ASIA STANDARD HOTEL GROUP LIMITED

Stock Code: 292

Annual Report 2011

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

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

Legal advisers

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

Appleby
2206-19 Jardine House,
1 Connaught Place, Central,
Hong Kong

Auditor

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

Share registrar in Bermuda

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

Hong Kong branch share registrar and transfer office

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

Financial Highlights

For the year ended 31st March (in HK$ million, except otherwise indicated)	**2011**	2010	Change
Consolidated profit and loss account			
Revenue	**696**	594	+17%
Contribution from hotel operations	**213**	150	+42%
Depreciation	**(89)**	(89)	–
Finance costs	**(52)**	(33)	+58%
Net investment gain	**223**	400	–44%
Profit for the year attributable to shareholders	**326**	435	–25%
Basic earnings per share (HK cents)	**22.65**	33.20	–32%
Consolidated balance sheet			
Total assets	**4,723**	3,962	+19%
Net assets	**2,796**	2,364	+18%
Net debt	**1,699**	1,370	+24%

Supplementary information with hotel properties at valuation (note):

Revalued total assets	**8,932**	6,533	+37%
Revalued net assets	**6,313**	4,514	+40%
Revalued net assets per share (HK$)	**4.11**	3.44	+19%
Gearing – net debt to revalued net assets	**27%**	30%	–3%

Note: According to the Group's accounting policies, hotel properties were carried at cost less accumulated depreciation. To give further information on the economic substance of its hotel properties investments, the Group hereby presents supplementary unaudited financial information taking into account the fair market value of hotel properties and the corresponding deferred income tax.

The hotel properties in Hong Kong and Canada were revalued by Vigers Appraisal & Consulting Limited and Grant Thornton Management Consultants respectively, independent professional valuers, as at 31st March 2011.

Chairman's Statement

For the year ended 31st March 2011, Group revenue for the year increased by 17% to HK$696 million (2010: HK$594 million) and contributions from hotel operation increased by 42% to HK$213 million. The Group recorded a profit attributable to shareholders of HK$326 million for the year ended 31st March 2011 as compared to HK$435 million of the same period last year. The difference was mainly attributable to reduction in gain, both realised and unrealised, on investments in financial assets when compared against the same period last year. Basic earnings per share during the year was HK22.65 cents (2010: HK33.2 cents).

Projects that have been completed during the year included the renovation at our Empire Hotel Hong Kong where the entire lobby, exterior facade and entrance were upgraded in early October.

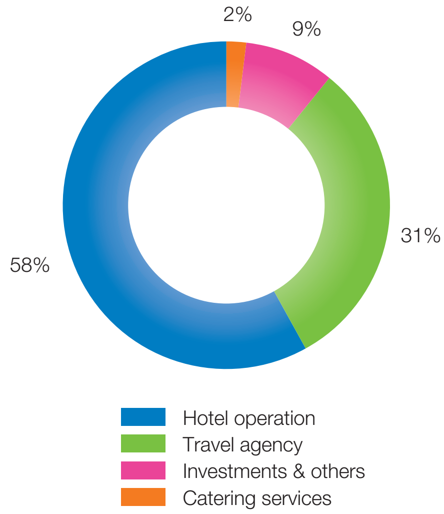
Looking forward, Management is cautious about challenges it faces but none the less remains optimistic about the future of the Group.

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

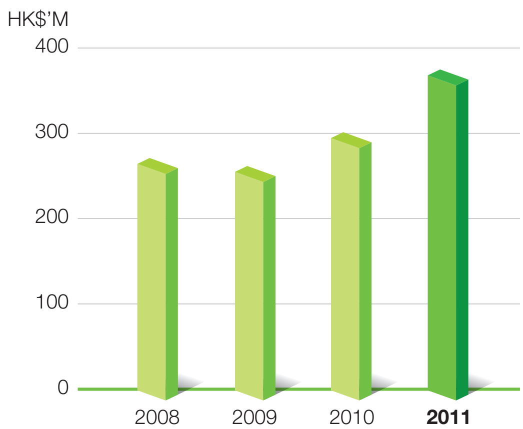
By Order of the Board
Poon Jing
Chairman

Hong Kong, 24th June 2011

Segment revenue



Gross profit



Management Discussion and Analysis

Empire Hotel Hong Kong • New Grand Lobby

Empire Hotel Hong Kong
Empire Grand Room • Theatre

Results

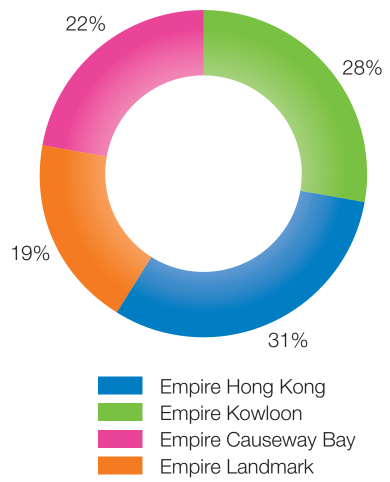
The Group's revenue for the twelve months ended 31st March 2011 amounted to HK$696 million, increased by HK$102 million or 17% compared with the same period of last year. Profit attributable to shareholders, however, decreased by 25% to HK$326 million when compared with HK$435 million of the same period of last year. The decrease was mainly due to the reduction in gain from net realised gain from disposal of financial assets during the year and the fair value gain from financial assets held for trading at the balance sheet date over last year.

Business Review

Hong Kong visitors arrivals has been robust where cumulative arrivals between April 2010 and March of 2011 reached 37 million, 20% more than the same period of last year. The significant growth was led by a number of factors, including steady growth of the world's economy, appreciation of most currencies against the Hong Kong dollar, as well as the expansion of the scope of the Individual Visit Scheme for Shenzhen residents by the Central Government.

Mainland China continued to be the primary driver of growth in arrivals to Hong Kong in the period under review, with arrivals increased by 26% to 23.7 million, and accounted for 64% of total arrivals. Such buoyant performance underlines Hong Kong's popularity as a travel destination for Mainland travellers.

Revenue by hotel



Management Discussion and Analysis

Empire Hotel Kowloon

Empire Club Lounge

Executive Suite

Empire Hotel Hong Kong

Empire Hong Kong's average room rate increased by 25% and average occupancy rate increased by 8% to 91%. Total revenue amounted to HK$123 million and its gross operating profit amounted to HK$73 million. The hotel lobby, its lower facade and entrance had undergone renovation in the period under review, and were completed in early October. We will further step up our promotion on MICE and high yield business travelers capitalising on our new lobby, meeting facilities and location conveniences.

Empire Hotel Kowloon

Empire Kowloon's average room rate increased by 30% and average occupancy rate increased by 6% to 92%. Total revenue amounted to HK$114 million and its gross operating profit amounted to HK$69 million.

Empire Hotel Causeway Bay

Empire Causeway Bay's average room rate increased by 35% and average occupancy increased by 11% to 89%. Total revenue amounted to HK$78 million and its gross operating profit amounted to HK$43 million. Its notable performance in the period under review is the result of increasing awareness of the hotel after last year's opening.

Empire Landmark Hotel Vancouver

Empire Landmark's average room rate remained the same as last year and the average occupancy rate increased by 1%. Total revenue amounted to HK$87 million and its gross operating profit amounted to HK$28 million.

Travel and Catering

Revenues for the travel and catering amounted to HK$217 million and HK$12 million respectively.

Empire Hotel Hong Kong • Sky Pool

Empire Hotel Causeway Bay
• Life SPA Jacuzzi

Investments

The Group's financial investment portfolio of HK$1,919 million were denominated in Hong Kong Dollars (21%), United States Dollars (25%), Sterling (38%) and Euro (16%) (2010: HK$1,157 million). This segment of business generated through profit and loss account a total income of HK$62 million (2010: HK$70 million) and an investment gain of HK$223 million (2010: HK$400 million), which included a HK$48 million unrealised exchange gain (2010: HK$10 million unrealised exchange loss).

As at 31st March 2011, an approximate value of HK$492 million (2010: HK$55 million) of these investments were pledged to banks as collateral for credit facilities granted to the Group.

Financial Review

Total assets amounted to HK$4,723 million (2010: HK$3,962 million). Based on independent valuation, the total revalued amount of the four hotel properties as at 31st March 2011 was HK$6,791 million, increased by 30% when compared with that as at 31st March 2010.

The shareholders' funds amounted to HK$2,796 million (2010: HK$2,364 million). The increase was mainly due to profit from operations, the fair value gain on financial assets and an increase in capital from exercise of warrants. Taking into account the market value of the hotel properties, the revalued net asset value of the Group would be HK$6,313 million.

The consolidated net bank borrowings was HK$1,699 million (2010: HK$1,370 million). 73% of the gross bank borrowings or HK$1,329 million was denominated in Hong Kong dollars, and the remaining 27% or to the equivalent of HK$483 million were in foreign currencies incurred in operations and investment in financial assets overseas.

Management Discussion and Analysis

Of the total gross bank borrowings, 42% was repayable within one year, and 44% was repayable after five years. As at 31st March 2011, the Group had net current assets of HK$984 million (2010: HK$151 million).

The Group's gearing ratio, expressed as a percentage of net debt over the net asset value, increased to 61% (2010: 58%), and after taking into account the fair value of hotel properties at the balance sheet date, the gearing was at a level of 27% (2010: 30%).

The aggregate net book value of hotel properties pledged as collateral for banking facilities of the Group as at 31st March 2011 amounted to HK$2,582 million (2010: HK$2,635 million).

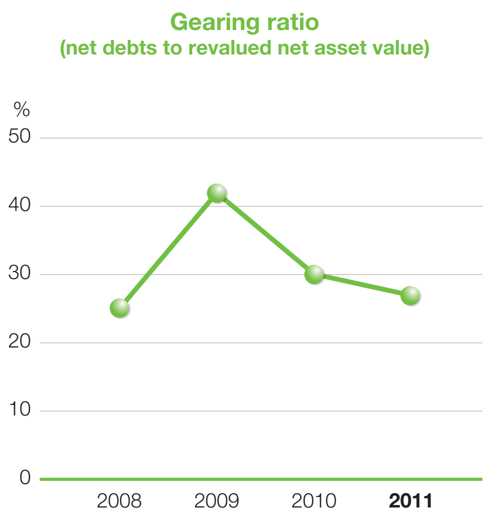
The aggregate carrying amount of financial assets at fair value though profit or loss pledged to banks as collateral for credit facilities of the Group amounted to HK$492 million (2010: HK$55 million).

Human Resources

As at 31st March 2011, 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

Among 300 global destinations, Hong Kong has been voted alongside New York, London and Paris as one of the top 10 travel destinations worldwide and the best in Asia in May 2011 by users of travel website TripAdvisor, one of the world's best known and largest online travel site. We very much remain optimistic on the longer-term prospects, capitalising on location conveniences of our hotels from the continuous robust growth of the mainland economies, and from that of the global economy.



Five-year Financial Summary

Year ended 31st March (in HK$ million)	**2011**	2010	2009	2008	2007
Revenue	**696**	594	604	633	621
Gross profit	**366**	292	252	262	254
Depreciation	**(89)**	(89)	(69)	(68)	(75)
Finance costs	**(52)**	(33)	(38)	(40)	(45)
Profit/(loss) for the year attributable to shareholders	**326**	435	(230)	96	28
Total assets	**4,723**	3,962	3,290	3,190	2,811
Total liabilities	**(1,927)**	(1,598)	(1,516)	(1,122)	(868)
Equity	**2,796**	2,364	1,774	2,068	1,943

Hotel Properties

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

Corporate Governance Report

Corporate Governance Practices

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

Board of Directors

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

Corporate Governance Report

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	4/4
Mr. Woo Wei Chun, Joseph	Executive Director	4/4
Mr. Ip Chi Wai	Independent Non-executive Director	4/4
Mr. Leung Wai Keung	Independent Non-executive Director	2/4
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, Dr. Lim Yin Cheng, and two Independent Non-executive Directors, Mr. Ip Chi Wai and Mr. Hung Yat Ming. Dr. Lim is the Chairman of the Remuneration Committee. The duties of the Committee include making recommendations to the Board on the remuneration policy and structure of the Directors and senior management, approving the remuneration, determining the remuneration packages of all Executive Directors and senior management and approving the compensation to 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 Committee held one meeting, which all members had attended, to review, discuss and approve the remuneration packages of the Directors and senior management.

Audit Committee

The Audit Committee 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 annual and interim financial statements and the recommendation by the auditor on enhancement of internal control. All the members had attended the meetings except Mr. Leung Wai Keung had attended one meeting. The Audit Committee has reviewed the annual financial statements for the year ended 31st March 2011.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year, and they all confirmed that they have fully complied with the required standard set out in the Model Code throughout the year ended 31st March 2011.

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 are not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with the Bye-Laws of the Company.

Internal Control

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

Corporate Governance Report

Auditor's Remuneration

PricewaterhouseCoopers has been appointed as the auditor of the Company by the shareholders at the annual general meeting. The services provided by PricewaterhouseCoopers include audit, taxation related and other services. A statement by PricewaterhouseCoopers about their reporting responsibilities as the auditor of the Company is included in the Independent Auditor's Report on pages 32 to 33 of this annual report.

An amount of HK$2,335,000 (2010: HK$2,409,000) 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$282,000 (2010: HK$315,000).

Investor Relationship

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

The Company has also maintained a website at http://www.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, 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 and effort on imminent and important social issues, we endeavour to contribute, support and help to provide for those who most need a great place to live, learn and grow.

The Community

The Art of Caring' Community Program was launched in 2009 by the Empire Hotels in conjunction with SAHK, a rehabilitation service organisation. Since then, the program has been giving support to local children and youth with special needs in their education and rehabilitation through the creation of art pieces and a series of educational workshops, learning events and life enriching activities. During 2010/2011, the following activities were organised:

- Cookies Workshop at Empire Hotel Hong Kong where a group of 4 to 6 year-old children with special needs learnt to make cookies with their parents under the guidance of the hotel's pastry chef on 1st June, 17th September and 10th December in 2010.

- Charity Bazaar at Empire Hotel Kowloon where children and youth under SAHK's care demonstrated their painting skills and their paintings and handicrafts on sale during 4th-5th November 2010.

- Hotel's Volunteering Team visits to three SAHK Schools on 14th October 2010, 27th January 2011 and 10th March 2011.

- Student Hotel Experience Days at Empire Hotel Causeway Bay on 14th November 2010, 22nd February 2011 and 16th March 2011.

Recognition of Contribution

The Group has been once again awarded the Caring Company title 2010/11 by The Hong Kong Council of Social Service (HKCSS) 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.

the art of caring
藝術童關心

商界展關懷
caringcompany 2010/11
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

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 Causeway Bay and Empire Hotel Kowloon has a zone valve whereby electricity supply will be switched off on idle floors for energy preservation purposes. In our Empire Hotel Kowloon, 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.

Directors and Senior Management

Executive Directors

POON Jing

Aged 56, is the Chairman of the Company. He is also the 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 66, is the Deputy Chairman, the 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 62, is an Executive Director of the Company. He is also the Chairman, an Executive Director, the Chairman of the Remuneration Committee and a member of the Executive Committee of ASI. He is the Chairman, an Executive Director and the 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 65, is an Executive 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 47, is an Executive Director and the 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 43. 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 on the Growth Enterprise Market of the Stock Exchange. He joined the Group in September 2003.

LEUNG Wai Keung

Aged 48, 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 59. 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 59, is the Group General Manager of the Company and a 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 61. 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 2011.

Principal activities

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 34 to the financial statements.

The activities of the Group are mainly based in Hong Kong, Canada and Mainland China. Analyses of the Group's turnover 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 are set out in the consolidated profit and loss account on page 34.

The Company paid an interim dividend of HK0.25 cent (2010: Nil) per share with a scrip option, totaling HK$3,833,000 (2010: Nil) for the year ended 31st March 2011.

The Board recommends a final dividend of HK0.75 cent (2010: HK1 cent) per share with a scrip option, totaling HK$11,534,000 (2010: HK$13,187,000) for the year ended 31st March 2011.

Financial summary

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

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in note 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 25 to the financial statements.

Reserves

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

Donations

During the year, the Group made charitable and other donations of HK$1,500,000 (2010: HK$130,000).

Directors

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

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

Messrs. Fung Siu To, Clement, Poon Tin Sau, Robert and Leung Wai Keung will retire from office by rotation in accordance with the Bye-Laws of the Company at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

Biographical details of Directors and senior management

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

Directors' interests in contracts

Beside 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 on pages 28 to 29, and that of its ultimate holding company, Asia Orient Holdings Limited ("Asia Orient"), and Asia Standard International Group Limited ("ASI") remains as holding company, at no time during the year were the Company, its subsidiaries, its fellow subsidiaries, 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 Executive's interests and short positions in shares, underlying shares and debentures

As at 31st March 2011, the interests and short position of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) are required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(I) Long positions in shares

(a) The Company

	Number of shares held			
Director	**Personal interest**	**Corporate interest**	**Total**	**Percentage of shares in issue (%)**
Poon Jing	49,528	1,120,832,195	1,120,881,723	72.88

Note:

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

(I) Long positions in shares (continued)

(b) Associated corporations

		Number of shares held				
Director	Associated corporation	Personal interest	Family interest	Corporate interest	Total	Percentage of shares in issue (%)
Poon Jing	Asia Orient *(Note 1)*	193,842,510	4,873,940	132,997,302	331,713,752	46.56
	ASI *(Note 2)*	1,176,670	–	614,962,312	616,138,982	50.40
Fung Siu To, Clement	Asia Orient	14,042,433	–	–	14,042,433	1.97
	Mark Honour Limited	9	–	–	9	0.01

Notes:

(1) By virtue of Mr. Poon Jing's controlling interest (46.56%) in Asia Orient, he is deemed to be interested in the shares of the Company held by Asia Orient.

(2) By virtue of his 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 2011, details of the share options granted to Directors under the share option scheme of the Company adopted on 28th August 2006 (the "Company's Share Option Scheme") are as follows:

Director	Date of grant	Exercise price (HK$)	Exercise period	Outstanding as at 1st April 2010 and 31st March 2011
Fung Siu To, Clement	29th March 2007	1.296	29th March 2007 to 28th March 2017	8,000,000
Poon Tin Sau, Robert	29th March 2007	1.296	29th March 2007 to 28th March 2017	8,000,000
Lim Yin Cheng	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	8,000,000
Woo Wei Chun, Joseph	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	8,000,000

Note:

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

(II) Long positions in underlying shares (continued)

Interests in share options (continued)

(b) Associated corporation – Asia Orient

Director	Outstanding as at 1st April 2010 and 31st March 2011
Lim Yin Cheng	2,126,301
Fung Siu To, Clement	2,126,301
Woo Wei Chun, Joseph	3,469,228

Notes:

(1) 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$1.4315 (as adjusted) per share.

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

(II) Long positions in underlying shares (continued)

Interests in share options (continued)

(c) ***Associated corporation – ASI***

Director	Outstanding as at 1st April 2010 and 31st March 2011
Poon Jing	515,544
Lim Yin Cheng	2,062,176
Fung Siu To, Clement	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 an exercise price of HK$3.15 (as adjusted) 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.

Save as disclosed above, as at 31st March 2011, 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 2011, the Company had been notified of the following substantial Shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and the Chief Executive.

Long positions in shares of the Company

Shareholder	Number of shares held	Percentage (%)
Asia Standard Development (Holdings) Limited ("ASDHL")	364,116,385	23.67
Asia Standard International Limited ("ASIL")	709,487,392	46.13
ASI *(Note 1)*	1,074,601,679	69.87
Asia Orient Holdings (BVI) Limited *(Note 2)*	1,120,832,195	72.88
Asia Orient *(Note 3)*	1,120,832,195	72.88

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 2011, 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

The Company's Share Option Scheme was adopted on 28th August 2006. The Board of Directors of the Company may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiary or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, 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 options to be granted under the Company's Share Option Scheme must not exceed 125,088,061 shares, representing about 8.13% of the shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Company's Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any options granted to the same participant under the Company's Share Option Scheme or any other share option scheme within any 12 months period, must not exceed 1% of the shares in issue from time to time.

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

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

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

Grantee	Date of grant	Exercise price (HK$)	Exercise period	Outstanding as at 1st April 2010 and 31st March 2011
Directors	29th March 2007	1.296	29th March 2007 to 28th March 2017	16,000,000
	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	16,000,000
Directors of holding companies	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	16,000,000
Employees of holding companies	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	30,999,999
				78,999,999

Note:

During the year, no option was granted, exercised, 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

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

Percentage of purchases attributable to the Group's largest supplier	39.63%
Percentage of purchases attributable to the Group's five largest suppliers	71.70%
Percentage of sales attributable to the Group's largest customer	3.42%
Percentage of sales attributable to the Group's five largest customers	10.86%

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

Connected Transactions

During the year ended 31st March 2011, the Group had the following continuing connected transactions constituted by the tenancy agreements entered into by JBC Travel Company Limited ("JBC"), the Group's wholly owned subsidiary.

JBC Tenancy Agreements

(a) Pursuant to a tenancy agreement dated 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 is 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 2011, a total rent of HK$1,430,880 (2010: HK$1,560,960) was paid by JBC to Hoi Chak for aforesaid agreement.

(b) Pursuant to a tenancy agreement dated 8th February 2011 entered into between JBC and Hoi Chak, JBC has been leasing the Premise from Hoi Chak for a period of two years commencing from 1st March 2011 to 28th February 2013 at a monthly rental of HK$162,600. The annual cap in respect of the amount of annual rent is not exceeding HK$162,600 for the year ended 31st March 2011.

During the year ended 31st March 2011, a total rent of HK$162,600 (2010: Nil) was paid by JBC to Hoi Chak for the aforesaid tenancy agreement.

Hoi Chak is an indirect wholly owned subsidiary of ASI, which is in turn a substantial shareholder of the Company holding approximately 69.87% 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 independence 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 issuance of this report.

Auditor

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

On behalf of the Board

POON JING
Chairman

Hong Kong, 24th June 2011

Independent Auditor's Report

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

We have audited the consolidated financial statements of Asia Standard Hotel Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 34 to 104, which comprise the consolidated and company balance sheets as at 31st March 2011, 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 for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give true and fair view 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 consolidated financial statements.

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

Independent Auditor's Report

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 2011, and of the Group's profit and cash flows 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, 24th June 2011

Consolidated Profit and Loss Account

For the year ended 31st March 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Revenue	5	**695,851**	594,157
Cost of sales		**(330,246)**	(302,072)
Gross profit		**365,605**	292,085
Selling and administrative expenses		**(107,503)**	(92,675)
Depreciation		**(89,046)**	(88,830)
Net investment gain	6	**222,905**	399,629
Other gain and charges	7	**12,664**	(30,700)
Operating profit		**404,625**	479,509
Finance costs	11	**(51,899)**	(32,955)
Profit before income tax		**352,726**	446,554
Income tax expense	12	**(26,524)**	(11,974)
Profit for the year attributable to shareholders		**326,202**	434,580
Dividends	14	**15,367**	13,187
Earnings per share (HK cents)			
Basic	15	**22.65**	33.20
Diluted	15	**21.98**	31.06

Consolidated Statement of Comprehensive Income

For the year ended 31st March 2011

	2011	2010
	HK$'000	HK$'000
Profit for the year	**326,202**	434,580
Other comprehensive income		
Net fair value gain on available-for-sale investments	**8,175**	93,430
Impairment of available-for-sale investments charged to profit and loss account	**551**	1,531
Release of reserve upon disposal of available-for-sale investments	**(9,008)**	21,735
Currency translation differences	**10,574**	36,568
	10,292	153,264
Total comprehensive income for the year attributable to shareholders	**336,494**	587,844

Consolidated Balance Sheet

As at 31st March 2011

	Note	**31st March 2011 HK$'000**	31st March 2010 HK$'000 (Restated)	1st April 2009 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	16	**2,586,848**	2,636,737	2,616,988
Available-for-sale investments	17	**220,100**	228,258	182,428
Deferred income tax assets	28	**–**	1,338	7,771
		2,806,948	2,866,333	2,807,187
Current assets				
Inventories		**2,341**	2,206	2,160
Trade and other receivables	21	**102,826**	87,811	83,867
Financial assets at fair value through profit or loss	20	**1,699,188**	928,857	308,132
Derivative financial instruments		**–**	–	12,806
Bank balances and cash	22	**111,705**	76,452	75,884
		1,916,060	1,095,326	482,849
Current liabilities				
Trade and other payables	23	**47,112**	62,053	53,931
Derivative financial instruments	19	**23,767**	14,571	15,773
Warrant liabilities	24	**–**	53,904	–
Borrowings	27	**842,295**	799,018	731,712
Income tax payable		**19,340**	14,630	14,512
		932,514	944,176	815,928
Net current assets/(liabilities)		**983,546**	151,150	(333,079)
Total assets less current liabilities		**3,790,494**	3,017,483	2,474,108

Consolidated Balance Sheet

As at 31st March 2011

	Note	**31st March 2011 HK$'000**	31st March 2010 HK$'000 (Restated)	1st April 2009 HK$'000 (Restated)
Non-current liabilities				
Long term borrowings	27	**968,165**	647,370	675,695
Deferred income tax liabilities	28	**26,619**	6,143	602
Warrant liabilities	24	**–**	–	23,935
		994,784	653,513	700,232
Net assets		**2,795,710**	2,363,970	1,773,876
Equity				
Share capital	25	**30,757**	26,246	261,409
Reserves	26	**2,764,953**	2,337,724	1,512,467
		2,795,710	2,363,970	1,773,876

Lim Yin Cheng
Director

Fung Siu To, Clement
Director

Balance Sheet

As at 31st March 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Non-current assets			
Subsidiaries	18	**–**	–
Current assets			
Amounts due from subsidiaries	18	**2,777,815**	2,565,132
Prepayments		**342**	299
Bank balances and cash	22	**394**	10,558
		2,778,551	2,575,989
Current liabilities			
Trade and other payables		**859**	990
Borrowings	27	**19,000**	30,000
Warrant liabilities	24	**–**	53,904
		19,859	84,894
Net current assets		**2,758,692**	2,491,095
Net assets		**2,758,692**	2,491,095
Equity			
Share capital	25	**30,757**	26,246
Reserves	26	**2,727,935**	2,464,849
		2,758,692	2,491,095

Lim Yin Cheng
Director

Fung Siu To, Clement
Director

Consolidated Statement of Cash Flows

For the year ended 31st March 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Net cash used in operations	33	**(318,704)**	(42,917)
Interest paid		**(25,878)**	(25,861)
Interest received from bank deposits and other receivables		**2,233**	1,977
Net cash used in operating activities		**(342,349)**	(66,801)
Cash flows from investing activities			
Addition to property, plant and equipment		**(29,126)**	(53,579)
Proceeds on disposal of property, plant and equipment		**3**	–
Decrease in pledged deposits		**–**	12,000
Purchase of available-for-sale investments		**–**	(21,999)
Proceeds on disposal of available-for-sale investments		**14,786**	127,462
Net cash (used in)/from investing activities		**(14,337)**	63,884
Net cash used before financing activities		**(356,686)**	(2,917)
Cash flows from financing activities			
Drawdown of long term borrowings		**360,120**	6,150
Repayment of long term borrowings		**(28,500)**	(38,091)
Increase in short term borrowings		**9,074**	43,009
Conversion of warrants		**58,396**	1,519
Dividends paid		**(4,389)**	–
Net cash from financing activities		**394,701**	12,587
Increase in cash and cash equivalents		**38,015**	9,670
Cash and cash equivalents at the beginning of the year		**76,452**	63,884
Changes in exchange rates		**(2,762)**	2,898
Cash and cash equivalents at the end of the year		**111,705**	76,452
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	22	**111,705**	76,452

Consolidated Statement of Changes in Equity

For the year ended 31st March 2011

	Share capital HK$'000	Other reserves HK$'000	Revenue reserve HK$'000	Total HK$'000
At 31st March 2009	261,409	1,858,189	(345,722)	1,773,876
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
Release of reserve upon disposal of available-for-sale investments	–	21,735	–	21,735
Currency translation differences	–	36,568	–	36,568
Profit for the year	–	–	434,580	434,580
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**
Net fair value gain on available-for-sale investments	**–**	**8,175**	**–**	**8,175**
Impairment of available-for-sale investments charged to profit and loss account	**–**	**551**	**–**	**551**
Release of reserve upon disposal of available-for-sale investments	**–**	**(9,008)**	**–**	**(9,008)**
Currency translation differences	**–**	**10,574**	**–**	**10,574**
Profit for the year	**–**	**–**	**326,202**	**326,202**
Total comprehensive income for the year	**–**	**10,292**	**326,202**	**336,494**
Issue of shares upon conversion of warrants	**4,027**	**148,407**	**(52,799)**	**99,635**
Expiry of warrants	**–**	**20,345**	**(20,345)**	**–**
2010 final dividend	**393**	**9,335**	**(13,187)**	**(3,459)**
2011 interim dividend	**91**	**2,812**	**(3,833)**	**(930)**
Total transactions with owners	**4,511**	**180,899**	**(90,164)**	**95,246**
At 31st March 2011	**30,757**	**2,441,770**	**323,183**	**2,795,710**

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

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

2 Principal accounting policies

(a) The adoption of new HKFRS

During the year, the Group adopted the following new and revised standards, interpretations and amendments to existing standards ("New HKFRS") that are relevant to the Group's operations and are mandatory for accounting periods beginning on or after 1st January 2010:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 17 (Amendment)	Leases
HK-Int 5	Presentation of Financial Statements – Classification by The Borrower of a Term Loan that Contains a Repayment on Demand Clause

2 Principal accounting policies (continued)

(a) The adoption of new HKFRS (continued)

Except for certain changes in accounting policies as described below, the adoption of the 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.

- 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.

  In order to comply with the requirements of HK-Int 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the consolidated balance sheet. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

  The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1st April 2009, with consequential reclassification adjustments to comparatives for the year ended 31st March 2010. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

  The impact of adoption of HK-Int 5 on the consolidated balance sheet

	31st March 2011 HK$'000	31st March 2010 HK$'000	1st April 2009 HK$'000
Increase/(decrease) in			
Current liabilities			
Borrowings	**78,555**	260,236	273,269
Non-current liabilities			
Long term borrowings	**(78,555)**	(260,236)	(273,269)

2 Principal accounting policies (continued)

(a) The adoption of new HKFRS (continued)

- 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. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land", and amortised over the lease term. HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1st January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of leasehold land on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified the leasehold land from operating lease to finance lease. Since the property interest is held for own use, that land interest classified as finance lease is accounted for as land and buildings and is depreciated from the land interest available for its intended use over the lease term.

The impact of adoption of HKAS 17 (Amendment)

Consolidated profit and loss account

	2011	2010	2009
	HK$'000	HK$'000	HK$'000
Increase/(decrease) in profit			
Depreciation	**26,927**	26,927	20,637
Amortisation	**(26,927)**	(26,927)	(20,637)
	–	–	–

2 Principal accounting policies (continued)

(a) The adoption of new HKFRS (continued)

The impact of adoption of HKAS 17 (Amendment) *(continued)*

Consolidated balance sheet

	31st March 2011 HK$'000	31st March 2010 HK$'000	1st April 2009 HK$'000
Increase/(decrease) in			
Property, plant and equipment	**1,604,872**	1,631,799	1,658,726
Leasehold land	**(1,604,872)**	(1,631,799)	(1,658,726)
	–	–	–

The following new and revised HKFRS are relevant to the Group's operation but not yet effective

Effective for accounting periods beginning on or after:

1st January 2011

HKAS 24 (Revised)	Related party disclosures

1st January 2013

HKFRS 9	Financial Instruments

2 Principal accounting policies (continued)

(a) The adoption of new HKFRS (continued)

- HKAS 24 (Revised) clarifies and simplifies the definition of a related party. The Group will apply the revised standard from 1st January 2011.

- HKFRS 9 establishes 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 HKFRS. 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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

2 Principal accounting policies (continued)

(c) Subsidiaries

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

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(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 strategies 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 depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

2 Principal accounting policies (continued)

(e) Property, plant and equipment (continued)

Amortisation on leasehold land classified as finance lease commence from the time when the land interest become available for the intended use, Amortisation on leasehold land classified as finance lease and depreciation of property, plant and equipment is calculated using straight-line method to allocate the cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Remaining lease term
Hotel and other buildings in Hong Kong	Shorter of 50 years or the remaining lease period of the land on which the buildings are located
Hotel buildings in overseas	25 years
Plant and equipment	3 – 10 years

Freehold land is not amortised.

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

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

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

(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.

2 Principal accounting policies (continued)

(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 non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to depreciation or amortisation and are tested annually for impairment. Assets 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.

(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.

2 Principal accounting policies (continued)

(i) Financial assets/liabilities (continued)

(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 are included in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss and available-for-sale investments is recognised in the profit and loss account when the right to receive payment is established. Changes in the fair value of available-for-sale investments are recognised in other comprehensive income. When securities classified as available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as net investment gain or loss.

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.

2 Principal accounting policies (continued)

(i) Financial assets/liabilities (continued)

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

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

Derivatives financial instruments 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 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 for deferred income tax liability 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Principal accounting policies (continued)

(l) Provisions

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

(m) Leases

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

(n) Trade and other receivables

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

(o) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. 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)

(p) 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.

(iii) Group companies

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

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

2 Principal accounting policies (continued)

(p) Foreign currency translation (continued)

(iii) Group companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to other comprehensive income. 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.

(q) 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 based on the non-market vesting conditions. 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)

(q) Employee benefits (continued)

(iii) ***Share-based compensation*** *(continued)*

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

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

(r) Borrowing costs

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

(s) Trade payables

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

(t) Warrant liabilities

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

(u) Dividend distribution

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

(v) 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)

(w) Share capital

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

(x) 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.

(y) 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.

(z) Financial guarantee (insurance contracts)

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

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group's operations are mainly in Hong Kong. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

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

The Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider entering into forward foreign exchange contracts to reduce the exposure should the need arise.

Currency risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

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, Euros and Japanese Yen.

At 31st March 2011, the Group's entities with functional currency of Hong Kong dollar had United States dollar net monetary assets of HK$493,016,000 (2010: HK$518,452,000). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to United States dollar, management considers that there is no significant foreign exchange risk with respect to United States dollar.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

If the foreign currency had strengthened/weakened by 5%, with all other variables held constant, the Group's post tax profit would have the following changes:

	2011			2010		
	Net monetary assets/ (liabilities) amount	**Effect on post tax result if exchange rate changes by +5%**	**-5%**	Net monetary assets/ (liabilities) amount	Effect on post tax result if exchange rate changes by +5%	-5%
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Sterling	**535,089**	**26,745**	**(26,745)**	259,499	12,975	(12,975)
Euro	**194,223**	**9,708**	**(9,708)**	151,541	7,577	(7,577)
Japanese Yen	**(82,033)**	**(7,472)**	**7,472**	(64,209)	(6,621)	6,621

(ii) Price risk

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

The Group's listed 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, Singapore Stock Exchange and Luxembourg Stock Exchange. The price of the Group's unlisted investments are quoted from brokers. 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 (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

Bonus warrants (note 24) 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, with all other variables held constant, the Group's post tax profit would have the following changes:

	2011				2010			
	Effect on post tax result if the price changes by		Effect on available-for-sale investments reserve if the price changes by		Effect on post tax result if the price changes by		Effect on available-for-sale investments reserve if the price changes by	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss	166,912	(166,912)	–	–	92,886	(92,886)	–	–
Available-for-sale investments	–	(254)	22,010	(21,756)	–	(363)	22,826	(22,463)
Warrant liabilities	–	–	–	–	(12,488)	12,488	–	–

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, financial assets at fair value through profit or loss (note 20), derivative financial assets (note 19) 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 and debt securities 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.

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

Notes to the Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

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

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates.

	Group					Company	
	On demand HK$'000	Within 1 year HK$'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 2011							
Non-derivative financial liabilities							
Trade and other payables	**–**	**47,112**	**–**	**–**	**47,112**	**859**	**859**
Borrowings	**802,970**	**52,216**	**256,435**	**777,191**	**1,888,812**	**19,263**	**19,263**
	802,970	**99,328**	**256,435**	**777,191**	**1,935,924**	**20,122**	**20,122**
Derivative financial liabilities							
Interest rate swaps							
– Inflow	**–**	**(77,882)**	**–**	**–**	**(77,882)**	**–**	**–**
– Outflow	**–**	**99,429**	**2,964**	**–**	**102,393**	**–**	**–**
	–	**21,547**	**2,964**	**–**	**24,511**	**–**	**–**
	802,970	**120,875**	**259,399**	**777,191**	**1,960,435**	**20,122**	**20,122**
At 31st March 2010							
Non-derivative financial liabilities							
Trade and other payables	–	62,053	–	–	62,053	990	990
Borrowings	770,751	36,309	174,177	518,995	1,500,232	30,465	30,465
	770,751	98,362	174,177	518,995	1,562,285	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	–	–
	770,751	102,731	186,852	518,995	1,579,329	31,455	31,455

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) *Liquidity risk (continued)*

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Within 1 year HK$'000	Within 2 to 5 years HK$'000	After 5 years HK$'000	Total undiscounted cash flow HK$'000
31st March 2011	**13,916**	**52,522**	**33,222**	**99,660**
31st March 2010	35,461	228,840	43,248	307,549

(d) *Cash flow interest rate risk*

Other than bank balances and deposits, financial investments with fixed coupon 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 2011, with all other variables held constant, if the interest rate had increased/decreased by 10 basis point, the Group's post tax profit would have been HK$1,073,000 (2010: HK$1,019,000) lower/higher.

3 Financial risk management (continued)

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(a) to the financial statements.

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

The gearing ratios at 31st March 2011 and 2010 were as follows:

	2011	2010
	HK$'000	HK$'000
Borrowings *(note 27)*	**1,810,460**	1,446,388
Less: Bank balances and cash *(note 22)*	**(111,705)**	(76,452)
Net debt	**1,698,755**	1,369,936
Net assets	**2,795,710**	2,363,970
Gearing ratio against net assets	**61%**	58%
Revalued net assets	**6,313,000**	4,514,000
Gearing ratio against Revalued net assets	**27%**	30%

3 Financial risk management (continued)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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).

The following table presents the Group's assets and liabilities that are measured at fair value at 31st March 2011.

	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Assets			
Financial assets at fair value through profit or loss	**1,699,188**	**–**	**1,699,188**
Available-for-sale investments	**220,100**	**–**	**220,100**
	1,919,288	**–**	**1,919,288**
Liabilities			
Derivative financial instruments	**–**	**23,767**	**23,767**

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

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

	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Assets			
Financial assets at fair value through profit or loss	928,857	–	928,857
Available-for-sale investments	228,258	–	228,258
	1,157,115	–	1,157,115
Liabilities			
Derivative financial instruments	–	14,571	14,571
Warrant liabilities	–	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 the 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 equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

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

(c) Fair values of derivative financial instruments

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

(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.

Notes to the Financial Statements

5 Turnover 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 comprises revenue from hotel, catering services, travel agency operations and dividend and interest income.

	2011 **HK$'000**	2010 HK$'000
Turnover		
Revenue		
Hotel operating income	**402,216**	303,795
– Room rentals	**320,264**	233,554
– Food and beverages	**59,741**	49,420
– Ancillary services	**8,388**	7,424
– Rental income	**13,823**	13,397
Catering income	**12,258**	10,738
Travel agency income	**217,031**	207,692
Investments	**62,596**	69,960
Other operations	**1,750**	1,972
	695,851	594,157
Gross proceeds from disposal of financial assets at fair value through profit or loss and derivative financial instruments	**385,316**	477,646
	1,081,167	1,071,803

5 Turnover 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, inventories, trade and other receivables, available-for-sale investments and financial assets at fair value through profit or loss. 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
2011						
Turnover	402,216	12,258	217,031	447,912	1,750	1,081,167
Segment revenue	402,216	12,258	217,031	62,596	1,750	695,851
Contribution to segment results	212,958	(1,091)	(1,445)	62,928	1,750	275,100
Depreciation	(88,721)	(161)	(55)	–	(109)	(89,046)
Net investment gain	–	–	–	222,905	–	222,905
Other gain and charges	–	–	–	–	12,664	12,664
Segment results	124,237	(1,252)	(1,500)	285,833	14,305	421,623
Unallocated corporate expenses						(16,998)
Operating profit						404,625
Finance costs						(51,899)
Profit before income tax						352,726
Income tax expense						(26,524)
Profit for the year attributable to shareholders						326,202

Notes to the Financial Statements

5 Turnover 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						
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
Depreciation	(88,539)	(174)	(26)	–	(91)	(88,830)
Net investment gain	–	–	–	399,629	–	399,629
Other gain and charges	–	–	–	–	(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 Turnover 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
2011						
Segment assets	**2,619,332**	**3,670**	**10,629**	**1,947,701**	**29,971**	**4,611,303**
Other unallocated assets						**111,705**
						4,723,008
Segment liabilities						
Borrowings	**1,097,683**	**–**	**–**	**712,777**	**–**	**1,810,460**
Other unallocated liabilities						**116,838**
						1,927,298
Additions to non-current assets*	**29,093**	**234**	**46**	**–**	**3,675**	**33,048**
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

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

5 Turnover and segment information (continued)

(b) Segment information (continued)

	2011 HK$'000	2010 HK$'000
Revenue		
Hong Kong	**554,595**	448,593
Overseas	**141,256**	145,564
	695,851	594,157
Non-current assets*		
Hong Kong	**2,315,045**	2,361,553
Overseas	**271,803**	275,184
	2,586,848	2,636,737

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

6 Net investment gain

	2011	2010
	HK$'000	HK$'000
Financial assets at fair value through profit or loss		
– net unrealised gain from market value movements	**162,567**	262,774
– net unrealised exchange gain/(loss)	**48,096**	(9,991)
– net realised gain	**20,940**	135,471
– provision for interest receivable	**–**	(15,164)
Available-for-sale investments		
– net realised gain	**2,314**	23,162
– impairment	**(551)**	(1,531)
Derivative financial instruments		
– net unrealised (loss)/gain	**(10,461)**	8,552
– net realised loss	**–**	(3,644)
	222,905	399,629

During the year, HK$186,757,000 unrealised gain (2010: HK$64,191,000 unrealised loss) on financial assets at fair value through profit or loss accumulated in prior years had been realised upon disposal.

7 Other gain and charges

	2011	2010
	HK$'000	HK$'000
Fair value gain/(loss) on warrant liabilities *(note 24)*	**12,664**	(30,700)

8 Income and expenses by nature

	2011 HK$'000	2010 HK$'000
Income		
Operating lease rental income for hotel buildings	**13,823**	13,397
Interest income		
– Listed investments	**34,886**	20,835
– Unlisted investments	**9**	87
– Other receivables *(note 21(e))*	**1,750**	1,750
– Bank deposits	**483**	226
Dividend income		
– Listed investments	**27,218**	48,384
– Unlisted investments	**–**	178
Expenses		
Cost of goods sold	**185,972**	178,421
Employee benefit expense including Director's emoluments *(note 9)*	**111,647**	99,603
Auditor's remuneration	**2,335**	2,409
Operating lease rental expense for land and buildings	**6,285**	6,158
Loss on disposal of property, plant and equipment	**1,827**	2

9 Employee benefit expense

	2011	2010
	HK$'000	HK$'000
Wages and salaries	107,600	96,435
Termination benefit	51	(349)
Retirement benefit costs	3,996	3,517
	111,647	99,603

The amounts stated are inclusive of Directors' emoluments and are included in cost of sales and selling and administrative expenses.

(a) Retirement benefits cost

The Group participates in various types of defined contribution schemes for employees, namely the Mandatory Provident Fund ("MPF") Scheme and Occupational Retirement Scheme Ordinance ("ORSO") Scheme in Hong Kong 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 (2010: Nil) were utilised for the year. As at 31st March 2011, no forfeitures (2010: 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% (2010: 5%) or a fixed sum and 4.95% (2010: 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)

(b) Share option scheme

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

Details of share options held under the share option scheme of the Company as at 31st March 2011 are as follows:

Date of grant	Exercise price per share	Expiry date	Number of share option outstanding at 1st April 2010 and 31st March 2011
29th March 2007	HK$1.296	28th March 2017	
Directors			16,000,000
2nd April 2007	HK$1.300	1st April 2017	
Directors			16,000,000
Others			46,999,999
			62,999,999
			78,999,999

During the year, no option was granted, exercised, cancelled or lapsed.

10 Directors' and senior management's emoluments

(a) The aggregate amount of emoluments paid and payable to Directors of the Company for the years ended 31st March 2011 and 2010 are set out as follows:

Name of Director	Directors' fees	Salaries, allowances and benefits in kind	Employer's contribution to retirement benefit scheme	Total emoluments
2011 (in HK$'000)				
Executive				
Mr. Poon Jing	**–**	**8,000**	**–**	**8,000**
Dr. Lim Yin Cheng	**–**	**2,500**	**–**	**2,500**
Mr. Poon Tin Sau, Robert	**–**	**869**	**36**	**905**
Mr. Fung Siu To, Clement	**–**	**–**	**–**	**–**
Mr. Woo Wei Chun, Joseph	**–**	**780**	**12**	**792**
	–	**12,149**	**48**	**12,197**
Non-executive				
Mr. Ip Chi Wai	**120**	**–**	**–**	**120**
Mr. Hung Yat Ming	**100**	**–**	**–**	**100**
Mr. Leung Wai Keung	**100**	**–**	**–**	**100**
	320	**–**	**–**	**320**
	320	**12,149**	**48**	**12,517**
2010 (in HK$'000)				
Executive				
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				
Mr. Ip Chi Wai	120	–	–	120
Mr. Hung Yat Ming	100	–	–	100
Mr. Leung Wai Keung	100	–	–	100
	320	–	–	320
	320	13,589	48	13,957

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

(b) 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 (2010: Nil).

(c) The five highest paid individuals in the Group for the year include three (2010: four) Directors whose emoluments are already reflected in the analysis presented above. The emoluments payable to the remaining two (2010: one) individuals during the years are as follows:

	2011	2010
	HK$'000	HK$'000
Basic salaries, allowances, benefits in kind and share option benefits	**2,180**	1,262

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
HK$500,000 – HK$1,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**1**	1
	2	1

11 Finance costs

	2011	2010
	HK$'000	HK$'000
Interest expense on bank loans and overdrafts	**25,993**	25,889
Other incidental borrowing costs	**2,552**	1,784
Net foreign exchange loss on borrowings	**24,619**	6,582
Fair value gain on interest rate swaps	**(1,265)**	(1,300)
	51,899	32,955

12 Income tax expense

	2011	2010
	HK$'000	HK$'000
Current income tax	**(4,710)**	–
Deferred income tax *(note 28)*	**(21,814)**	(11,974)
Income tax expense	**(26,524)**	(11,974)

Hong Kong profits tax is provided at the rate of 16.5% on the estimated assessable profit for the year. In 2010, no Hong Kong profits tax has been provided for as the Group has sufficient tax loss brought forward to set off against the estimated assessable profit for last year. 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.

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

	2011	2010
	HK$'000	HK$'000
Profit before income tax	**352,726**	446,554
Calculated at a tax rate of 16.5% (2010: 16.5%)	**(58,200)**	(73,681)
Over provisions in prior years	**605**	–
Effect of different tax rates in other countries	**1,852**	(6,977)
Income not subject to income tax	**46,954**	89,685
Expenses not deductible for tax purposes	**(11,691)**	(19,901)
Tax losses not recognised	**(4,660)**	(3,600)
Utilisation of previously unrecognised tax losses	**745**	252
Other temporary differences	**(2,129)**	2,248
Income tax expense	**(26,524)**	(11,974)

13 Profit attributable to shareholders

The profit for the year attributable to shareholders is dealt with in the financial statements of the Company to the extent of profit of HK$172,351,000 (2010: loss of HK$29,735,000).

14 Dividends

	2011	2010
	HK$'000	HK$'000
Interim, paid, of HK0.25 (2010: Nil) cent per share	**3,833**	–
Final, proposed, of HK0.75 (2010: HK1) cent per share	**11,534**	13,187
	15,367	13,187

At a meeting held on 24th June 2011, the Board of Directors has proposed to pay a final dividend of HK0.75 (2010: HK1) cent 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 2012.

The amount of HK$11,534,000 is based on 1,537,832,379 issued shares as at 24th June 2011.

15 Earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to shareholders of HK$326,202,000 (2010: HK$434,580,000) and divided by the weighted average number of 1,440,079,623 (2010: 1,309,007,818) shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31st March 2011 was based on the profit for the year attributable to shareholders of HK$326,202,000 (2010: HK$434,580,000) and 1,483,849,051 (2010: 1,399,023,323) shares equaling to the weighted average number of 1,440,079,623 (2010: 1,309,007,818) shares in issue during the year plus 43,769,428 (2010: 90,015,505) potential shares deemed to be in issue assuming the outstanding warrants had been exercised. The outstanding share options did not have dilutive effect on the earnings per share for the year ended 31st March 2011 and 2010.

16 Property, plant and equipment

	Land and buildings HK$'000 (Restated)	Plant and equipment HK$'000	Total HK$'000
Cost			
At 31st March 2010	3,140,652	416,811	3,557,463
Currency translation differences	20,948	4,604	25,552
Additions	3,842	29,206	33,048
Adjustment *(note (c))*	(3,922)	–	(3,922)
Disposals	–	(4,326)	(4,326)
At 31st March 2011	**3,161,520**	**446,295**	**3,607,815**
Accumulated depreciation			
At 31st March 2010	637,607	283,119	920,726
Currency translation differences	9,720	3,971	13,691
Charge for the year	58,039	31,007	89,046
Disposals	–	(2,496)	(2,496)
At 31st March 2011	**705,366**	**315,601**	**1,020,967**
Net book value			
At 31st March 2011	**2,456,154**	**130,694**	**2,586,848**
Cost			
At 31st March 2009	3,036,219	373,257	3,409,476
Currency translation differences	88,152	16,524	104,676
Additions	16,281	37,298	53,579
Disposals	–	(10,268)	(10,268)
At 31st March 2010	3,140,652	416,811	3,557,463
Accumulated depreciation			
At 31st March 2009	544,617	247,871	792,488
Currency translation differences	35,927	13,747	49,674
Charge for the year	57,063	31,767	88,830
Disposals	–	(10,266)	(10,266)
At 31st March 2010	637,607	283,119	920,726
Net book value			
At 31st March 2010	2,503,045	133,692	2,636,737

16 Property, plant and equipment (continued)

Notes:

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

	2011	2010
	HK$'000	HK$'000
Land and buildings	**2,452,497**	2,503,045
Plant and equipment	**129,161**	132,178
	2,581,658	2,635,223

Supplementary information with hotel properties at valuation:

The aggregate valuation of the hotel properties in Hong Kong and Canada based on valuations conducted respectively by Vigers Appraisal & Consulting Limited and Grant Thornton Management Consultants, independent professional valuers, amounted to HK$6,791,059,000 (2010: HK$5,206,622,000).

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

(b) The aggregate net book value of hotel properties pledged as security for loans amounted to HK$1,462,501,000 (2010: 1,406,388,000).

(c) Amount represents write back of cost over provided in prior years.

(d) The carrying amount of land and buildings is as follows:

	2011	2010
	HK$'000	HK$'000
Long term leases in Hong Kong	**1,340,781**	1,360,069
Medium term leases in Hong Kong	**862,190**	886,140
Freehold in Canada	**253,183**	256,836
	2,456,154	2,503,045

17 Available-for-sale investments

	2011 HK$'000	2010 HK$'000
Equity securities listed in Hong Kong	**220,100**	228,258

Notes:

(a) In 2009, the Group reclassified certain financial assets at fair value through profit or loss into the available-for-sale investments. In respect of the reclassified financial assets, the Group recognised fair value loss of HK$16,317,000 before such reclassification. The Group believed that the deterioration of the world's financial markets that occurred during the third quarter of 2008 represents a rare circumstance that allows such a reclassification. The fair values of reclassified financial assets as of the date of reclassification amounted to HK$67,943,000, part of which was subsequently disposed of. No such reclassification was made for the years ended 31st March 2010 and 2011.

At 31st March 2011, the fair value of the remaining reclassified financial assets amounted to HK$8,544,000 (2010: 28,955,000). During the year, fair value gain of HK$1,620,000 (2010: HK$3,570,000) and impairment loss of HK$551,000 (2010: HK$1,531,000) for the reclassified financial assets were recognised in other comprehensive income and profit and loss account respectively.

(b) Impairment provision of HK$551,000 (2010: HK$1,531,000) on available-for-sale investments was recognised in profit and loss account during the year (note 6).

18 Subsidiaries

	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**–**	–
Amounts due from subsidiaries	**2,777,815**	2,565,132
	2,777,815	2,565,132

As at 31st March 2011, the shares of certain subsidiaries are pledged to secure loan facilities granted to the Group.

Details of the principal subsidiaries are set out in note 34.

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

Notes to the Financial Statements

19 Derivative financial instruments

	Liabilities	
	2011	2010
	HK$'000	HK$'000
Interest rate swaps		
Hong Kong dollar *(note (a))*	**5,504**	6,770
Foreign currency *(note (b))*	**18,263**	7,801
	23,767	14,571

Notes:

(a) The notional principal amount of the outstanding Hong Kong dollar interest rate swap contract at 31st March 2011 was HK$100,000,000 (2010: HK$150,000,000).

(b) The notional principal amounts of US$10,000,000 (2010: US$10,000,000) of the outstanding United States dollars versus Japanese Yen interest rate swap contracts were secured by financial assets at fair value through profit or loss (note 20(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 United States dollars versus Japanese Yen interest rate swaps which are settled in gross.

20 Financial assets at fair value through profit or loss

	2011	2010
	HK$'000	HK$'000
Equity securities		
– Listed in Hong Kong	**182,235**	–
– Listed in Europe	**356,446**	49,628
– Listed in USA	**285,270**	278,676
– Unlisted	**1,829**	1,480
	825,780	329,784
Debt securities		
– Listed in Europe	**674,670**	513,030
– Listed in USA	**101,810**	86,043
– Listed in Singapore	**96,928**	–
	873,408	599,073
	1,699,188	928,857

Notes:

(a) The debt securities carry fixed coupon ranging from 5.905% to 13.5% (2010: 5.905% to 9.375%) per annum and their nominal values are equivalent to HK$1,058,007,000 (2010: HK$626,371,000).

(b) At 31st March 2011, financial assets at fair value through profit or loss equivalent to HK$492,232,000 (2010: HK$55,070,000) are pledged as security for United States dollars versus Japanese Yen interest rate swaps (note 19(b)) and borrowings.

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

(c) Financial assets at fair value through profit or loss are denominated in the following currencies:

	2011	2010
	HK$'000	HK$'000
United States dollar	**485,836**	517,820
Sterling	**727,675**	259,496
Euro	**303,441**	151,541
Hong Kong dollar	**182,236**	–
	1,699,188	928,857

21 Trade and other receivables

	2011	2010
	HK$'000	HK$'000
Trade receivables		
– Fully performing	**25,785**	24,985
– Past due but not impaired *(note b)*	**4,563**	8,261
– Impaired	**446**	286
	30,794	33,532
Less: provision for impairment of receivables	**(446)**	(286)
Trade receivables – net *(note a)*	**30,348**	33,246
Accrued interest and dividend receivable	**21,726**	10,487
Prepayments	**9,978**	8,230
Deposits	**6,577**	8,751
Other receivables *(note e)*	**34,197**	27,097
	102,826	87,811

21 Trade and other receivables (continued)

Notes:

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

	2011	2010
	HK$'000	HK$'000
0 – 60 days	**29,825**	31,597
61 – 120 days	**500**	1,439
More than 120 days	**23**	210
	30,348	33,246

(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:

	2011	2010
	HK$'000	HK$'000
0 – 60 days	**4,429**	7,339
More than 60 days	**134**	922
	4,563	8,261

(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 debtors, credit evaluations of customers are performed periodically.

21 Trade and other receivables (continued)

(d) The carrying amounts of the trade and other receivables approximate their fair values. They are denominated in the following currencies:

	2011 HK$'000	2010 HK$'000
Hong Kong dollar	**65,839**	68,463
Sterling	**13,806**	3,109
Canadian dollar	**10,576**	10,317
United States dollar	**8,940**	3,806
Others	**3,665**	2,116
	102,826	87,811

(e) Other receivables comprise loans receivable of HK$25,501,000 (2010: HK$25,000,000) which are unsecured, interest bearing at 2% above Hong Kong prime rate per annum and repayable within one year for current and prior years.

22 Bank balances and cash

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**74,372**	51,598	**394**	10,558
Short term bank deposits	**37,333**	24,854	**–**	–
	111,705	76,452	**394**	10,558

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

	Group	
	2011	2010
	HK$'000	HK$'000
Hong Kong dollar	**61,134**	45,988
Canadian dollar	**34,086**	20,875
Renminbi	**8,097**	8,747
United States dollar	**6,793**	633
Others	**1,595**	209
	111,705	76,452

23 Trade and other payables

	2011 HK$'000	2010 HK$'000
Trade payables *(note a)*	**15,137**	15,808
Accrued expenses	**23,692**	24,370
Construction and retention payables	**3,596**	17,160
Other payables	**4,687**	4,715
	47,112	62,053

Notes:

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

	2011 HK$'000	2010 HK$'000
0 – 60 days	**15,073**	15,593
61 – 120 days	**47**	12
More than 120 days	**17**	203
	15,137	15,808

(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:

	2011 HK$'000	2010 HK$'000
Hong Kong dollar	**35,405**	51,351
Canadian dollar	**11,359**	10,070
Renminbi	**348**	632
	47,112	62,053

24 Warrant liabilities

On 7th September 2007, the Company issued bonus warrants to shareholders on the basis of one warrant for every five shares of the Company. The initial subscription price was at HK$0.146 per share and the warrants are exercisable at any time within three years from the date of issue. Apart from the adjustments upon occurrence of the usual adjustment events, the subscription price is subject to the reset adjustment at the end of each six months period from the date of issue of the warrants and a final reset adjustment on the tenth business day before the date of expiration of the warrants. After ASH Share Consolidation and the final reset adjustment, the subscription price was adjusted to HK$0.29 per share. The warrants expired on 6th September 2010.

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

	2011	2010
	HK$'000	HK$'000
At 1st April	**53,904**	23,935
Fair value (gain)/loss recognised in profit and loss account *(note 7)*	**(12,664)**	30,700
Set off against reserve upon conversion of warrants *(note 26)*	**(41,240)**	(731)
At 31st March	**–**	53,904

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

Closing share price (HK$)	0.51
Exercise price (HK$)	0.29
Expected remaining life of warrants (year)	0.4
Expected volatility (%)	35.53
Risk free rate (%)	0.145

25 Share capital

	Number of shares of HK$0.02 per share	Amount
		HK$'000
Authorised:		
At 1st April 2010 and 31st March 2011	**35,000,000,000**	**700,000**
Issued and fully paid:		
At 31st March 2009	13,070,428,268	261,409
Conversion of warrants *(note (b))*	12,803,420	256
Exercise of share options *(note (c))*	9	–
Capital Reorganisation *(note (a))*	(11,770,954,668)	(235,419)
At 31st March 2010	**1,312,277,029**	**26,246**
Conversion of warrants *(note (b))*	201,366,496	4,027
Scrip dividend *(note (d))*	24,188,854	484
At 31st March 2011	**1,537,832,379**	**30,757**

Notes:

(a) On 10th July 2009, the Company proposed a reorganisation of the share capital ("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 amount 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 26).

(b) During the year, the Company allotted and issued 201,366,496 (2010: 12,803,420) new shares for a gross consideration of HK$58,396,000 (2010: HK$1,519,000) upon conversion of warrants, the remaining warrants lapsed upon maturity.

(c) During the year, no share options were converted. In 2010, 9 share options were converted at exercise price of HK$0.13.

(d) In September 2010, 19,652,448 new shares were allotted and issued at HK$0.495 per share in lieu of final dividend for the year ended 31st March 2010.

In February 2011, 4,536,406 new shares were allotted and issued at HK$0.64 per share in lieu of interim dividend for the six months ended 30th September 2010.

26 Reserves

Group

	Share premium HK$'000	Contributed surplus HK$'000	Available-for-sale investments reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Revenue reserve HK$'000	Total HK$'000
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 24)*	1,263	–	–	–	–	2,444	(1,713)	1,994
Net fair value gain on available-for-sale investments	–	–	93,430	–	–	–	–	93,430
Release of reserve upon disposal of available-for-sale investments	–	–	21,735	–	–	–	–	21,735
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 25)*	–	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:								
2010 final dividend proposed	–	–	–	–	–	–	13,187	13,187
Others	1,037,910	1,134,752	100,781	66,239	25,280	(114,383)	73,958	2,324,537
At 31st March 2010	1,037,910	1,134,752	100,781	66,239	25,280	(114,383)	87,145	2,337,724
At 31st March 2010	1,037,910	1,134,752	100,781	66,239	25,280	(114,383)	87,145	2,337,724
Issue of shares upon conversion of warrants *(note 24)*	54,369	–	–	–	–	94,038	(52,799)	95,608
Expiry of warrants	–	–	–	–	–	20,345	(20,345)	–
Net fair value gain on available-for-sale investments	–	–	8,175	–	–	–	–	8,175
Release of reserve upon disposal of available-for-sale investments	–	–	(9,008)	–	–	–	–	(9,008)
Impairment of available-for-sale investments charged to profit and loss account	–	–	551	–	–	–	–	551
Profit for the year	–	–	–	–	–	–	326,202	326,202
2010 final dividend	9,335	–	–	–	–	–	(13,187)	(3,852)
2011 interim dividend	2,812	–	–	–	–	–	(3,833)	(1,021)
Currency translation differences	–	–	–	10,574	–	–	–	10,574
At 31st March 2011	**1,104,426**	**1,134,752**	**100,499**	**76,813**	**25,280**	**–**	**323,183**	**2,764,953**
Representing:								
2011 final dividend proposed	–	–	–	–	–	–	11,534	11,534
Others	1,104,426	1,134,752	100,499	76,813	25,280	–	311,649	2,753,419
At 31st March 2011	**1,104,426**	**1,134,752**	**100,499**	**76,813**	**25,280**	**–**	**323,183**	**2,764,953**

26 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 2009	1,036,647	1,088,229	25,280	(116,827)	223,842	2,257,171
Issue of shares upon conversion of warrants *(note 24)*	1,263	–	–	2,444	(1,713)	1,994
Loss for the year	–	–	–	–	(29,735)	(29,735)
Capital Reorganisation *(note 25)*	–	235,419	–	–	–	235,419
At 31st March 2010	1,037,910	1,323,648	25,280	(114,383)	192,394	2,464,849
Representing:						
2010 final dividend proposed	–	–	–	–	13,187	13,187
Others	1,037,910	1,323,648	25,280	(114,383)	179,207	2,451,662
At 31st March 2010	1,037,910	1,323,648	25,280	(114,383)	192,394	2,464,849
At 31st March 2010	1,037,910	1,323,648	25,280	(114,383)	192,394	2,464,849
Issue of shares upon conversion of warrants *(note 24)*	54,369	–	–	94,038	(52,799)	95,608
Expiry of warrants	–	–	–	20,345	(20,345)	–
Profit for the year	–	–	–	–	172,351	172,351
2010 final dividend	9,335	–	–	–	(13,187)	(3,852)
2011 interim dividend	2,812	–	–	–	(3,833)	(1,021)
At 31st March 2011	**1,104,426**	**1,323,648**	**25,280**	**–**	**274,581**	**2,727,935**
Representing:						
2011 final dividend proposed	–	–	–	–	11,534	11,534
Others	1,104,426	1,323,648	25,280	–	263,047	2,716,401
At 31st March 2011	**1,104,426**	**1,323,648**	**25,280**	**–**	**274,581**	**2,727,935**

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

27 Borrowings

	Group			Company	
	31st March 2011 HK$'000	31st March 2010 HK$'000 (Restated)	1st April 2009 HK$'000 (Restated)	**31st March 2011 HK$'000**	31st March 2010 HK$'000
Current liabilities					
Short term bank loans					
Secured	**693,777**	439,014	385,011	**–**	–
Unsecured	**19,000**	40,000	30,000	**19,000**	30,000
	712,777	479,014	415,011	**19,000**	30,000
Current portion of long term bank loans	**50,963**	59,768	43,432	**–**	–
Portion of long term bank loans contain a repayment on demand clause	**78,555**	260,236	273,269	**–**	–
	842,295	799,018	731,712	**19,000**	30,000
Non-current liabilities					
Long term bank loans, secured	**968,165**	647,370	675,695	**–**	–
	1,810,460	1,446,388	1,407,407	**19,000**	30,000

27 Borrowings (continued)

The maturity of long term bank loans is as follows (note (a)):

	Group	
	31st March 2011 HK$'000	31st March 2010 HK$'000
Repayable within one year	**50,963**	59,768
Repayable within one to two years	**61,963**	68,826
Repayable within two to five years	**195,890**	296,008
Repayable after five years	**788,867**	542,772
	1,097,683	967,374
Current portion included in current liabilities	**(50,963)**	(59,768)
	1,046,720	907,606

Note (a): The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

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

	Group		Company	
	31st March 2011 HK$'000	31st March 2010 HK$'000	**31st March 2011 HK$'000**	31st March 2010 HK$'000
Hong Kong dollar	**1,327,490**	1,292,467	**19,000**	30,000
Canadian dollar	**90,193**	97,307	**–**	–
Japanese Yen	**63,817**	56,614	**–**	–
United States dollar	**8,554**	–	**–**	–
Euro	**112,856**	–	**–**	–
Sterling	**207,550**	–	**–**	–
	1,810,460	1,446,388	**19,000**	30,000

The effective interest rates of the borrowings at the balance sheet date range from 0.57% to 2.7% (2010: 0.53% to 1.95%) per annum.

The carrying amounts of borrowings approximate their fair values.

28 Deferred income tax

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

	2011 HK$'000	2010 HK$'000
Deferred income tax assets	–	1,338
Deferred income tax liabilities	(26,619)	(6,143)
	(26,619)	(4,805)

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:

	2011 HK$'000	2010 HK$'000
At the beginning of the year	(4,805)	7,169
Recognised in the profit and loss account	(21,814)	(11,974)
At the end of the year	(26,619)	(4,805)

28 Deferred income tax (continued)

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

Group

Deferred income tax liabilities

	Accelerated tax depreciation	
	2011	2010
	HK$'000	HK$'000
At the beginning of the year	**42,482**	36,724
Recognised in the profit and loss account	**1,514**	5,758
At the end of the year	**43,996**	42,482

Group

Deferred income tax assets

	Accelerated accounting depreciation		Tax loss		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**–**	239	**37,677**	43,654	**37,677**	43,893
Recognised in the profit and loss account	**–**	(239)	**(20,300)**	(5,977)	**(20,300)**	(6,216)
At the end of the year	**–**	–	**17,377**	37,677	**17,377**	37,677

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$18 million (2010: HK$20 million) in respect of losses amounting to HK$92 million (2010: HK$103 million) that can be carried forward against future taxable income. Except for tax losses of HK$74 million (2010: HK$83 million) which have no expiry date, the balance will expire at various dates up to and including 2029 (2010: 2029).

29 Operating lease arrangements

(a) Lessor

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

At 31st March 2011, the future aggregate minimum rental receipts receivable under non-cancellable operating leases were as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
In respect of land and buildings:		
Within one year	**6,621**	11,152
In the second to fifth years inclusive	**761**	13,106
	7,382	24,258

(b) Lessee

At 31st March 2011, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
In respect of land and buildings:		
Within one year	**7,083**	4,543
In the second to fifth years inclusive	**9,403**	5,818
After the fifth year	**3,699**	4,961
	20,185	15,322

30 Capital commitments

Capital commitments at the balance sheet date are as follows:

	2011 **HK$'000**	2010 HK$'000
Property, plant and equipment		
Contracted but not provided for	**1,054**	10,084
Authorised but not contracted for	**4,277**	13,982
	5,331	24,066

31 Financial guarantees

	Group		Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Guarantees for the banking and loan facilities of subsidiaries	**–**	–	**1,463,631**	1,417,751
Guarantees for trading facilities of a subsidiary	**–**	–	**8,220**	8,720
	–	–	**1,471,851**	1,426,471

32 Related party transactions

The major shareholders of the Group are Asia Standard International Group Limited ("ASI") and Asia Orient Holdings Limited ("Asia Orient"), companies incorporated in Bermuda and listed in Hong Kong. ASI directly own 69.87% of the Company's shares and Asia Orient owns effectively 3% of the Company's shares. The remaining 27.13% shares are widely held.

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

(a) Sales and purchases of goods and services

	2011	2010
	HK$'000	HK$'000
Income from ASI		
Hotel services	**274**	255
Travel agency service	**993**	864
Income from/(expenses to) fellow subsidiaries		
Operating lease rental expense for properties	**(1,929)**	(1,717)
Management service expenses	**(461)**	(655)
Information technology support service income	**–**	80

(b) Key management compensation

	2011	2010
	HK$'000	HK$'000
Fee	**320**	320
Salaries, allowances and benefits in kind	**14,786**	15,757
Employer's contribution to retirement benefit scheme	**82**	74
	15,188	16,151

Key management includes the Company's Directors and three (2010: three) senior management members of the Group.

33 Note to consolidated statement of cash flows

Reconciliation of profit before income tax to net cash used in operations

	2011	2010
	HK$'000	HK$'000
Profit before income tax	**352,726**	446,554
Depreciation	**89,046**	88,830
Interest income	**(37,128)**	(22,898)
Dividend income	**(27,218)**	(48,562)
Finance costs	**50,845**	32,588
Loss on disposal of property, plant and equipment	**1,827**	2
Net realised gains on disposal of financial assets at fair value through profit or loss	**(20,940)**	(135,471)
Net realised gain on disposal of available-for-sale investments	**(2,314)**	(23,162)
Net realised loss on disposal of derivative financial instruments	**–**	3,644
Unrealised gain on financial assets at fair value through profit or loss	**(210,663)**	(252,783)
Fair value gain on interest rate swaps	**(1,265)**	(1,300)
Fair value loss/(gain) on derivative financial instruments	**10,461**	(8,552)
Impairment of available-for-sale investments	**551**	1,531
Provision for interest receivable from financial assets at fair value through profit or loss	**–**	15,164
Fair value (gain)/loss on warrant liabilities	**(12,664)**	30,700
Operating profit before working capital changes	**193,264**	126,285
Increase in inventories	**(135)**	(46)
(Increase)/decrease in trade and other receivables	**(10,012)**	3,232
Increase in financial assets at fair value through profit or loss	**(536,059)**	(232,636)
Increase in derivative financial instruments	**–**	(7,748)
(Decrease)/increase in trade and other payables	**(15,055)**	8,093
Dividend received from financial investments	**21,544**	42,949
Interest received from financial investments	**27,749**	16,954
Net cash used in operations	**(318,704)**	(42,917)

34 Principal subsidiaries

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

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

Name	Principal activity	Issued and fully paid 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 Company

35 Comparative figures

Certain comparative figures have been restated as a result of the adoption of new HKFRS and to conform with current year's presentation.

36 Ultimate holding company

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

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

37 Approval of financial statements

The financial statements were approved by the Board of Directors on 24th June 2011.

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