ASIA STANDARD HOTEL GROUP LIMITED

Stock Code: 292

Annual Report 2010

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 www.asiastandardhotelgroup.com
E-mail info@asia-standard.com.hk

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
35th Floor, Bank of China Tower,
1 Garden Road, Central,
Hong Kong

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

Auditor

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

Share registrar in Bermuda

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre,
11 Bermudiana Road,
Pembroke HM08,
Bermuda

Hong Kong branch share registrar and transfer office

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

Financial Highlights

For the year ended 31st March (in HK$ million, except otherwise indicated)	2010	2009	Change
Consolidated profit and loss account			
Revenue	**594**	604	-2%
Contribution from hotel operations	**150**	150	–
Depreciation and amortisation	**(89)**	(69)	+29%
Finance costs	**(33)**	(38)	-13%
Net investment gain/(loss)	**400**	(286)	N/A
Profit/(loss) attributable to shareholders	**435**	(230)	N/A
Basic earnings/(loss) per share (HK cents)	**33.20**	(17.73)	N/A
Consolidated balance sheet			
Total assets	**3,962**	3,290	+20%
Net assets	**2,364**	1,774	+33%
Net debt	**1,370**	1,332	+3%

Supplementary information with hotel properties at valuations (note):

Revalued total assets	**6,533**	4,998	+31%
Revalued net assets	**4,514**	3,211	+41%
Revalued net assets per share (HK$)	**3.44**	2.50	+38%
Gearing – net debt to revalued net assets	**30%**	42%	-12%

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 income tax in addition to the net asset value based on the financial statements prepared in accordance with HKFRS.**

The hotel properties in Hong Kong and Canada were revalued by Vigers Appraisal & Consulting Limited (2009: Knight Frank) and Grant Thornton Management Consultants respectively, independent professional valuers, as at 31st March 2010.

Chairman's Statement

For the year ended 31st March 2010, the Group recorded a consolidated net profit of approximately HK$435 million as compared to a loss last year. The difference was mainly attributable to gain, both realised and unrealised, on investments in financial assets as opposed to a loss, mainly unrealised, in the same period last year. Basic earnings per share in 2010 was HK33.20 cents as compared with basic loss per share of HK17.73 cents in 2009.

For the period under review, the Group was characterised by an expansion of hotel room portfolio and hotel facilities' enhancement to gear up for the slow but gradual market recovery after the financial tsunami. With the addition of 280 rooms in Empire Hotel Causeway Bay that was fully opened in May 2009, the Group has to date increased 40% of its room portfolio to 985 rooms in Hong Kong. Through coordinated marketing and promotional efforts resulting in growing awareness by our overseas visiting hotel guests and local patrons, this hotel is poised to make positive contributions to the profitability of the Group.

The Group will continue its efforts in a progressive asset enhancement program aiming to improve the guest experience and boost the competitiveness of all Empire Hotels.

Looking forward, given the uncertainties in global financial markets, debt crisis in Europe and their potential repercussions on outbound travel, management is cautious about the challenges it faces but none the less remains optimistic about the future of the Group.

The Board proposed a final dividend of HK1 cent per share with a scrip option.

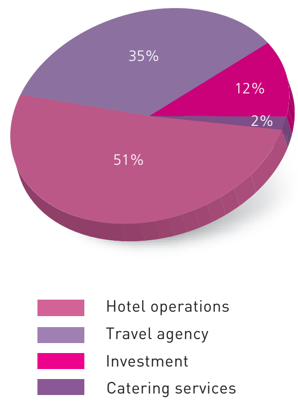
On behalf of the Board, I would like to express my gratitude to our staff for their invaluable contribution, and our customers, shareholders and the investment community for their support.

Poon Jing
Chairman

Hong Kong, 29th June 2010

Empire Hotel Hong Kong • Empire Grand Room

Revenue by Operating Segment



Results

The Group's revenue for the year ended 31st March 2010 amounted to HK$594 million, decreasing by HK$10 million or 2% compared with the same period last year. The Group's profit attributable to shareholders increased to HK$435 million as compared to a loss of HK$230 million in the same period last year. The difference was mainly attributable to gain, both realised and unrealised, on investments in financial assets as opposed to a loss, mainly unrealised, in the same period last year.

Business Review

During the period between April 2009 and March 2010, the number of tourist arrivals increased by 2% compared to the same period in the prior reporting year. This was mainly due to the rise in arrivals from Mainland China, which balanced off the decline in overseas visitor arrivals from both short and long haul region. The negative arrival trend in the earlier part of the year began to reverse in August 2009 as visitors' concern about the outbreak of H1N1 influenza in May 2009 gradually subsided while the economic conditions also improved from the global financial crisis that emerged since the third quarter of 2008.

On the supply side, the number of hotel rooms under high tariff B category saw a 17% increase during the period under review from the same period of last year.

According to the statistics from the Hong Kong Tourism Board, the average hotel occupancy rate across all categories of hotels in 2009 was 78%, which was 7% lower than the figure of the previous year. Occupancy for top-tariff hotels averaged 72% in 2009, a decrease of also 7% over 2008.

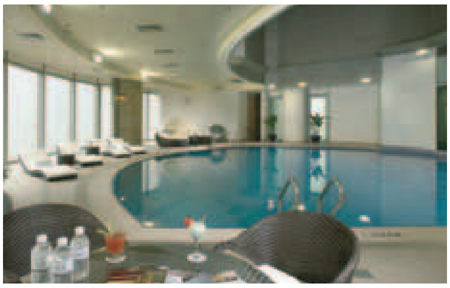
During the period under review, the Group continued to enhance the facilities and services at all four Empire Hotels. An Empire Elite membership loyalty program aiming to attract guests for more frequent stays and reward them a range of incentives was initiated.

Management Discussion and Analysis

Empire Hotel Hong Kong

Empire Hotel Hong Kong • Gym & Pool

Empire Hotel Kowloon • Atrium Pool



Empire Hotel Kowloon

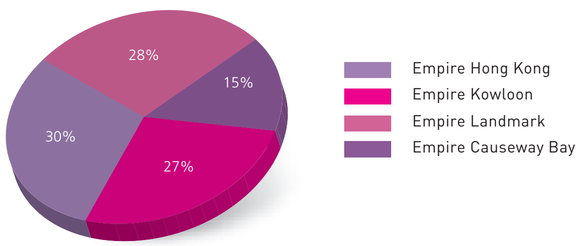
Empire Hotel Hong Kong

Empire Hotel Hong Kong's average room rate decreased by 24% at an average occupancy rate of 83%. Total revenue amounted to HK$90 million and its gross operating profit amounted to HK$48 million. A number of refurbishment projects completed during the year included a new conference and banquet venue and a business lounge, which further enhanced its competitiveness in the higher yield business segment. As a continued effort in facilities enhancement, the hotel lobby will undergo a renovation program from May 2010 and is expected to be completed in September 2010. The new design will further improve the operation efficiency of the lobby area and provide an uplift in the image of the hotel.

Empire Hotel Kowloon

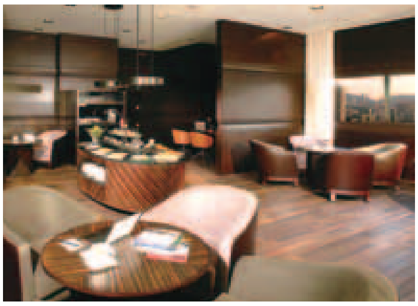
Empire Hotel Kowloon's average room rate decreased by 24% at an average occupancy rate of 86%. Total revenue amounted to HK$83 million and its gross operating profit amounted to HK$44 million.

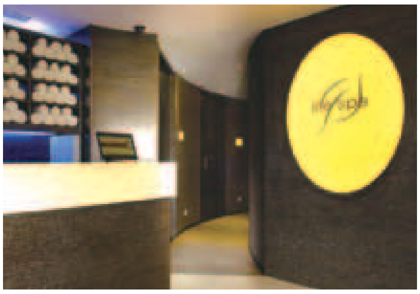
2010 Revenue by Hotel



Empire Landmark Hotel Vancouver

Empire Hotel Causeway Bay
• Club Lounge and Life Spa





Empire Hotel Causeway Bay

Empire Landmark Hotel Vancouver

Empire Landmark average room rate decreased by 7% at an average occupancy rate of 61%. Total revenue amounted to HK$84 million, and its gross operating profit amounted to HK$37 million. During the year, a variety of upgrading works were carried out including elevators, property management and telecommunications systems, guest room key access system, fire security system and in-room TV entertainment facilities. This extensive asset enhancement program shall continue progressively in the next 2 years to improve the guest experience and to position the hotel as one of the best in its class.

Empire Hotel Causeway Bay

Empire Hotel Causeway Bay has, since its official opening in mid-May 2009, achieved an occupancy rate of 86% between July 2009 and March 2010. Total revenue for the entire year amounted to HK$47 million, and its gross operating profit amounted to HK$21 million.

In addition, this new hotel was also appointed as one of the Hong Kong 2009 East Asian Games Athletes' Hotels to provide accommodation for athletes of the Games in December 2009.

The Group's room portfolio increased by 280 from 1,063 rooms to 1,343 rooms with the addition of this new hotel.

Travel and Catering

Revenues for the travel and catering amounted to HK$208 million and HK$11 million respectively.

Financial Review

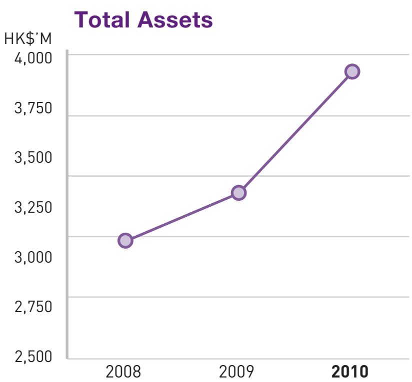
As at 31st March 2010, total assets amounted to HK$3,962 million, increased by 20% when compared with HK$3,290 million as at 31st March 2009. Based on independent valuation, the total revalued amount of the four hotel properties as at 31st March 2010 was HK$5,207 million, increased by 20% when compared with that as at 31st March 2009.

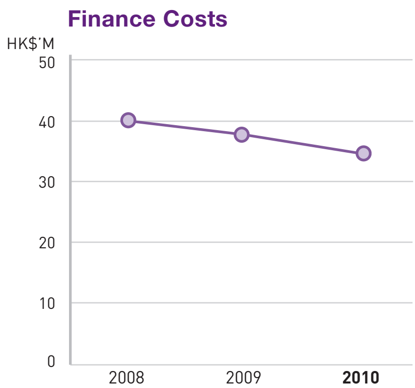
The shareholders' funds amounted to HK$2,364 million, increased by HK$590 million when compared with HK$1,774 million as at 31st March 2009. The increase was mainly due to the fair value gain on financial assets. Taking into account the market value of the hotel properties, the revalued net asset value of the Group would be HK$4,514 million.

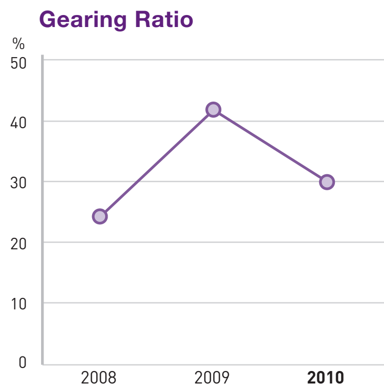
The financial investment portfolio amounted to HK$1,157 million (2009: HK$490 million). This segment of business generated through profit and loss account a total income of HK$70 million (2009: HK$22 million) and a net investment gain of HK$400 million (2009: loss of HK$286 million), of which HK$251 million was due to fair value changes (2009: loss of HK$258 million). A further unrealised fair value gain of HK$95 million was recognised through the equity reserve account (2009: loss of HK$31 million).

The consolidated net bank borrowings was HK$1,370 million, increased by HK$38 million when compared with that at 31st March 2009. Gross bank borrowings denominated in HK dollars amounted to HK$1,294 million, representing 89% of the total gross bank borrowings. 11% of the total gross bank borrowings or to the equivalent of HK$154 million were in foreign currencies, mainly arising from the Vancouver property mortgage loan that was borrowed in Canadian dollar. The Canadian dollar appreciated 24% at the balance sheet date when compared with that at 31st March 2009, and the corresponding net exchange gain of HK$37 million was credited to the equity reserve account. A total of HK$150 million interest rate swap contracts was held for hedging purposes against our borrowings, which were all at floating interest rate.

Of the total gross bank borrowings, 37% was repayable within one year, and 38% was repayable after five years. As at 31st March 2010, the Group had net current assets of HK$411 million (31st March 2009: net current liabilities of HK$60 million).







The Group's gearing ratio, expressed as a percentage of net debt over the net asset value, decreased to 58% (31st March 2009: 75%), and after taking into account the fair value of hotel properties at the balance sheet date, the gearing was at a level of 30% (31st March 2009: 42%).

The aggregate net book value of hotel properties pledged as security for loans of the Group as at 31st March 2010 amounted to HK$2,635 million (31st March 2009: HK$2,615 million).

During the year under review, the ordinary shares of the Company were consolidated based on the ratio of 10 to 1. This capital consolidation resulted in the increase in contributed surplus by HK$235 million.

Human Resources

As at 31st March 2010, the total number of employees of the Company and its subsidiaries was 429. In addition to salary payment, the Group provides other benefits including insurance, share options, medical scheme and retirement plans and others to its employees.

Future Prospects

Looking into 2010, most market regions in the first quarter have been showing robust growth. In particular, arrivals from Mainland China, Taiwan and most short-haul markets have surpassed the levels in 2008 before the global financial crisis, while other markets are also steadily heading for full recovery. All these positive trends are evidence of the improving confidence and sentiments to travel among global consumers, as the economic conditions rebound. Hong Kong is well placed to benefit from the demand for outbound travel among the global and Mainland visitors, leveraging on the growth of Mainland China and various opportunities, such as the World Expo in Shanghai.

We remain confident on the longer-term prospects as the global economy regains its footing.

Five-year Financial Summary

Year ended 31st March (in HK$ million)	**2010**	2009	2008	2007	2006
Revenue	**594**	604	633	621	574
Gross profit	**292**	252	262	254	217
Depreciation and amortisation	**(89)**	(69)	(68)	(75)	(73)
Finance costs	**(33)**	(38)	(40)	(45)	(54)
Profit/(loss) for the year attributable to shareholders	**435**	(230)	96	28	(21)
Total assets	**3,962**	3,290	3,190	2,811	2,417
Total liabilities	**(1,598)**	(1,516)	(1,122)	(868)	(940)
Equity	**2,364**	1,774	2,068	1,943	1,477

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 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 in the Directors and Senior Management section.

According to the Bye-Laws of the Company, at every annual general meeting of the Company, one-third of the Directors (other than the Chairman and the Managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding one-third, shall retire from office by rotation. Pursuant to the Code on Corporate Governance Practices, the Chairman and the Managing Director shall also retire at the annual general meeting every three years. A retiring Director shall be eligible for re-election at the meeting. The 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.

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

Name of Director	Title	Attendance at Board Meetings/ Number of Board Meetings held
Mr. 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	3/4
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), Dr. Lim Yin Cheng, and two Independent Non-executive Directors, Mr. Ip Chi Wai and Mr. Hung Yat Ming. The duties of the Committee include making recommendations to the Board on the remuneration policy and structure of the Directors and senior management, approving the remuneration, determining the remuneration packages of all Executive Directors and senior management and approving the compensation to 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 two meetings, 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 the 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 2010.

Model Code for 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 2010.

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 as the auditor of the Company is included in the Independent Auditor's Report on page 31 of this annual report.

An amount of HK$2,409,000 (2009: HK$2,016,000) 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$315,000 (2009: HK$361,000).

Investor Relationship

The Group aims to provide its shareholders and investors with high level of transparency. During the year, the Executive Directors had numerous meetings with 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.asiastandardhotelgroup.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 & Resorts, we are committed to making a 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 social responsibility ("CSR") and effort on imminent and important social issues, we endeavour to contribute, support and help to provide for those who most need a greater place to live, learn and grow.

The Community

An innovative charity program – The Art of Caring

'The Art of Caring' Community Program, an innovative CSR initiative created by the Group in 2009, with key objectives to help the underprivileged children for more talent development opportunities; to provide a channel and platform for these children to express themselves and demonstrate their abilities through art and drawings. Working in tandem with the project partner SAHK (formerly known as the Spastics Association of Hong Kong), the Group has supported and helped local children and youth with disabilities in their education and health.

The Art of Caring' project made monetary contributions totaling HK$135,000 to its partnering non-government organisation, SAHK which in turn would use this contribution in development programs for the children and youth under its care.

Recognition of Contribution

The Group has been awarded the Caring Company title 2009/10 by The Hong Kong Council of Social Service in recognition of its contribution to the community. This recognition signifies a solid testimonial and a renewed impetus for the Group on its commitment to making positive contribution to society and communities.

Environmental Protection

The design of our new Empire Hotel in Causeway Bay was divided in four zones for optimal gas supply and energy saving. Airconditioning 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.

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 maximise 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.

Executive Directors

POON Jing

Aged 55, is the Chairman of the Company, Chief Executive, Managing Director, an Executive Director and the 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 65, is the Deputy Chairman, Chief Executive and the 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 61, 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 Institution 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 64, 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 46, 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 42. Mr. Ip graduated from The University of Hong Kong with a Degree of Bachelor of Laws. He is a qualified solicitor in Hong Kong and has more than 15 years of experience in the legal profession. He is an Independent Non-executive Director and a member of the Audit Committee and the Remuneration Committee of the Company and also of Bio Cassava Technology Holdings Limited, a company listed in the GEM Board. He joined the Group in September 2003.

LEUNG Wai Keung

Aged 47, 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 been practicing as a barrister since 1996. 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 58. 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 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 is also an Independent Non-executive Director and a member of the Audit Committee of SMI Publishing Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. He joined the Group in September 2004.

Senior Management

NG Siew Seng, Richard

Aged 58, 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 60. 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 as well as an Executive and Finance Committee Member (1989 – 1990) of Hong Kong Hotels Association 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 2010.

Principal activities

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 are set out in note 5 to the financial statements.

Results and appropriations

The results of the Group for the year ended 31st March 2010 are set out in the consolidated profit and loss account on page 32.

The Board recommends a final dividend of HK1 cent (2009: Nil) per share with a scrip option, totalling HK$13,131,000 (2009: Nil) for the year ended 31st March 2010.

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.

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 16 to the financial statements.

Share capital

Details of the movements in share capital of the Company during the year are set out in note 26 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 27 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK$130,000 (2009: HK$521,000).

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

Mr. Hung Yat Ming and Mr. Woo Wei Chun, Joseph will retire from office by rotation in accordance with the Bye-Laws of the Company and Mr. Poon Jing will retire to comply with the Code on Corporate Governance Practices at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

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

Biographical details of the Directors and senior management

Biographical details of the Directors and senior management are set out on pages 17 to 19.

Directors' interests in contracts

Besides the 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 has 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 ultimate holding company, Asia Standard International Group Limited ("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 2010, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing Securities on the Stock Exchange (the "Listing Rules") were as follows:

(I) Long positions in shares

(a) The Company

	Number of shares held			
Director	**Personal interest**	**Corporate interest**	**Total**	**Percentage of shares in issue (%)**
Poon Jing	40,844	923,591,414	923,632,258	70.38

Note:

By virtue of his interest in the Company through Asia Orient Holding Limited ("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.

(I) Long positions in shares (continued)

(b) Associated corporations

Director	Associated corporation	Number of shares held: Personal interest	Corporate interest	Total	Percentage of shares in issue (%)
Poon Jing	ASI *(Note)*	1,160,813	613,365,030	614,525,843	49.28
Fung Siu To, Clement	Mark Honour Limited	9	–	9	0.01

Note:

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.

(II) Long positions in underlying shares

Interests in share options

(a) The Company

As at 31st March 2010, details of the share options granted to Directors under the share option scheme of the Company adopted on 28th August 2006 ("Share Option Scheme") are as follows:

Director	Date of grant	Exercise price (HK$) *(Note 1)*	Exercise period	Outstanding as at 1st April 2009	Adjustment *(Note 1)*	Outstanding as at 31st March 2010
Fung Siu To, Clement	29th March 2007	1.296	29th March 2007 to 28th March 2017	80,000,000	(72,000,000)	8,000,000
Poon Tin Sau, Robert	29th March 2007	1.296	29th March 2007 to 28th March 2017	80,000,000	(72,000,000)	8,000,000
Lim Yin Cheng	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	80,000,000	(72,000,000)	8,000,000
Woo Wei Chun, Joseph	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	80,000,000	(72,000,000)	8,000,000

(II) Long positions in underlying shares (continued)

Notes:

(1) Subsequent to the consolidation of every ten shares of HK$0.02 each into one consolidated share of HK$0.20 each on 9th September 2009 (the "ASH Share Consolidation"), the exercise price of share options granted to Messrs. Fung Siu To, Clement and Poon Tin Sau, Robert was adjusted from HK$0.1296 per share to HK$1.296 per share whereas to each of Dr. Lim Yin Cheng and Mr. Woo Wei Chun, Joseph was adjusted from HK$0.13 per share to HK$1.30 per share.

(2) 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

Director	Outstanding as at 1st April 2009	Adjustment *(Note 1)*	Outstanding as at 31st March 2010
Poon Jing	5,155,440	(4,639,896)	515,544
Lim Yin Cheng	20,621,761	(18,559,585)	2,062,176
Fung Siu To, Clement	20,621,761	(18,559,585)	2,062,176

Notes:

(1) Options were granted on 30th March 2005 and exercisable during the period from 30th March 2005 to 29th March 2015 at exercise price of HK$0.315 (as adjusted) per share. Subsequent to the consolidation of every ten shares of HK$0.01 each into one consolidated share of HK$0.10 each on 9th September 2009, the exercise price of the share option was adjusted from HK$0.315 per share to HK$3.15 per share.

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

(II) Long positions in underlying shares (continued)

Interests in warrants

Details of interest in warrants of the Company are as follows:

The Company

	Number of underlying shares subject to the warrants		
Director	**Personal interest**	**Corporate interest**	**Total**
Poon Jing	7,668	174,221,187	174,228,855

The warrants are exercisable during the period from 7th September 2007 to 6th September 2010 at an initial subscription price of HK$0.146 per share. Following the fifth reset adjustment on 6th March 2010 and the ASH Share Consolidation, the subscription price of the warrants was adjusted from HK$0.029 per share to HK$0.29 per share.

Save as disclosed above, as at 31st March 2010, 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 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.

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 2010, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

(a) Long positions in shares of the Company

Name of shareholders	Number of shares held	Percentage (%)
Asia Standard Development (Holdings) Limited ("ASDHL")	299,506,105	22.82
Asia Standard International Limited ("ASIL")	584,532,250	44.54
ASI *(Note 1)*	884,860,058	67.43
Asia Orient Holdings (BVI) Limited *(Note 2)*	923,591,414	70.38
Asia Orient *(Note 3)*	923,591,414	70.38

(b) Long positions in underlying shares of the Company

Interest in warrants

Name of shareholders	Number of underlying shares subject to the warrants
ASDHL	57,142,857
ASIL	110,385,765
ASI	167,684,338
Asia Orient Holdings (BVI) Limited *(Note 2)*	174,221,187
Asia Orient *(Note 3)*	174,221,187

The warrants of the Company were 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 fifth reset adjustment on 6th March 2010 and the ASH Share Consolidation, the subscription price of the warrants was adjusted from HK$0.029 per share to HK$0.29 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 2010, 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 relationship with the eligible participants.

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 125,088,061 shares, representing approximately 9.53% 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.

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):

Grantee	Outstanding as at 1st April 2009	Exercise during the year	Adjustment *(Note c)*	Outstanding as at 31st March 2010 *(Note c)*
Directors *(Note a)*	160,000,000	–	(144,000,000)	16,000,000
Directors *(Note b)*	160,000,000	–	(144,000,000)	16,000,000
Directors of an associated corporation *(Note b)*	160,000,000	–	(144,000,000)	16,000,000
Employees of an associated corporation *(Note b)*	310,000,000	(9)	(278,999,992)	30,999,999
	790,000,000	(9)	(710,999,992)	78,999,999

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) Subsequent to the ASH Share Consolidation, the exercise price of the share options was adjusted from HK$0.1296 and HK$0.1300 per share to HK$1.296 and HK1.300 per share respectively, and the number of share options granted was adjusted accordingly.

(d) During the year, no share option was granted, lapsed 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 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.

Major customers and suppliers

For the year ended 31st March 2010, 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 71% and 33% 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 2010, 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

Pursuant to a tenancy agreement dated 20th April 2009 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 2009 to 28th February 2011 at a monthly rental of HK$130,080. The annual caps in respect of the amount of annual rent are not exceeding HK$1,560,960 and HK$1,430,880 for the years ended 31st March 2010 and 2011 respectively.

During the year ended 31st March 2010, a total rent of HK$1,560,960 (2009: HK$1,322,480) was paid by JBC to Hoi Chak for the aforesaid agreement.

Hoi Chak is an indirect wholly owned subsidiary of ASI, which is in turn a substantial shareholder of the Company holding approximately 67.43% 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.

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, 29th June 2010

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 32 to 96, which comprise the balance sheet of the Company and the consolidated balance sheet of the Group as at 31st March 2010, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity of the Group 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 2010 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29th June 2010

Consolidated Profit and Loss Account

For the year ended 31st March 2010

	Note	**2010 HK$'000**	2009 HK$'000
Revenue	5	**594,157**	603,533
Cost of sales		**(302,072)**	(352,025)
Gross profit		**292,085**	251,508
Net investment gain/(loss)	6	**399,629**	(286,416)
Selling and administrative expenses		**(92,675)**	(94,221)
Depreciation and amortisation		**(88,830)**	(68,660)
Other (charge)/income	7	**(30,700)**	17,750
Operating profit/(loss)		**479,509**	(180,039)
Finance costs	11	**(32,955)**	(38,055)
Profit/(loss) before income tax		**446,554**	(218,094)
Income tax expense	12	**(11,974)**	(12,201)
Profit/(loss) for the year attributable to shareholders	13	**434,580**	(230,295)
Dividends	14	**13,131**	–
Earnings/(loss) per share (HK cents)			
Basic	15	**33.20**	(17.73)
Diluted	15	**31.06**	(17.73)

Consolidated Statement of Comprehensive Income

For the year ended 31st March 2010

	2010 HK$'000	2009 HK$'000
Profit/(loss) for the year	**434,580**	(230,295)
Other comprehensive income/(charge)		
Net fair value gain/(loss) on available-for-sale investments	**93,430**	(205,692)
Impairment of available-for-sale investments charged to profit and loss account	**1,531**	177,486
Release of reserve upon disposal of available-for-sale investments	**21,735**	–
Currency translation differences	**36,568**	(35,910)
Other comprehensive income/(charge) for the year	**153,264**	(64,116)
Total comprehensive income/(charge) for the year attributable to shareholders	**587,844**	(294,411)

Consolidated Balance Sheet

As at 31st March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	16	**1,004,938**	958,262
Leasehold land	16	**1,631,799**	1,658,726
Deferred income tax assets	29	**1,338**	7,771
Available-for-sale investments	18	**228,258**	182,428
		2,866,333	2,807,187
Current assets			
Inventories		**2,206**	2,160
Derivative financial instruments	20	**–**	12,806
Financial assets at fair value through profit or loss	21	**928,857**	308,132
Trade and other receivables	22	**87,811**	83,867
Bank balances and cash	23	**76,452**	75,884
		1,095,326	482,849
Current liabilities			
Derivative financial instruments	20	**14,571**	15,773
Trade and other payables	24	**62,053**	53,931
Income tax payable		**14,630**	14,512
Short term borrowings	28	**479,014**	415,011
Current portion of long term borrowings	28	**59,768**	43,432
Warrant liabilities	25	**53,904**	–
		683,940	542,659
Net current assets/(liabilities)		**411,386**	(59,810)
Total assets less current liabilities		**3,277,719**	2,747,377
Non-current liabilities			
Warrant liabilities	25	**–**	23,935
Long term borrowings	28	**907,606**	948,964
Deferred income tax liabilities	29	**6,143**	602
		913,749	973,501
Net assets		**2,363,970**	1,773,876
Equity			
Share capital	26	**26,246**	261,409
Reserves	27	**2,337,724**	1,512,467
		2,363,970	1,773,876

Lim Yin Cheng
Director

Fung Siu To, Clement
Director

Balance Sheet

As at 31st March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Subsidiaries	19	**2,565,132**	2,571,942
Deferred income tax assets	29	**–**	97
		2,565,132	2,572,039
Current assets			
Prepayments	22	**299**	818
Bank balances and cash	23	**10,558**	698
		10,857	1,516
Current liabilities			
Trade and other payables	24	**990**	1,040
Short term borrowings	28	**30,000**	30,000
Warrant liabilities	25	**53,904**	–
		84,894	31,040
Net current liabilities		**(74,037)**	(29,524)
Total assets less current liabilities		**2,491,095**	2,542,515
Non-current liabilities			
Warrant liabilities	25	**–**	23,935
Net assets		**2,491,095**	2,518,580
Equity			
Share capital	26	**26,246**	261,409
Reserves	27	**2,464,849**	2,257,171
		2,491,095	2,518,580

Lim Yin Cheng
Director

Fung Siu To, Clement
Director

Consolidated Statement of Cash Flows

For the year ended 31st March 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows used in operating activities			
Net cash used in operations	34	**(102,820)**	(275,090)
Interest paid		**(25,861)**	(35,354)
Interest element on finance leases		**–**	(8)
Interest received		**18,931**	5,598
Dividend received		**42,949**	12,763
		(66,801)	(292,091)
Cash flows from/(used in) investing activities			
Addition of property, plant and equipment		**(53,579)**	(153,727)
Decrease in pledged deposits		**12,000**	6,816
Purchase of available-for-sale investments		**(21,999)**	–
Proceeds on disposal of available-for-sale investments		**127,462**	–
		63,884	(146,911)
Cash flows from financing activities			
Net increase in short term borrowings		**43,009**	33,355
Drawdown of long term borrowings		**6,150**	608,900
Repayment of long term borrowings		**(38,091)**	(201,945)
Capital element of finance lease payments		**–**	(51)
Conversion of warrants		**1,519**	–
		12,587	440,259
Increase in cash and cash equivalents		**9,670**	1,257
Cash and cash equivalents at the beginning of the year		**63,884**	65,300
Changes in exchange rates		**2,898**	(2,673)
Cash and cash equivalents at the end of the year	23	**76,452**	63,884

Consolidated Statement of Changes in Equity

For the year ended 31st March 2010

	Share capital HK$'000	Other reserves HK$'000	Revenue reserve HK$'000	Total HK$'000
At 31st March 2008	258,164	1,918,754	(108,631)	2,068,287
Loss for the year	–	–	(230,295)	(230,295)
Other comprehensive income/(charge):				
Fair value loss on available-for-sale investments	–	(205,692)	–	(205,692)
Impairment of available-for-sale investments charged to profit and loss account	–	177,486	–	177,486
Share options lapsed	–	(2,240)	2,240	–
Currency translation differences	–	(35,910)	–	(35,910)
Total comprehensive charge for the year	–	(66,356)	(228,055)	(294,411)
Scrip dividends and total transactions with owners	3,245	5,791	(9,036)	–
At 31st March 2009	**261,409**	**1,858,189**	**(345,722)**	**1,773,876**
Profit for the year	**–**	**–**	**434,580**	**434,580**
Other comprehensive income:				
Fair value gain on available-for-sale investments	**–**	**93,430**	**–**	**93,430**
Impairment of available-for-sale investments charged to profit and loss account	**–**	**1,531**	**–**	**1,531**
Release of reserve upon disposal of available-for-sale investments	**–**	**21,735**	**–**	**21,735**
Currency translation differences	**–**	**36,568**	**–**	**36,568**
Total comprehensive income for the year	**–**	**153,264**	**434,580**	**587,844**
Issue of shares upon conversion of warrants	**256**	**3,707**	**(1,713)**	**2,250**
Capital reorganisation	**(235,419)**	**235,419**	**–**	**–**
Total transactions with owners	**(235,163)**	**239,126**	**(1,713)**	**2,250**
At 31st March 2010	**26,246**	**2,250,579**	**87,145**	**2,363,970**

1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investments, financial assets at fair value through profit or loss, derivative financial instruments and warrant liabilities, 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 consolidated 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 following new and revised standards and amendments to existing standards ("new HKFRS") that are relevant to the Group's operations. These amendments are mandatory for accounting periods beginning on or after 1st January 2009:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

Except for certain changes in presentation and disclosures as described below, the adoption of the above new HKFRS in the current year did not have any significant effect on the consolidated financial statements or result in any substantial changes in the Group's significant accounting policies.

2 Principal accounting policies (continued)

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

- HKAS 1 (Revised), "Presentation of Financial Statements". The Group has elected to present two statements: a profit and loss account and a statement of comprehensive income. The financial statements have been prepared under the revised disclosure requirements.

- HKFRS 7 (Amendment), "Improving Disclosures about Financial Instruments". It requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. This has only resulted in additional disclosures.

- HKFRS 8, "Operating Segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in certain changes in the presentation and disclosures information of the reportable segments.

The following new and revised standards and amendments to existing standards are relevant to the Group's operation but not yet effective.

Effective for accounting periods beginning on or after:

1st July 2009	
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
1st January 2010	
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 17 (Amendment)	Leases
1st January 2013	
HKFRS 9	Financial Instruments

2 Principal accounting policies (continued)

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

(i) 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.

(ii) 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 profit and loss account. 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.

(iii) HKAS 1 (Amendment) provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

(iv) HKAS 17 (Amendment) deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of HKAS 17.

(v) HKFRS 9 established the principles for financial reporting of financial assets. Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

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

2 Principal accounting policies (continued)

(b) Basis of consolidation

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

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

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

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.

2 Principal accounting policies (continued)

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, is identified as the Board of Directors of the Company.

(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

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.

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. If the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition is more than the cost of acquisition, the excess will be recognised as a gain in the consolidated profit and loss account. 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 or amortisation are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(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.

2 Principal accounting policies (continued)

(i) Financial assets/liabilities (continued)

(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. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the balance sheet date.

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.

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. Changes in the fair value of available-for-sale investments are recognised in equity. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as net investment gain or loss.

2 Principal accounting policies (continued)

(i) Financial assets/liabilities (continued)

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(o).

Derivatives financial instruments, mainly representing interest rate swaps, warrants and rights issue entitlement of Hong Kong listed equity 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.

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.

2 Principal accounting policies (continued)

(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(s)) 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.

(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 the amount can be reliably estimated. Provisions are not recognised for future operating losses.

2 Principal accounting policies (continued)

(m) 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 credited or charged to the profit and loss account on a straight-line basis over the terms of the leases.

(n) 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.

(o) 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.

(p) 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.

2 Principal accounting policies (continued)

(q) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Translation differences on non-monetary 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.

(ii) 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.

2 Principal accounting policies (continued)

(q) Foreign currency translation (continued)

(ii) Group companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings, 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.

(r) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit obligations

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

(iii) Share-based compensation

The Group operates 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.

2 Principal accounting policies (continued)

(r) Employee benefits (continued)

(iii) Share-based compensation (continued)

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 7th November 2002 and vested at the effective date of HKFRS 2.

(s) 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.

(t) Trade payables

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

(u) Warrant liabilities

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

(v) Dividend distribution

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

(w) 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.

2 Principal accounting policies (continued)

(x) 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.

(y) 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.

(z) 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.

(aa) Financial guarantee

The Company assesses at each balance sheet date the liabilities under its financial guarantee contracts using current estimates of future cash flows. Changes in carrying amount of these liabilities are recognised in the profit and loss account.

The Company accounts for its financial guarantee contracts in respect of guarantees provided to its subsidiaries in accordance with HKFRS 4, "Insurance Contracts".

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.

3. Financial risk management and fair value estimation (continued)

3.1 Financial risk management (continued)

(a) *Market risk (continued)*

(i) *Foreign exchange risk (continued)*

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 2010, the Group's entities with functional currency of Hong Kong dollar had United States dollar net monetary assets of HK$518,452,000 (2009: HK$212,423,000). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to United States dollar, management considers that there are no significant foreign exchange risk with respect to United States dollar.

If the foreign currency had strengthened/weakened by 5%, the Group's post tax profit (2009: post tax loss) would have the following changes:

	2010			2009		
	Net monetary assets/ (liabilities) amount	**Effect on post tax result if exchange rate changes by +5%**	**Effect on post tax result if exchange rate changes by –5%**	Net monetary assets/ (liabilities) amount	Effect on post tax result if exchange rate changes by +5%	Effect on post tax result if exchange rate changes by –5%
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Sterling	**259,499**	**12,975**	**(12,975)**	5,754	288	(288)
Euro	**151,541**	**7,577**	**(7,577)**	38,230	1,911	(1,911)
Japanese Yen	**(64,209)**	**(6,621)**	**6,621**	(104,723)	(10,248)	10,248

(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 the Hong Kong Stock Exchange, London Stock Exchange, New York Stock Exchange and Luxembourg Stock Exchange. Gains and losses arising from changes in fair value of available-for-sale investments and financial assets at fair value through profit or loss are dealt with in equity and the profit and loss account respectively.

3. Financial risk management and fair value estimation (continued)

3.1 Financial risk management (continued)

(a) *Market risk (continued)*

(ii) *Price risk (continued)*

Bonus warrants (note 25) issued by the Company are not publicly traded in the Hong Kong Stock Exchange.

For every 10% increase/decrease in the prices of financial instruments or underlying assets, the Group's post tax profit (2009: post tax loss) would have the following changes:

	2010			
	Effect on post tax result if the price changes by		**Effect on available-for-sale investment reserve if the price changes by**	
	+10%	**–10%**	**+10%**	**–10%**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at fair value through profit or loss	**92,886**	**(92,886)**	**–**	**–**
Available-for-sale investments	**–**	**(363)**	**22,826**	**(22,463)**
Warrant liabilities	**(12,488)**	**12,488**	**–**	**–**

	2009			
	Effect on post tax result if the price changes by		Effect on available-for-sale investment reserve if the price changes by	
	+10%	–10%	+10%	–10%
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss	29,864	(29,864)	–	–
Available-for-sale investments	8,773	(8,773)	9,470	(9,470)
Derivative financial instruments	1,281	(1,281)	–	–
Warrant liabilities	(6,086)	6,086	–	–

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 (note 23), financial assets at fair value through profit or loss (note 21), derivative financial assets (note 20) 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 receivables are assessed based on the credit quality of the debtors, taking into account their financial position, past experience and other factors. Individual risk limits are set by management and the utilisation of credit limits is regularly monitored.

(c) Liquidity risk

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

The 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.

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.

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 amounts disclosed in the table are the contractual face value without applying discounted cash flow model based on the earliest date on which the Group can be required to pay, as follows:

	Group				Company	
	Within 1 year HK$'000	Within 2 to 5 years HK$'000	After 5 years HK$'000	Total undiscounted cash flows HK$'000	Within 1 year HK$'000	Total undiscounted cash flows HK$'000
At 31st March 2010						
Non-derivative financial liabilities:						
Trade and other payables	62,053	–	–	62,053	990	990
Borrowings	557,306	403,017	562,243	1,522,566	30,465	30,465
	619,359	403,017	562,243	1,584,619	31,455	31,455
Derivative financial liabilities:						
Interest rate swaps						
– Inflow	(226)	(77,717)	–	(77,943)	–	–
– Outflow	4,595	90,392	–	94,987	–	–
	4,369	12,675	–	17,044	–	–
	623,728	415,692	562,243	1,601,663	31,455	31,455

3. Financial risk management and fair value estimation (continued)

3.1 Financial risk management (continued)

(c) *Liquidity risk (continued)*

	Group				Company	
	Within 1 year HK$'000	Within 2 to 5 years HK$'000	After 5 years HK$'000	Total undiscounted cash flows HK$'000	Within 1 year HK$'000	Total undiscounted cash flows HK$'000
At 31st March 2009						
Non-derivative financial liabilities:						
Trade and other payables	53,931	–	–	53,931	1,040	1,040
Borrowings	479,243	322,814	704,044	1,506,101	30,435	30,435
	533,174	322,814	704,044	1,560,032	31,475	31,475
Derivative financial liabilities:						
Interest rate swaps						
– Inflow	(1,403)	(118,259)	–	(119,662)	–	–
– Outflow	4,674	131,326	–	136,000	–	–
	3,271	13,067	–	16,338	–	–
	536,445	335,881	704,044	1,576,370	31,475	31,475

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 2010, with all other variables held constant, if the interest rate had increased/decreased by 10 basis point, the Group's post tax profit (2009: post tax loss) would have been HK$1,019,000 lower/higher (2009: HK$750,000 higher/lower).

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 income 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 16(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.

3. Financial risk management and fair value estimation (continued)

3.2 Capital risk management (continued)

The gearing ratios at 31st March 2010 and 2009 were as follows:

	2010 HK$'000	2009 HK$'000
Total borrowings *(note 28)*	**1,446,388**	1,407,407
Less: Bank balances and cash *(note 23)*	**(76,452)**	(75,884)
Net debt	**1,369,936**	1,331,523
Net assets	**2,363,970**	1,773,876
Gearing ratio against net assets	**58%**	75%
Revalued net assets	**4,514,000**	3,211,000
Gearing ratio against Revalued net assets	**30%**	42%

3.3 Fair value estimation

Effective 1st April 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. Financial risk management and fair value estimation (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31st March 2010.

	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000
Assets			
Financial assets at fair value through profit or loss			
– Trading securities *(note 21)*	928,857	–	928,857
Available-for-sale investments			
– Equity securities *(note 18)*	228,258	–	228,258
	1,157,115	–	1,157,115
Liabilities			
Financial liabilities at fair value through profit or loss			
– Trading derivatives *(note 20)*	–	7,801	7,801
– Derivatives used for hedging *(note 20)*	–	6,770	6,770
Warrant liabilities *(note 25)*	–	53,904	53,904
	–	68,475	68,475

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using latest available transaction price or valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Techniques, such as Lattice model, are used to determine fair values for these remaining financial instruments.

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

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

Recognition of deferred income tax assets (note 29), 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.

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

The fair values of derivative financial instruments (note 20) and warrant liabilities (note 25) 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. 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. Sensitivity analysis of change in fair value is disclosed in note 3.1(a)(ii).

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 revenues from hotel, catering services, travel agency operations, dividend and interest income, together with gross proceeds from disposal of financial assets at fair value through profit or loss and derivative financial instruments.

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

	2010 HK$'000	2009 HK$'000
Turnover		
Revenue		
Hotel operating income	**303,795**	298,142
– Room rentals	**233,554**	238,873
– Food and beverages	**49,420**	40,525
– Ancillary services	**7,424**	6,185
– Rental income	**13,397**	12,559
Catering income	**10,738**	15,572
Travel agency income	**207,692**	263,952
Investments	**69,960**	22,276
Other operations	**1,972**	3,591
	594,157	603,533
Gross proceeds from disposal of financial assets at fair value through profit or loss and derivative financial instruments	**477,646**	20,722
	1,071,803	624,255

5. Revenue and segment information (continued)

(b) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by the chief operating decision-maker. The Group is organised into four main operating segments, comprising hotel operation, catering services, travel agency and investments.

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
Investments	–	Investments in financial instruments

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 mainly borrowings.

	Hotel operation HK$'000	Catering services HK$'000	Travel agency HK$'000	Investments HK$'000	Others HK$'000	Total HK$'000
2010						
Turnover	303,795	10,738	207,692	547,606	1,972	1,071,803
Segment revenue	303,795	10,738	207,692	69,960	1,972	594,157
Contribution to segment results	149,516	(3,146)	(237)	70,424	1,972	218,529
Net investment gain	–	–	–	399,629	–	399,629
Depreciation and amortisation	(88,539)	(174)	(26)	–	(91)	(88,830)
Other charge	–	–	–	–	(30,700)	(30,700)
Segment results	60,977	(3,320)	(263)	470,053	(28,819)	498,628
Unallocated corporate expenses						(19,119)
Operating profit						479,509
Finance costs						(32,955)
Profit before income tax						446,554
Income tax expense						(11,974)
Profit for the year attributable to shareholders						434,580

5. Revenue and segment information (continued)

(b) Segment information (continued)

	Hotel operation HK$'000	Catering services HK$'000	Travel agency HK$'000	Investments HK$'000	Others HK$'000	Total HK$'000
2009						
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
Net investment loss	–	–	–	(286,416)	–	(286,416)
Depreciation and amortisation	(68,460)	(57)	(54)	–	(89)	(68,660)
Other (charge)/income	–	(9,640)	–	–	27,390	17,750
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 expense						(12,201)
Loss for the year attributable to shareholders						(230,295)

5. Revenue and segment information (continued)

(b) Segment information (continued)

	Hotel operation HK$'000	Catering services HK$'000	Travel agency HK$'000	Investments HK$'000	Others HK$'000	Total HK$'000
2010						
Segment assets	**2,671,927**	**3,507**	**14,985**	**1,167,602**	**25,848**	**3,883,869**
Other unallocated assets						**77,790**
						3,961,659
Segment liabilities						
Borrowings	**967,374**	**–**	**–**	**479,014**	**–**	**1,446,388**
Other unallocated liabilities						**151,301**
						1,597,689
Additions to non-current assets*	**53,561**	**5**	**13**	**–**	**–**	**53,579**
2009						
Segment assets	2,649,595	4,010	13,035	513,103	26,638	3,206,381
Other unallocated assets						83,655
						3,290,036
Segment liabilities						
Borrowings	992,396	–	–	415,011	–	1,407,407
Other unallocated liabilities						108,753
						1,516,160
Additions to non-current assets*	162,757	1,125	114	–	10	164,006

* *The amounts exclude financial instruments and deferred income tax assets.*

5. Revenue and segment information (continued)

(b) Segment information (continued)

	Revenue HK$'000	Non-current assets* HK$'000
2010		
Hong Kong	**448,593**	**2,361,553**
Overseas	**145,564**	**275,184**
	594,157	**2,636,737**
2009		
Hong Kong	500,324	2,383,475
Overseas	103,209	233,513
	603,533	2,616,988

* *The amounts exclude financial instruments and deferred income tax assets.*

6. Net investment gain/(loss)

	2010 HK$'000	2009 HK$'000
Unrealised gain/(loss) on:		
– financial assets at fair value through profit or loss	**252,783**	(80,202)
– derivative financial instruments	**8,552**	(11,598)
Impairment of available-for-sale investments	**(1,531)**	(177,486)
Net realised gain/(loss) on disposal of:		
– financial assets at fair value through profit or loss	**135,471**	(17,130)
– available-for-sale investments	**23,162**	–
– derivative financial instruments	**(3,644)**	–
Provision for interest receivable from financial assets at fair value through profit or loss	**(15,164)**	–
	399,629	(286,416)

7. Other (charge)/income

	2010 HK$'000	2009 HK$'000
Fair value (loss)/gain on warrant liabilities *(note 25)*	**(30,700)**	27,390
Impairment loss for goodwill *(note 17)*	**–**	(9,640)
	(30,700)	17,750

8. Income and expenses by nature

	2010 HK$'000	2009 HK$'000
Income		
Operating lease rental income for hotel buildings	**13,397**	12,559
Dividend income:		
– Listed investments	**48,384**	17,861
– Unlisted investments	**178**	99
Interest income:		
– Listed investments	**20,835**	1,956
– Unlisted investments	**87**	2,145
– Other receivables *(note 22(f))*	**1,750**	2,875
– Bank deposits	**226**	716
Expenses		
Cost of goods sold	**178,421**	231,679
Depreciation	**61,903**	48,023
Amortisation of leasehold land	**26,927**	20,637
Loss on disposal of property, plant and equipment	**2**	3,051
Auditor's remuneration	**2,409**	2,016
Employee benefit expense *(note 9)*	**99,603**	96,389
Operating lease rental expense for land and buildings	**6,158**	5,939

9. Employee benefit expense

	2010	2009
	HK$'000	HK$'000
Wages and salaries	**96,435**	92,526
Termination benefit	**(349)**	692
Retirement benefit costs	**3,517**	3,386
	99,603	96,604
Less: Staff cost capitalised in property, plant and equipment	**–**	(215)
	99,603	96,389

The 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. There were no forfeitures (2009: HK$71,000) were utilised for the year. As at 31st March 2010, no forfeitures (2009: 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% (2009: 5%) or a fixed sum and 4.95% (2009: 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.

9. 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 2010 are as follows:

			Number of share options			
Date of grant	Exercise price per share	Expiry date	Outstanding at 1st April 2009	Exercised during the year	Adjustment	Outstanding at 31st March 2010
29th March 2007	HK$1.296	28th March 2017				
Directors	*(note)*		160,000,000	–	(144,000,000)	16,000,000
2nd April 2007	HK$1.300	1st April 2017				
Directors	*(note)*		160,000,000	–	(144,000,000)	16,000,000
Others			470,000,000	(9)	(422,999,992)	46,999,999
			630,000,000	(9)	(566,999,992)	62,999,999
			790,000,000	(9)	(710,999,992)	78,999,999

Note:

Subsequent to the consolidation of every ten shares of HK$0.02 each of the Company into one consolidated share of HK$0.2 each on 9th September 2009 (the "ASH Share Consolidation"), the exercise price of the share options granted on 29th March 2007 and 2nd April 2007 were adjusted from HK$0.1296 and HK$0.13 per share to HK$1.296 and HK$1.30 per share respectively.

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

10. Directors' and senior management's emoluments

(a) Director's remuneration

The remuneration of each Director for the year ended 31st March 2010 is set out below:

	Fees HK$'000	Salary allowance and benefit in kind HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Executive Director				
Mr. Poon Jing	–	8,000	–	8,000
Dr. Lim Yin Cheng	–	2,500	–	2,500
Mr. Poon Tin Sau, Robert	–	869	36	905
Mr. Fung Siu To, Clement	–	1,500	–	1,500
Mr. Woo Wei Chun, Joseph	–	720	12	732
	–	13,589	48	13,637
Non-executive Director				
Mr. Ip Chi Wai	120	–	–	120
Mr. Hung Yat Ming	100	–	–	100
Mr. Leung Wai Keung	100	–	–	100
	320	–	–	320
Total for 31st March 2010	320	13,589	48	13,957

10. Directors' and senior management's emoluments (continued)

(a) Director's remuneration (continued)

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

	Fees HK$'000	Salary allowance and benefit in kind HK$'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	100	–	–	100
	320	–	–	320
Total for 31st March 2009	320	11,839	48	12,207

(b) None of the Directors have waived the right to receive their emoluments (2009: 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 as an inducement to join or upon joining the Group or as compensation for loss of office (2009: Nil).

10. Directors' and senior management's emoluments (continued)

(d) The five highest paid individuals in the Group for the year include four (2009: three) Directors whose emoluments are already reflected in the analysis presented above. The emoluments payable to the remaining one (2009: two) individuals are as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and other emoluments	**1,262**	2,262

The emoluments of these individuals fell within the following bands:

	2010	2009
	Number	Number
Emolument bands		
HK$1,000,001 – HK$2,000,000	**1**	2

11 Finance costs

	2010	2009
	HK$'000	HK$'000
Interest expenses		
Bank loans and overdrafts	**25,889**	32,202
Finance lease obligations wholly repayable within five years	**–**	8
Other incidental borrowing costs	**1,784**	1,230
Net foreign exchange loss on bank borrowings	**6,582**	5,472
Fair value (gain)/loss on interest rate swaps	**(1,300)**	3,132
	32,955	42,044
Interest capitalised under property, plant and equipment	**–**	(3,989)
	32,955	38,055

In 2009, to the extent funds were borrowed for the purpose of financing certain hotel properties under conversion, a capitalisation rate was used to determine the amount of borrowing costs eligible for capitalisation as part of the costs of these properties was 2% per annum.

12 Income tax expense

No Hong Kong profits tax has been provided for as the Group has sufficient tax loss bought forward to set off against the estimated assessable profit for the year (2009: Nil). 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.

	2010	2009
	HK$'000	HK$'000
Current income tax		
Overseas profits tax	**–**	487
	–	487
Deferred income tax *(note 29)*	**11,974**	11,714
Income tax expense	**11,974**	12,201

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

	2010	2009
	HK$'000	HK$'000
Profit/(loss) before income tax	**446,554**	(218,094)
Calculation at a tax rate of 16.5% (2009: 16.5%)	**73,681**	(35,986)
Effect of different tax rates in other countries	**6,977**	1,184
Effect of tax rate change	**–**	912
Income not subject to income tax	**(89,685)**	(9,982)
Expenses not deductible for tax purposes	**19,901**	50,989
Tax losses not recognised	**3,600**	6,768
Utilisation of previously unrecognised tax losses	**(252)**	(168)
Other temporary differences	**(2,248)**	(1,516)
Income tax expense	**11,974**	12,201

13 Profit/(loss) attributable to shareholders

The profit/(loss) for the year attributable to shareholders is dealt with in the financial statements of the Company to the extent of loss of HK$29,735,000 (2009: profit of HK$45,007,000).

14. Dividends

No interim dividend was declared for the year (2009: Nil).

At a meeting held on 29th June 2010, the Board of Directors has proposed to pay a final dividend of HK1 cent (2009: Nil) per share with a scrip option. The proposed dividend is not reflected in the financial statements, but will be reflected as an appropriation of revenue reserve in the year ending 31st March 2011.

The amount of HK$13,130,614 is based on 1,313,061,406 issued shares as at 29th June 2010.

15. Earnings/(loss) per share

The calculation of basic earnings per share (2009: loss per share) is based on the profit for the year attributable to shareholders of HK$434,580,000 (2009: loss of HK$230,295,000) and divided by the weighted average number of 1,309,007,818 (2009 restated: 1,298,820,635, adjusted for the effect of the ASH Share Consolidation) during the year ended 31st March 2010.

The calculation of diluted earnings per share for the year ended 31st March 2010 was based on the profit for the year attributable to shareholders of HK$434,580,000 and 1,399,023,323 shares equaling to the weighted average number of 1,309,007,818 shares in issue during the year plus 90,015,505 potential shares deemed to be in issue assuming the outstanding warrants had been exercised. The outstanding of share options did not have dilutive effect on the earnings per share for the year ended 31st March 2010.

The basic and diluted loss per share were the same for the year ended 31st March 2009 as the outstanding warrants and share options did not have a dilutive effect on the loss per share.

16. Property, plant and equipment and leasehold land

	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 31st March 2009	1,099,863	373,257	1,473,120	1,936,356	3,409,476
Currency translation differences	88,152	16,524	104,676	–	104,676
Additions	16,281	37,298	53,579	–	53,579
Disposals	–	(10,268)	(10,268)	–	(10,268)
At 31st March 2010	**1,204,296**	**416,811**	**1,621,107**	**1,936,356**	**3,557,463**
Accumulated depreciation and amortisation					
At 31st March 2009	266,987	247,871	514,858	277,630	792,488
Currency translation differences	35,927	13,747	49,674	–	49,674
Charge for the year	30,136	31,767	61,903	26,927	88,830
Disposals	–	(10,266)	(10,266)	–	(10,266)
At 31st March 2010	**333,050**	**283,119**	**616,169**	**304,557**	**920,726**
Net book value					
At 31st March 2010	**871,246**	**133,692**	**1,004,938**	**1,631,799**	**2,636,737**

16. Property, plant and equipment and leasehold land (continued)

	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 31st March 2008	1,071,393	345,101	1,416,494	1,936,356	3,352,850
Currency translation differences	(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 31st March 2008	273,169	244,211	517,380	250,703	768,083
Currency translation differences	(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

16. 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 comprises:

	2010	2009
	HK$'000	HK$'000
Leasehold land in Hong Kong		
Long term lease	**1,064,184**	1,075,770
Medium term lease	**567,615**	582,956
	1,631,799	1,658,726

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

	2010	2009
	HK$'000	HK$'000
Freehold land and hotel buildings	**871,246**	832,876
Plant and equipment	**132,178**	123,608
Property, plant and equipment	**1,003,424**	956,484
Leasehold land	**1,631,799**	1,658,726
	2,635,223	2,615,210

(d) At 31st March 2010, the hotel properties and leasehold land (note 16(c)) were pledged to banks to secure bank borrowings of HK$1,406,388,000 (2009: HK$1,377,407,000) (note 28(a)).

(e) At 31st March 2009, the net book value of hotel properties under conversion amounted to HK$587,850,000. 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 Vigers Appraisal & Consulting Limited (2009: Knight Frank) and Grant Thornton Management Consultants respectively, independent professional valuers, amounted to HK$5,206,622,000 (2009: HK$4,322,981,000).

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.

17. Goodwill

	2010	2009
	HK$'000	HK$'000
Net book value		
At 1st April	–	9,640
Impairment charge *(note 7)*	–	(9,640)
At 31st March	–	–

Note:

Goodwill arose from the acquisition of catering service businesses. The recoverable amount of goodwill was determined based on value-in-use calculation which was 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 in 2009 based on the value-in-use assessment.

18. Available-for-sale investments

	2010	2009
	HK$'000	HK$'000
Equity securities		
Listed in Hong Kong	**228,258**	182,428

Notes:

(a) Impairment provision on available-for-sale investment of HK$1,531,000 (2009: HK$177,486,000) was recognised in profit and loss account during the year.

(b) In 2009, the Group reclassified certain financial assets at fair value through profit or loss into the available-for-sale investments. The Group believed that the deterioration of the world's financial markets that occurred during the third quarter of 2008 represented a rare circumstance that allowed such a reclassification. No such reclassification was made for the year ended 31st March 2010.

The fair values of reclassified financial assets as of the date of reclassification amounted to HK$67,943,000. At 31st March 2010, the fair value of reclassified financial assets amounted to HK$28,955,000 (2009: HK$31,471,000). Fair value gain of HK$3,570,000 (2009: HK$5,821,000) and impairment loss of HK$1,531,000 (2009: HK$42,293,000) for the reclassified financial assets were recognised in equity and profit and loss account respectively.

In respect of the reclassified financial assets in 2009, the Group recognised fair value loss of HK$16,317,000 before reclassification.

19. Subsidiaries

	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	2,565,132	2,571,942
	2,565,132	2,571,942

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

At 31st March 2010, the amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

At 31st March 2009, except for the amount of HK$15,588,000 which was interest bearing at 1.5% per annum above Hong Kong Interbank Offer rate ("HIBOR"), the amounts due from subsidiaries were unsecured, interest free and had no fixed terms of repayment.

20. Derivative financial instruments

	2010		2009	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Interest rate swaps *(note (a))*	–	6,770	–	8,070
Foreign currency interest rate swaps *(note (b))*	–	7,801	–	7,703
Warrants and rights issue entitlement of listed equity securities in Hong Kong	–	–	10,643	–
Range accrual notes	–	–	2,163	–
	–	14,571	12,806	15,773

Notes:

(a) The notional principal amount of the outstanding Hong Kong dollar interest rate swaps at 31st March 2010 are HK$150,000,000 (2009: HK$200,000,000). At 31st March 2010, the fixed interest rates vary from 2.77% to 3.55% (2009: 2.77% to 4.20%) per annum and the main floating rates are HIBOR.

(b) The notional principal amount of US$10,000,000 of the outstanding foreign currency interest rate swap contract at 31st March 2010 was secured by financial assets at fair value through profit or loss (note 21(c)). The notional principal amount of US$15,000,000 of outstanding foreign currency interest rate swap at 31st March 2009 was secured by bank balances and cash (note 23(b)).

(c) 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.

21. Financial assets at fair value through profit or loss

	2010	2009
	HK$'000	HK$'000
Equity securities		
– listed in the USA	**188,670**	15,025
– listed in Europe	**–**	7,678
– listed in Hong Kong	**–**	57,536
Preference securities		
– listed in Europe *(note a)*	**185,940**	36,190
– listed in the USA *(note a)*	**176,049**	133,399
– unlisted	**1,480**	370
Debt securities		
– listed in Europe *(note b)*	**376,718**	57,934
	928,857	308,132

Notes:

(a) At 31st March 2010, the nominal values of preference securities are equivalent to HK$472,383,000 (2009: HK$501,466,000).

(b) The debt securities had fixed interest ranging from 5.905% to 9.375% (2009: 6.467% to 8.399%) per annum and maturity dates between 15th June 2011 and 21st September 2027 (2009: 30th June 2012 and 21st September 2027) and their nominal values are equivalent to HK$626,371,000 (2009: HK$126,460,000).

(c) At 31st March 2010, financial assets at fair value through profit or loss equivalent of HK$55,070,000 (2009: HK$14,968,000) are pledged as security for foreign currency interest rate swaps (note 20(b)).

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

	2010	2009
	HK$'000	HK$'000
United States dollar	**517,820**	206,614
Sterling	**259,496**	5,752
Euro	**151,541**	38,230
Hong Kong dollar	**–**	57,536
	928,857	308,132

22. Trade and other receivables

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables				
– Fully performing	**24,985**	18,739	**–**	–
– Past due but not impaired *(note b)*	**8,261**	4,716	**–**	–
– Impaired and provided for	**286**	308	**–**	–
	33,532	23,763	**–**	–
Less: provision for impairment	**(286)**	(308)	**–**	–
Trade receivables – net *(note a)*	**33,246**	23,455	**–**	–
Prepayments	**8,230**	8,522	**299**	818
Deposits	**8,751**	14,784	**–**	–
Other receivables *(note f)*	**37,584**	37,106	**–**	–
	87,811	83,867	**299**	818

Notes:

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

	2010	2009
	HK$'000	HK$'000
0 – 60 days	**31,597**	23,054
61 – 120 days	**1,439**	160
Over 120 days	**210**	241
	33,246	23,455

(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:

	2010	2009
	HK$'000	HK$'000
0 – 60 days	**7,339**	4,450
Over 60 days	**922**	266
	8,261	4,716

22. Trade and other receivables (continued)

(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) 78% (2009: 79%) of carrying amounts of the trade and other receivables of the Group are denominated in Hong Kong dollar.

(f) Other receivables comprise loan receivables of HK$25,000,000 (2009: HK$25,000,000), interest and dividend receivables of HK$10,845,000 (2009: HK$10,095,000) 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.

23. Bank balances and cash

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**51,598**	57,247	**10,558**	698
Short term bank deposits	**24,854**	6,637	**–**	–
Cash and cash equivalents	**76,452**	63,884	**10,558**	698
Pledged deposits *(note b)*	**–**	12,000	**–**	–
Total bank balances and cash	**76,452**	75,884	**10,558**	698

23. Bank balances and cash (continued)

Notes:

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

	Group	
	2010	2009
	HK$'000	HK$'000
Hong Kong dollar	**45,988**	51,259
Canadian dollar	**20,875**	7,581
Renminbi	**8,747**	11,130
United States dollar	**633**	5,809
Others	**209**	105
	76,452	75,884

(b) At 31st March 2009, bank balances and cash of HK$12,000,000 were pledged as security for the derivative financial instruments (note 20 (b)).

24. Trade and other payables

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(note a)*	**15,808**	13,888	**–**	–
Accrued expenses	**24,370**	26,028	**990**	1,040
Construction and retention payables	**17,160**	10,441	**–**	–
Other payables	**4,715**	3,574	**–**	–
	62,053	53,931	**990**	1,040

24. Trade and other payables (continued)

Notes:

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

	2010 HK$'000	2009 HK$'000
0 – 60 days	**15,593**	13,734
61 – 120 days	**12**	41
Over 120 days	**203**	113
	15,808	13,888

(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	
	2010 **HK$'000**	2009 HK$'000
Hong Kong dollar	**51,351**	40,339
Canadian dollar	**10,070**	12,628
Renminbi	**632**	964
	62,053	53,931

25. 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 every six months from the date of issue of the warrants and on the tenth business day before the date of expiration of the warrants. After the ASH Share Consolidation and fifth reset adjustment, the subscription price was adjusted to HK$0.29 per share.

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

	2010	2009
	HK$'000	HK$'000
At 1st April	**23,935**	51,325
Fair value loss/(gain) recognised in profit and loss account *(note 7)*	**30,700**	(27,390)
Conversion of warrants *(note 27)*	**(731)**	–
At 31st March	**53,904**	23,935

The following assumptions were used to calculate the fair values of warrants at 31st March 2009 and 2010:

	2010	2009
	HK$'000	HK$'000
Closing share price at 31st March (HK$)	**0.51**	0.31
Exercise price (HK$)	**0.29**	0.29
Expected remaining life of warrants (years)	**0.4**	1.4
Expected volatility (%)	**35.53**	53.59
Risk free rate (%)	**0.145**	0.62

The 2009 closing share price and exercise price has been adjusted for ASH Share Consolidation.

26. Share capital

	Number of shares of HK$0.02 per share	Amount HK$'000
Authorised:		
At 1st April 2009 and 31st March 2010	**35,000,000,000**	**700,000**
Issued and fully paid:		
At 31st March 2008	12,908,206,641	258,164
Scrip dividend *(note a)*	162,221,627	3,245
At 31st March 2009	**13,070,428,268**	**261,409**
Conversion of warrants *(note c)*	12,803,420	256
Conversion of share options *(note d)*	9	–
Capital Reorganisation *(note b)*	(11,770,954,668)	(235,419)
At 31st March 2010	**1,312,277,029**	**26,246**

Notes:

(a) 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.

(b) On 10th July 2009, the Company proposed reorganisation of the share capital (the "Capital Reorganisation"). The Capital Reorganisation became effective on 9th September 2009 after approval by the shareholders. The Capital Reorganisation involved the following:

(i) Every ten issued shares of HK$0.02 each were consolidated into one share of HK$0.20 each.

(ii) The paid-up capital of each consolidated share was reduced from HK$0.20 to HK$0.02 by cancelling the paid-up capital to the extent of HK$0.18 so as to form a registered share of HK$0.02 each. The credit arising from the capital reduction was transferred to the contributed surplus account of the Company (note 27).

(c) During the year, the Company allotted and issued 12,803,420 (2009: Nil) new shares for a gross consideration of HK$1,519,000 (2009: Nil) upon conversion of warrants.

(d) During the year, 9 (2009: Nil) share options were converted at exercise price of HK$0.13.

27. Reserves

Group

	Share premium HK$'000	Contributed surplus HK$'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 31st March 2008	**1,030,856**	**899,333**	**12,291**	**65,581**	**27,520**	**(116,827)**	**(108,631)**	**1,810,123**
Issue of shares as scrip dividend	5,791	–	–	–	–	–	–	5,791
Net fair value loss on available-for-sale investments	–	–	(208,299)	–	–	–	–	(208,299)
Deferred income tax *(note 29)*	–	–	2,607	–	–	–	–	2,607
Impairment of available-for-sale investments 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)
Scrip dividends	–	–	–	–	–	–	(9,036)	(9,036)
Currency translation differences	–	–	–	(35,910)	–	–	–	(35,910)
At 31st March 2009	1,036,647	899,333	(15,915)	29,671	25,280	(116,827)	(345,722)	1,512,467
Issue of shares upon conversion of warrants *(note 25)*	1,263	–	–	–	–	2,444	(1,713)	1,994
Release of reserve upon disposal of available-for-sale investments	–	–	21,735	–	–	–	–	21,735
Net fair value gain on available-for-sale investments	–	–	93,430	–	–	–	–	93,430
Impairment of available-for-sale investments charged to profit and loss account	–	–	1,531	–	–	–	–	1,531
Profit for the year	–	–	–	–	–	–	434,580	434,580
Capital Reorganisation *(note 26)*	–	235,419	–	–	–	–	–	235,419
Currency translation differences	–	–	–	36,568	–	–	–	36,568
At 31st March 2010	**1,037,910**	**1,134,752**	**100,781**	**66,239**	**25,280**	**(114,383)**	**87,145**	**2,337,724**
Representing:								
Reserves	1,037,910	1,134,752	100,781	66,239	25,280	(114,383)	74,014	2,324,593
Proposed final dividend	–	–	–	–	–	–	13,131	13,131
At 31st March 2010	**1,037,910**	**1,134,752**	**100,781**	**66,239**	**25,280**	**(114,383)**	**87,145**	**2,337,724**

27. Reserves (continued)

Company

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Revenue reserve HK$'000	Total HK$'000
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
Scrip dividends	–	–	–	–	(9,036)	(9,036)
At 31st March 2009	1,036,647	1,088,229	25,280	(116,827)	223,842	2,257,171
Issue of shares upon conversion of warrants *(note 25)*	1,263	–	–	2,444	(1,713)	1,994
Loss for the year	–	–	–	–	(29,735)	(29,735)
Capital Reorganisation *(note 26)*	–	235,419	–	–	–	235,419
At 31st March 2010	**1,037,910**	**1,323,648**	**25,280**	**(114,383)**	**192,394**	**2,464,849**
Representing:						
Reserves	1,037,910	1,323,648	25,280	(114,383)	179,263	2,451,718
Proposed final dividend	–	–	–	–	13,131	13,131
At 31st March 2010	**1,037,910**	**1,323,648**	**25,280**	**(114,383)**	**192,394**	**2,464,849**

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 2010 amounted to HK$1,426,939,000 (2009: HK$1,220,524,000).

28. Borrowings

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Short term bank borrowings, unsecured	**40,000**	30,000	**30,000**	30,000
Short term bank borrowings, secured *(note a)*	**439,014**	385,011	**–**	–
	479,014	415,011	**30,000**	30,000
Long term bank borrowings, secured *(notes a and b)*	**967,374**	992,396	**–**	–
	1,446,388	1,407,407	**30,000**	30,000

Notes:

(a) Short term borrowings of HK$439,014,000 (2009: HK$385,011,000) and long term bank borrowings of HK$967,374,000 (2009: HK$992,396,000) are secured by mortgages of the Group's hotel properties and leasehold land (note 16(d)), floating charges over all the assets of certain subsidiaries and corporate guarantees given by the Company.

(b) The maturity of long term bank borrowings is as follows:

	2010	2009
	HK$'000	HK$'000
Bank borrowings not wholly repayable within five years		
Repayable within one year	**59,768**	43,432
Repayable within one to two years	**68,826**	57,770
Repayable within two to five years	**296,008**	217,811
Repayable after five years	**542,772**	673,383
	967,374	992,396
Current portion included in current liabilities	**(59,768)**	(43,432)
	907,606	948,964

28. Borrowings (continued)

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**1,292,467**	1,223,070	**30,000**	30,000
Canadian dollar	**97,307**	87,214	**–**	–
Japanese Yen	**56,614**	97,123	**–**	–
	1,446,388	1,407,407	**30,000**	30,000

The effective interest rates of the borrowings at the balance sheet date ranged from 0.53% to 1.95% (2009: 0.68% to 2.2%) per annum.

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

29. 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 (liabilities)/assets is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1st April	**7,169**	16,276
Recognised in the profit and loss account *(note 12)*	**(11,974)**	(11,714)
Recognised in equity *(note 27)*	**–**	2,607
At 31st March	**(4,805)**	7,169

29. 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 HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
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
Recognised in the profit and loss account	–	5,758	5,758
At 31st March 2010	**–**	**42,482**	**42,482**

Deferred income tax assets

	Accelerated accounting depreciation HK$'000	Tax losses HK$'000	Total HK$'000
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
Recognised in the profit and loss account	(239)	(5,977)	(6,216)
At 31st March 2010	**–**	**37,677**	**37,677**

29. Deferred income tax (continued)

Company

Deferred income tax assets	Tax losses	
	2010	2009
	HK$'000	HK$'000
At 1st April	**97**	137
Recognised in the profit and loss account	**(97)**	(40)
At 31st March	**–**	97

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred income tax assets	**1,338**	7,771	**–**	97
Deferred income tax liabilities	**(6,143)**	(602)	**–**	–
	(4,805)	7,169	**–**	97

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$20 million (2009: HK$18 million) in respect of losses amounting to HK$103 million (2009: HK$105 million) that can be carried forward against future taxable income. Except for tax losses of HK$83 million (2009: HK$87 million) which have no expiry date, the balance will expire at various dates up to and including 2029 (2009: 2029).

30. 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	
	2010	2009
	HK$'000	HK$'000
Within one year	**11,152**	9,632
In the second to fifth years inclusive	**13,106**	11,642
	24,258	21,274

At 31st March 2010, the Company had no operating lease receivable arrangements (2009: Nil).

(b) Lessee

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

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**4,543**	6,102
In the second to fifth years inclusive	**5,818**	7,411
After the fifth year	**4,961**	6,312
	15,322	19,825

At 31st March 2010, the Company had no operating lease payable arrangements (2009: Nil).

31. Capital commitments

Capital commitments at the balance sheet date are as follows:

	2010 HK$'000	2009 HK$'000
Property, plant and equipment		
Contracted but not provided for	**10,084**	34,086
Authorised but not contracted for	**13,982**	33,162
	24,066	67,248

32. Financial guarantees

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Guarantees for the banking and loan facilities of subsidiaries	**–**	–	**1,417,751**	1,378,886
Guarantees for trading facilities of a subsidiary	**–**	–	**8,720**	3,500
	–	–	**1,426,471**	1,382,386

At 31st March 2010, the Company had no liability regarding to its financial guarantees as disclosed above (2009: Nil).

33. 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 67.43% of the Company's shares and Asia Orient owns effectively 2.95% of the Company's shares. The remaining 29.62% shares are widely held.

33. Related party transactions (continued)

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

	2010	2009
	HK$'000	HK$'000
Income from ASI		
Hotel services	**255**	9
Travel agency service	**864**	873
Income from/(expenses to) fellow subsidiaries		
Operating lease rental expense for properties	**(1,717)**	(1,478)
Management service expenses	**(655)**	(793)
Information technology support service income	**80**	160

(b) Key management compensation

	2010	2009
	HK$'000	HK$'000
Fee	**320**	320
Salary allowance and benefits in kind	**15,757**	14,366
Employer's contribution to retirement benefit scheme	**74**	72
	16,151	14,758

Key management includes the Company's Directors and three (2009: three) senior management members.

34. Note to consolidated statement of cash flows

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

	2010 HK$'000	2009 HK$'000
Profit/(loss) before income tax	**446,554**	(218,094)
Depreciation and amortisation	**88,830**	68,660
Impairment of goodwill	**–**	9,640
Interest income	**(22,898)**	(7,692)
Dividend income	**(48,562)**	(17,960)
Finance costs	**32,588**	34,923
Loss on disposal of property, plant and equipment	**2**	3,051
Net realised (gain)/loss on disposal of financial assets at fair value through profit or loss	**(135,471)**	17,130
Net realised gain on disposal of available-for-sale investments	**(23,162)**	–
Net realised loss on disposal of derivative financial instruments	**3,644**	–
Unrealised (gain)/loss on financial assets at fair value through profit or loss	**(252,783)**	80,202
Fair value (gain)/loss on interest rate swap	**(1,300)**	3,132
Unrealised gain on derivative financial instruments	**(8,552)**	11,598
Impairment of available-for-sale investments	**1,531**	177,486
Provision for interest receivable from financial assets at fair value through profit or loss	**15,164**	–
Fair value loss/(gain) on warrant liabilities	**30,700**	(27,390)
Operating profit before working capital changes	**126,285**	134,686
(Increase)/decrease in inventories	**(46)**	109
Decrease in trade and other receivables	**3,232**	2,621
Increase in financial assets at fair value through profit or loss	**(232,636)**	(385,339)
Increase in derivative financial instruments	**(7,748)**	(30,000)
Increase in trade and other payables	**8,093**	2,833
Net cash used in operations	**(102,820)**	(275,090)

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 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 investment and operation	**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 Enterprises Ltd. #	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**
Onrich Enterprises Limited	Securities investment	**US$1**
Topshine Investment Holdings Limited	Securities investment	**US$1**
Incorporated in the People's Republic of China (the "PRC")		
Shanghai Hong Hua TGIF Restaurant Company Limited (95% owned) ##	Catering operation	**RMB17,384,640**

Operates in Canada

Operates in the PRC, cooperative joint venture

* *Directly wholly owned by the Group*

36. Comparative figures

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

37. Ultimate holding company

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

38. Approval of financial statements

The financial statements were approved by the Board of Directors on 29th June 2010.

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