK$87 million (2008: HK$20 million) which have no expiry date, the balance will expire at various dates up to and including 2029 (2008: 2026).

Notes to the Financial Statements

29 Operating lease arrangements

(a) Lessor

The Group leases out certain part of its hotel properties under operating leases which typically run for lease terms between 2 and 4 years.

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

	Group	
	2009	2008
	HK$'000	HK$'000
Within one year	**9,632**	8,731
In the second to fifth years inclusive	**11,642**	16,652
	21,274	25,383

As at 31st March 2009, the Company had no operating lease receivable arrangements (2008: Nil).

(b) Lessee

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

	Group	
	2009	2008
	HK$'000	HK$'000
Within one year	**6,102**	3,784
In the second to fifth years inclusive	**7,411**	3,250
Over five years	**6,312**	—
	19,825	7,034

As at 31st March 2009, the Company had no operating lease payable arrangements (2008: Nil).

30 Capital commitments

Capital commitments at the balance sheet date are as follows:

	2009	2008
	HK$'000	HK$'000
Property, plant and equipment		
Contracted but not provided for	**34,086**	111,900
Authorised but not contracted for	**33,162**	29,827
	67,248	141,727

Notes to the Financial Statements

31 Financial guarantee

	Company	
	2009	2008
	HK$'000	HK$'000
Guarantees for the banking and loan facilities of subsidiaries	**1,378,886**	870,496

As at 31st March 2009, the Group had no contingent liabilities (2008: Nil). The Directors consider that the subsidiaries are financially resourceful in settling the obligations.

32 Related party transactions

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

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

(a) Sales and purchases of goods and services the transacted parties

	2009	2008
	HK$'000	HK$'000
Income from ASI		
Hotel services	**9**	—
Travel agency service	**873**	900
Income from/(expenses to) fellow subsidiaries		
Operating lease rental expense for properties	**(1,478)**	(1,457)
Management service expenses	**(793)**	(973)
Information technology support service income	**160**	—
Income from Asia Orient		
Hotel services	**—**	6

(b) Key management compensation

	2009	2008
	HK$'000	HK$'000
Fee	**320**	420
Salary allowance and beefits in kind	**14,366**	13,944
Employer's contribution to retirment benefit scheme	**72**	84
Share options expense	**—**	5,120
	14,758	19,568

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

Notes to the Financial Statements

33 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	**(218,094)**	110,222
Depreciation and amortisation	**68,660**	68,364
Impairment of goodwill	**9,640**	3,548
Interest income	**(7,692)**	(2,671)
Dividend income	**(17,960)**	(1,725)
Finance costs	**34,923**	36,311
Net realised loss/(gain) on disposal of financial assets at fair value through profit or loss	**17,130**	(34,745)
Loss/(gain) on disposal of property, plant and equipment	**3,051**	(582)
Unrealised loss on financial assets at fair value through profit or loss	**80,202**	10,159
Share options expense	**—**	22,400
Fair value loss on interest rate swap	**3,132**	3,318
Fair value loss on derivative financial instruments	**11,598**	13,395
Impairment loss of available-for-sale investments	**177,486**	—
Fair value gain on warrant liabilities	**(27,390)**	(65,502)
Operating profit before working capital changes	**134,686**	162,492
Decrease/(increase) in inventories	**109**	(78)
Decrease/(increase) in trade and other receivables	**2,621**	(34,253)
Increase in financial assets at fair value through profit or loss	**(385,339)**	(24,686)
(Increase)/decrease in derivative financial instruments	**(30,000)**	2,854
Increase/(decrease) in trade and other payables	**2,833**	(11,518)
Net cash (used in)/generated from operations	**(275,090)**	94,811

34 Comparative figures

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

Notes to the Financial Statements

35 Principal subsidiaries

A list of the Group's principal subsidiaries which are in the opinion of the Directors, principally affect the results and/or net assets of the Group, are as follows:

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

Name	Principal activity	Issued and fully paid ordinary share capital/ registered capital
Incorporated in Hong Kong		
Asia Standard Hotel (Holdings) Limited	Investment holding	**HK$2**
Grace Profit Enterprises Limited	Investment holding	**HK$2**
JBC Travel Company Limited	Travel agency	**HK$2,500,000**
Perfect Wave Limited	Catering operation	**HK$2**
Stone Pole Limited	Hotel investment and operation	**HK$10**
Vinstar Development Limited	Hotel investment and operation	**HK$2**
Master Asia Enterprises Limited	Hotel holding	**HK$10,000**
Incorporated in the British Virgin Islands		
Asia Standard Hotel (BVI) Limited *	Investment holding	**US$1**
Empire Hotel Investment Limited	Investment holding	**US$1**
Enrich Enterprise Limited #	Hotel investment	**US$1**
Global Gateway Corp. #	Hotel operation	**US$1**
Glory Ventures Enterprises Inc. #	Hotel investment	**US$1**
Greatime Limited	Securities investment	**US$1**
Superite Limited	Securities investment	**US$1**
Onrich Enterprise Limited	Securities investment	**US$1**
Incorporated in the People's Republic of China (the "PRC")		
Shanghai Hong Hua TGIF Restaurant Co. Limited (95% owned) ##	Catering operation	**RMB17,384,640**

 # Operates in Canada

Operates in the PRC, cooperative joint venture

** Directly wholly owned by the Company*

Notes to the Financial Statements

36 Ultimate holding company

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

37 Approval of financial statements

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

ASIA STANDARD HOTEL GROUP LIMITED
30th Floor, Asia Orient Tower, Town Place,
33 Lockhart Road, Wanchai, Hong Kong

www.asiastandardhotel.com