

Annual Report 2012

Stock Code: 129



**ASIA STANDARD
INTERNATIONAL GROUP LIMITED**

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Corporate Information

DIRECTORS

EXECUTIVE

Mr. Fung Siu To, Clement (*Chairman*)
 Dr. Lim Yin Cheng (*Deputy Chairman*)
 Mr. Poon Jing (*Managing Director and Chief Executive*)
 Mr. Lun Pui Kan
 Mr. Kwan Po Lam, Phileas

NON-EXECUTIVE

Mr. Au Yat Chuen
 Mr. Loup, Nicholas James

INDEPENDENT NON-EXECUTIVE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Wong Chi Keung (*Chairman*)
 Mr. Fung Siu To, Clement
 Mr. Loup, Nicholas James
 Mr. Koon Bok Ming, Alan
 Mr. Leung Wai Keung

AUTHORISED REPRESENTATIVES

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

COMPANY SECRETARY

Mr. Tung Kwok Lui

REGISTERED OFFICE

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

PRINCIPAL OFFICE IN HONG KONG

30th Floor, Asia Orient Tower,
 Town Place,
 33 Lockhart Road, Wanchai,
 Hong Kong
 Telephone 2866 3336
 Facsimile 2866 3772
 Website <http://www.asiastandard.com>
 E-mail as_info@asia-standard.com.hk

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
 Corporation Limited
 Bank of China (Hong Kong) Limited
 Hang Seng Bank Limited
 Industrial and Commercial Bank of China (Asia) Limited
 The Bank of East Asia Limited
 Barclays Bank PLC
 Morgan Stanley & Company International PLC
 UBS AG

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,
 Wanchai, Hong Kong

Financial Highlights

For the year ended 31st March (In HK\$ million, except otherwise indicated)	2012	2011 (Restated)	Change
Consolidated profit and loss account			
Revenue	1,174	1,065	+10%
Operating (loss)/profit	(21)	1,997	N/A
Profit attributable to shareholders of the Company	383	2,235	-83%
Basic earnings per share (HK\$)	0.31	1.80	-83%
Consolidated balance sheet			
Total assets	14,989	14,732	+2%
Net assets	10,838	10,589	+2%
Equity attributable to shareholders of the Company	10,133	9,774	+4%
Net debt	3,492	3,571	-2%

Supplementary information with hotel properties at valuation (note):

Revalued total assets	20,670	18,991	+9%
Revalued net assets	16,492	14,819	+11%
Equity attributable to shareholders of the Company	14,095	12,729	+11%
Equity attributable to shareholders of the Company per share (HK\$)	11.46	10.41	+10%
Gearing – net debt to revalued net assets	21%	24%	-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 excluding the corresponding deferred tax on Hong Kong properties as Hong Kong tax jurisdiction does not include capital tax.

The hotel properties in Hong Kong and Canada were revalued by Vigers Appraisal & Consulting Limited and Grant Thornton Management Consultants, independent professional valuers, on an open market value basis as at 31st March 2012 and 2011.

Chairman's Statement

The Group reported a profit attributable to shareholders of HK\$383 million, comparing to HK\$2,235 million last year. Because of the set back in its financial assets investment, there is a decrease from last year in reported profit while other business segments continue to contribute to the overall profitable result.

The Group continues the sale of the premium residential development Westminster Terrace at Approach Bay, Kowloon. All units have now been sold and cumulative sales for the entire project reached HK\$2.5 billion.

The Group acquired a residential development site in Shanghai to build luxurious low density detached and semi-detached houses during the financial year. Currently, progress in the commercial and residential development projects in Beijing and Macau is ongoing, together with a residential and commercial development in New Territories next to a light rail station.

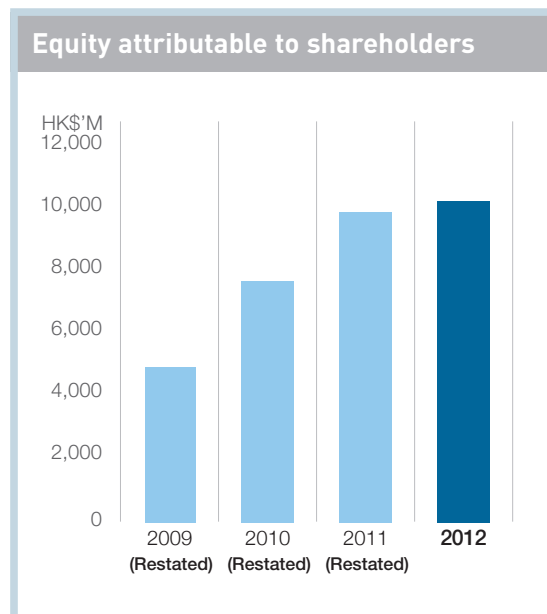
Rental income continues to increase. Result of hotel operation is encouraging and increased 50% over last year.

Nonetheless, management stays cautious among the challenges and uncertainties in the volatile European economy and the tightening measures on real estate market instituted by the Mainland government.

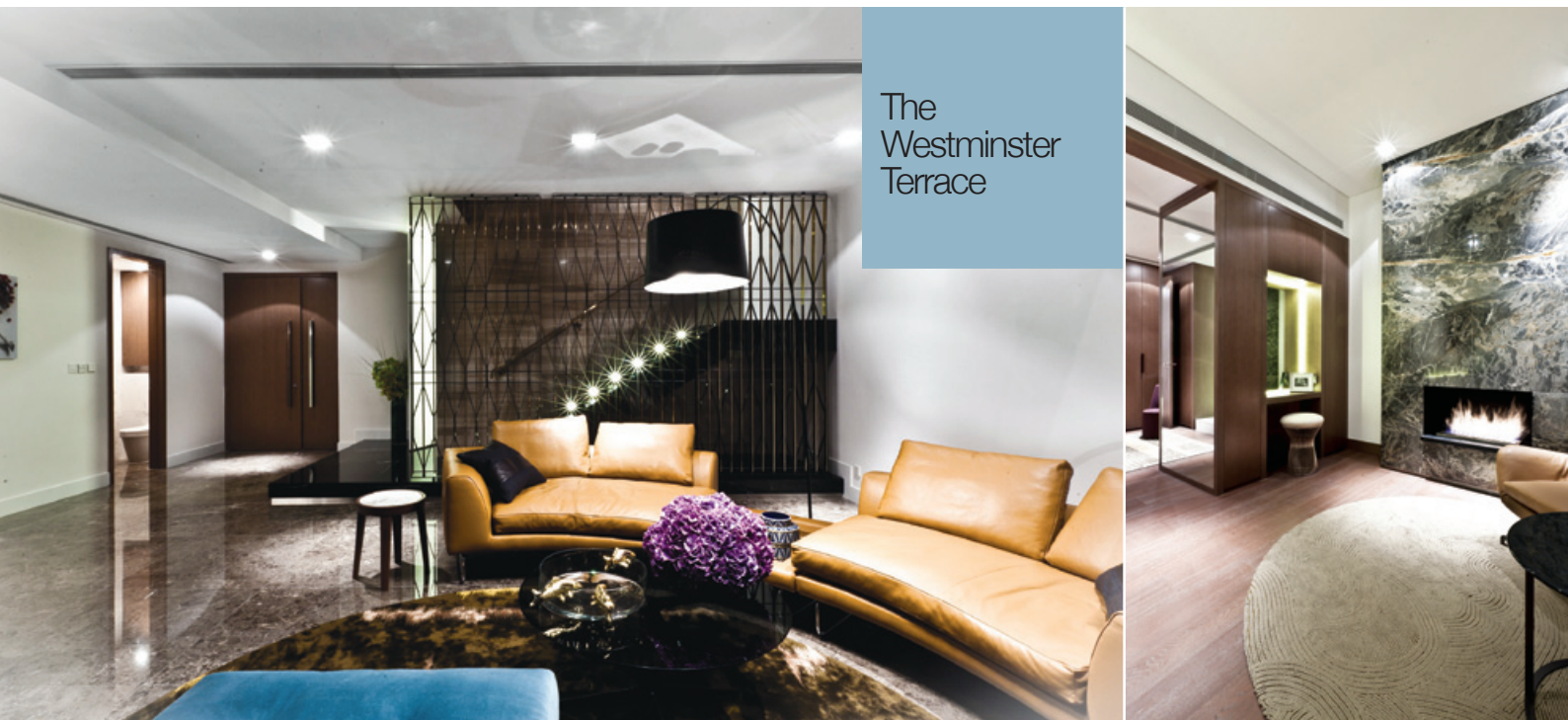
The board takes this opportunity in expressing its gratitude to our staff for their efforts contributed.

By Order of the Board
Fung Siu To, Clement
Chairman

Hong Kong, 22nd June 2012



Management Discussion and Analysis



RESULTS

The Group recorded a revenue of HK\$1,174 million (2011: HK\$1,065 million) for the financial year with profit attributable to shareholders of the Company at HK\$383 million (2011: HK\$2,235 million). Revenue increased by 10% while there is a substantial decrease in profit mainly the result of net investment loss for the year compared to net investment gain last year.

PROPERTIES SALES, DEVELOPMENT AND LEASING

SALES

Revenue from property sales amounted to HK\$38 million (2011: HK\$134 million) with operating profit of HK\$5 million (2011: HK\$79 million) excluding sales from the Westminster Terrace, the 50% joint venture luxurious residential development. The sales in both years represent inventory units held by subsidiary companies.

Sales from The Westminster Terrace amounted to HK\$620 million this year (2011: HK\$824 million) with a pre-tax profit of HK\$270 million (2011: HK\$375 million). By accounting convention, this sales and profit were not included in the Group's revenue and segment results but separately accounted for as share of profit from jointly controlled entity. All remaining units are sold subsequent to year end and total proceeds from this development amount to HK\$2,474 million.

DEVELOPMENT

Land exchange process at Hung Shui Kiu development is underway. A commercial and residential development of approximately 590,000 sq. ft. is planned. This development is situated next to light rail station.

Planning application for residential development in Macau is currently underway.

Planning parameters was approved during the year at our 50% joint venture in Beijing for an approximately 2 million sq. ft. GFA residential/commercial development. Land premium was paid and land clearances are under preparation.

Management Discussion and Analysis

Empire Hotel
Hong Kong

During the year, the Group acquired a 1.5 million sq. ft. site in Shanghai through a 50% joint venture. It will be developed into a premium low density detached and semi-detached houses of approximately 680,000 sq. ft. GFA. We anticipate construction work to begin in the year.

LEASING

Rental income attributable to the Group was approximately HK\$112 million compared to HK\$94 million last year, a result mainly of improved unit rent.

Revaluation gain (including that generated from properties owned by an associated company) of HK\$1,118 million was recorded, compared to HK\$1,185 million of last year. During the year, the Group adopted the revised accounting standard on income taxes with the effect that deferred tax provision on revaluation surplus of investment properties in Hong Kong is no longer required, the comparative figure for last year has been adjusted accordingly.

HOTEL

Revenue arising from the hotel and travel segment increased by 10% from HK\$632 million of last year to HK\$698 million of current year. Occupancies increase and room rates surge for all Hong Kong located hotels. Travel agency operation experienced a minor setback. Contribution to segment results before depreciation has risen strongly to HK\$275 million compared to HK\$211 million of last year.

An investment loss of HK\$567 million, comprising HK\$266 million unrealised and HK\$301 million realised was registered, as opposed to a gain of HK\$223 million last year, mainly unrealised.

Overall, the hotel group recorded a net loss of HK\$311 million (2011: HK\$326 million profit) on total revenue of HK\$823 million (2011: HK\$696 million).

Management Discussion and Analysis

Empire Hotel
Kowloon

INVESTMENTS

At 31st March 2012, the Group held financial investments of approximately HK\$3,704 million (2011: HK\$5,250 million), with HK\$1,421 million (2011: HK\$1,919 million) held by the listed hotel subsidiary group. The Group recorded a net unrealised fair value loss of HK\$700 million (2011: HK\$676 million gain), together with a net realised loss of HK\$754 million (2011: HK\$30 million gain). Income during the period from these investments amounted to HK\$327 million (2011: HK\$194 million).

These financial investments comprise 54% by debt securities and 46% by equity securities. They are denominated in different currencies with 36% in Sterling, 35% in United States dollar, 21% in Hong Kong dollar and 8% in Euro. The net exposure to foreign exchange from these foreign currencies investments were mitigated by partially financing in the same foreign currencies of these assets.

At 31st March 2012, an approximate value of HK\$340 million (2011: HK\$1,040 million) of these investments were pledged to banks as collateral for credit facilities granted to the Group.

FINANCIAL REVIEW

At 31st March 2012, the Group's total assets were approximately HK\$15.0 billion, compared to HK\$14.7 billion at end of last financial year. The net assets were HK\$10.8 billion (2011: HK\$10.6 billion). Adopting market value of hotel properties, the revalued total assets and revalued net assets of the Group would be HK\$20.7 billion and HK\$16.5 billion, an increase of 9% and 11% compared to HK\$19.0 billion and HK\$14.8 billion respectively at the end of last financial year.

Management Discussion and Analysis

Net debt were HK\$3.5 billion (2011: HK\$3.6 billion), including HK\$1.5 billion (2011: HK\$1.7 billion) which belonged to the separately listed hotel subsidiary group. Net debt to revalued net asset value is approximately 21% (2011: 24%). All the debts are at floating rates and interest rate fluctuation is partly managed through interest rate swaps. As at 31st March 2012, a total of HK\$150 million interest rate swap contracts were held for hedging purpose against our borrowings. Total interest costs increased due to increase in average loan balance during the year.

The maturity of our debts spread over a long period of up to 14 years. 20% of total borrowings are from revolving credit facilities secured by property assets. 6% are from revolving credit facilities through the pledge of financial assets investment. 21% is repayable between one to five years and 42% repayable after five years, which are also secured by property assets. As at 31st March 2012, the Group had current assets of HK\$5,785 million (2011: HK\$6,851 million).

About 90% of the Group's borrowings are in Hong Kong dollar, 5% in Euro and remaining 5% in other currencies. With the weakening of these foreign currencies in which the borrowings are denominated, the Group recorded an exchange gain during the year upon these loan repayments, and netted off against finance costs.

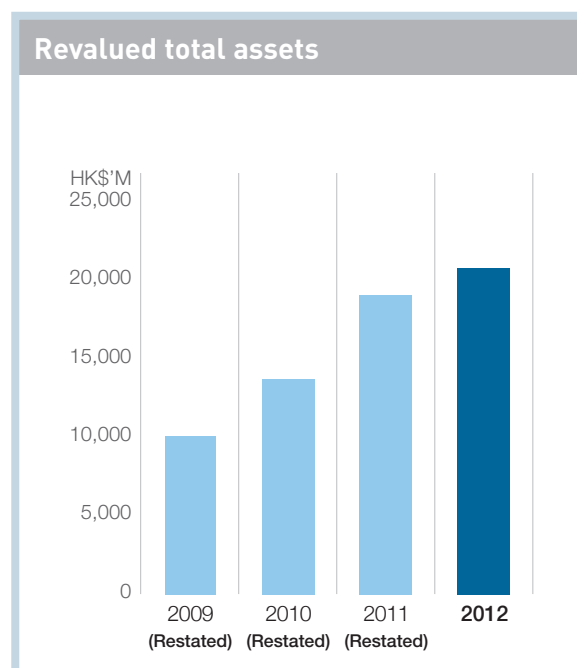
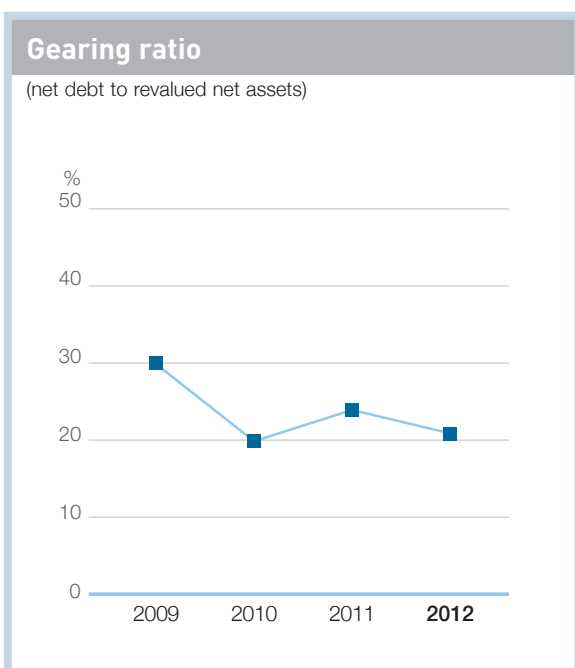
As at 31st March 2012, property assets with an aggregated net book value of HK\$9,336 million (2011: HK\$7,889 million) were pledged to secure banking facilities of the Group. HK\$149 million guarantee was provided to financial institution against credit facilities granted to a jointly controlled entity (2011: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st March 2012, the Group employed 488 employees. The remuneration packages including basic salary, annual bonus, share options, retirement and other benefits are commensurate with their job nature and level of experience.

FUTURE PROSPECT

The Group has property development interests in Hong Kong, Shanghai, Beijing and Macau. We expect that these projects will in time bring substantial return to the shareholders. With the property market in Hong Kong and mainland China fine tuned by government policies from being overheated, management is taking a cautious approach but remain optimistic over the future performance of the Group.



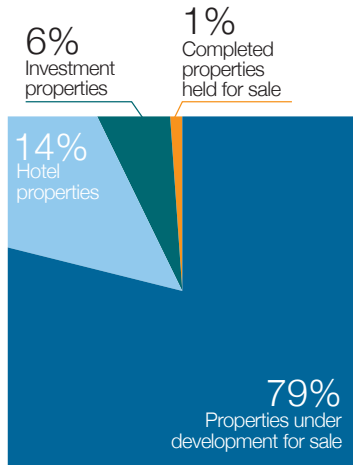
Five-year Financial Summary

Year ended 31st March (in HK\$ million)	2012	2011 (Restated)	2010 (Restated)	2009 (Restated)	2008 (Restated)
Results					
Revenue	1,174	1,065	1,865	855	1,084
Profit/(loss) attributable to shareholders of the Company	383	2,235	2,491	(420)	531
Assets and liabilities					
Total assets	14,989	14,732	10,995	8,179	8,250
Total liabilities	(4,151)	(4,143)	(2,689)	(2,690)	(2,194)
Non-controlling interests	(705)	(816)	(747)	(605)	(690)
Equity attributable to shareholders of the Company	10,133	9,773	7,559	4,884	5,366

The change in policy arising from the adoption of HKAS 12 (Amendment) in the year ended 31st March 2012 has a material impact on the current and comparative periods. The Group does not have to provide deferred tax on fair value changes arising from revaluation of investment properties in Hong Kong. Previously, deferred tax was provided on these changes.

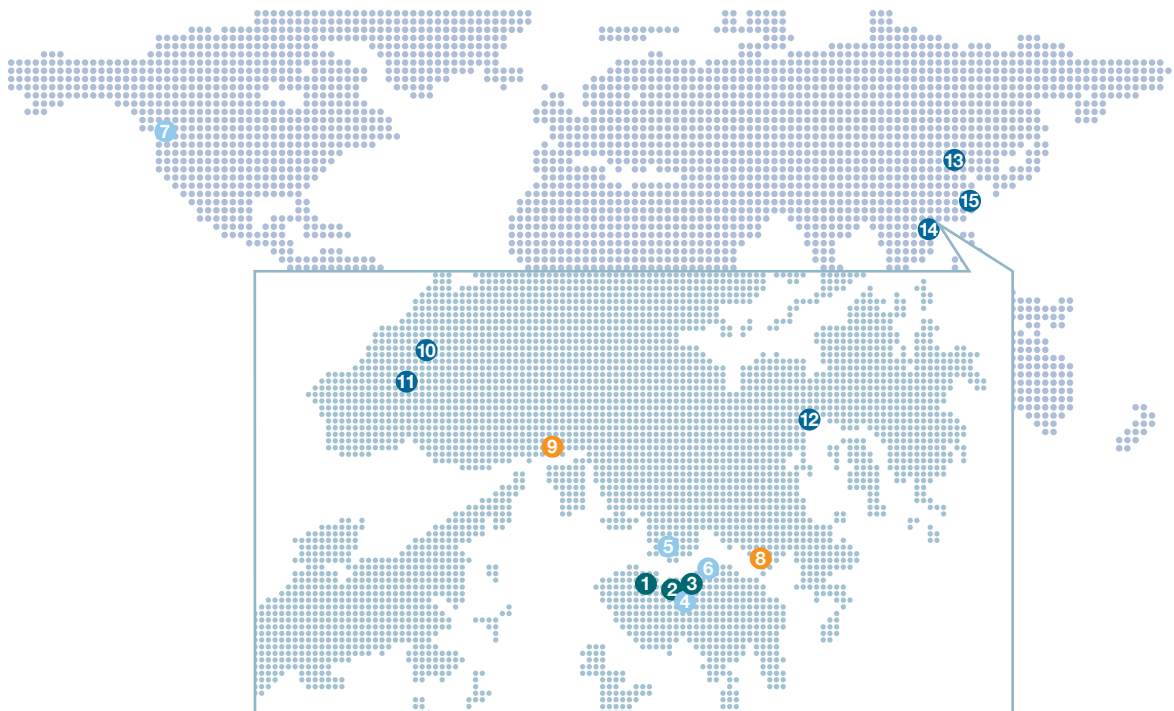
Principal Properties

As at 31st March 2012



	Attributable GFA (sq. ft.)
Properties under development for sale	3,676,000
Hotel properties	646,000
Investment properties	282,000
Completed properties held for sale	31,000
Total	4,635,000

	Attributable GFA (sq. ft.)
Hong Kong	1,359,000
Macau	1,700,000
Mainland China	1,289,000
Canada	287,000
Total	4,635,000



Principal Properties

As at 31st March 2012

Properties	Group's interest	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type
I INVESTMENT PROPERTIES				
01 Asia Standard Tower 59-65 Queen's Road Central, Hong Kong.	100%	7,800	133,000	Commercial
02 Asia Orient Tower Town Place, 33 Lockhart Road, Wanchai, Hong Kong.	100%	7,300	114,000	Commercial
03 Goldmark 502 Hennessy Road, Causeway Bay, Hong Kong.	33%	6,300	106,000	Commercial
II HOTEL PROPERTIES				
04 Empire Hotel Hong Kong 33 Hennessy Road, Wanchai, Hong Kong.	70.1%	10,600	184,000 (362 rooms)	Hotel
05 Empire Hotel Kowloon 62 Kimberley Road, Tsimshatsui, Kowloon.	70.1%	11,400	220,000 (343 rooms)	Hotel
06 Empire Hotel Causeway Bay 8 Wing Hing Street, Causeway Bay, Hong Kong.	70.1%	6,200	108,000 (280 rooms)	Hotel
07 Empire Landmark Hotel 1400 Robson Street, Vancouver B.C., Canada.	70.1%	41,000	410,000 (358 rooms)	Hotel
Properties	Group's interest		Approx. gross floor area (sq. ft.)	Type
III COMPLETED PROPERTIES HELD FOR SALE				
08 Shops, Canaryside, 8 Shung Shun Street, Lei Yue Mun, Kowloon.	100%		24,000	Commercial
09 The Westminster Terrace No. 2A, Yau Lai Road, Tsuen Wan, New Territories.	50%		13,000	Residential

Principal Properties

As at 31st March 2012

Properties		Group's interest	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type	Stage
IV PROPERTIES UNDER DEVELOPMENT FOR SALE						
10	Hung Shui Kiu Yuen Long, New Territories.	100%	112,000	590,000	Residential/ Commercial	Planning
11	Lam Tei Tuen Mun, New Territories.	100%	19,000	75,000	Residential	Planning
12	Sha Ha Sai Kung, New Territories.	7.5%	620,000	300,000	Residential	Planning
13	Yong Shun Street West, Tongzhou District, Beijing.	50%	550,000	1,900,000	Residential/ Commercial	Planning
14	Seac Pai Van, Coloane, Macau.	100%	130,000	1,700,000	Residential	Planning
15	Qingpu District, Shanghai.	50%	1,557,000	677,000	Residential	Planning

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, two Non-executive Directors and three Independent Non-executive Directors. The posts of Chairman and Chief Executive are separate and are not held by the same individual. The Chairman, Mr. Fung Siu To, Clement, is responsible for overseeing the functioning of the Board and the strategies and policies of the Group. The Chief Executive and the Managing Director, Mr. Poon Jing, is responsible for managing the Group’s business. The 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 Appendix 14 (the “Code”) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Chairman and the Managing Director shall also retire at the annual general meeting every three years. A retiring Director shall be eligible for re-election at the meeting. The Non-executive Directors and 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.

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 Listing Rules on the Stock Exchange, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

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

Name of Director	Title	Attendance at Board meetings/ Number of Board meetings held
Fung Siu To, Clement	Chairman	4/4
Lim Yin Cheng	Deputy Chairman	4/4
Poon Jing	Managing Director and Chief Executive	4/4
Lun Pui Kan	Executive Director	4/4
Kwan Po Lam, Phileas	Executive Director	4/4
Au Yat Chuen	Non-executive Director	4/4
Loup, Nicholas James	Non-executive Director	2/4
Koon Bok Ming, Alan	Independent Non-executive Director	3/4
Leung Wai Keung	Independent Non-executive Director	3/4
Wong Chi Keung	Independent Non-executive Director	2/4

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

In order to comply with certain amendments to the Code effective on 1st April 2012, Mr. Fung Siu To, Clement has ceased to be Chairman of Remuneration Committee of the Company but remains as a member of the Remuneration Committee; and Mr. Wong Chi Keung, an Independent Non-executive Director of the Company who is an existing member of the Remuneration Committee has been appointed as Chairman of the Remuneration Committee on 29th March 2012. The terms of reference were revised and adopted by the Board in compliance with the Code. The Remuneration Committee currently comprises the Chairman of the Company, Mr. Fung Siu To, Clement, a Non-executive Director, Mr. Loup, Nicholas James and all the three Independent Non-executive Directors. 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 Directors and senior management on termination or dismissal. The remuneration packages including basic salary, annual bonus, retirement and other benefit such as share options are commensurate with their job nature and experience level. No director may be involved in any decisions as to his own remuneration or other benefit. The Group's remuneration policy seeks to provide a fair market remuneration so as to attract, retain and motivate high quality staff. The remuneration is determined with reference to his duties and responsibility, remuneration benchmark in the industry and prevailing market conditions. During the year, the Committee held one meeting, which all members except Mr. Wong Chi Keung and Mr. Loup, Nicholas James had attended, to review, discuss and approve the remuneration packages of the Directors and senior management.

Corporate Governance Report

AUDIT COMMITTEE

The Audit Committee currently comprises all the Independent Non-executive Directors, Mr. Koon Bok Ming, Alan (as the Chairman), Mr. Wong Chi Keung and Mr. Leung Wai Keung. The terms of reference were revised and adopted by the Board in compliance with the Code. 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. Wong Chi Keung had attended one meeting. The Audit Committee has reviewed the annual financial statements for the year ended 31st March 2012.

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 on the Stock Exchange. 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 2012.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

INTERNAL CONTROL

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

AUDITOR'S REMUNERATION

PricewaterhouseCoopers has been appointed as the auditor of the Company by the shareholders at the annual general meeting. The services provided by PricewaterhouseCoopers include audit, taxation related and other services. A statement by PricewaterhouseCoopers about their reporting responsibilities as the auditor of the Company is included in the Independent Auditor's Report on page 30 of this annual report.

An amount of HK\$5,913,000 (2011: HK\$4,808,000) 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\$994,000 (2011: HK\$1,751,000).

Corporate Governance Report

INVESTOR RELATIONSHIP

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

The Company has also maintained a website at <http://www.asiastandard.com> which enables shareholders, investors and public to access to the information of the Company on a timely basis.

CORPORATE SOCIAL RESPONSIBILITY REPORT

We are committed to contributing to the sustainability of the environment and community in which we conduct business and where our stakeholders live.

ENVIRONMENTAL PROTECTION

(a) Property development

As a responsible developer, the Group is conscious of environmental protection issues on the design and construction of our properties. Over the years, the design and construction of our properties has been in line with the green features as laid down in the Joint Practice Note Nos. 1-2 in relation to “Green and Innovative Buildings” issued jointly by the Buildings Department, Lands Department and Planning Department. The objectives of such green features mainly encompass: (a) to maximize the use of natural renewable resources and recycled/green building material; (b) to minimize the consumption of energy, in particular those non-renewable types; and (c) to reduce construction and demolition waste. For our development project in Hung Shui Kiu, Yuen Long, New Territories a number of green features will be designed by our environmental consultant and implemented in line with the latest government policy in fostering a quality and sustainably built environment, which will lead to BEAM PLUS Certification after the completion of the project.

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

(b) Hotel business

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

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

Corporate Governance Report

THE COMMUNITY

Care for the community is a long-standing corporate value. The Group has during the year made donations exceeding HK\$420,000 to a number of charitable and educational organizations, such as Hong Kong Spinal Cord Injury Fund Limited, Sedan Chair Charities Fund and Po Leung Kuk.

Moreover since March 2009, Asia Standard Hotel Group Limited (“Asia Standard Hotel”) has initiated a charity campaign entitled, The Art of Caring, through which we worked to support SAHK (formerly known as “The Spastics Association of Hong Kong”), a local rehabilitation service organization supporting and helping local children and youth with 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 the year, the following activities were organized:

- OLE² (Other Learning Experiences x Opportunities for Life Enrichment) Job Shadowing Project was designed in support of the new secondary school curriculum OLE (Other Learning Experiences), aiming to provide students from three special secondary schools of SAHK with valuable working and life experiences and better preparation in developing their future career. 12 students were selected to experiment a work life in the different department of the hotel.
- Cookies Workshop at Empire Hotel Hong Kong • Wan Chai 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.
- Dining Etiquette Workshops in Empire’s Kitchen of Empire Hotel Kowloon Tsim Sha Tsui where groups of 15 secondary schools students of SAHK learnt the proper dinner etiquette and table manner by the hotel’s restaurant manager.
- ‘SAHK Angels in the Realm of Empire Glory’ musical performances at Empire Hotel Kowloon Tsim Sha Tsui where school bands of three secondary schools from SAHK performed festive Christmas music in the hotel lobby.

In addition, Asia Standard Hotel has been once again awarded the Caring Company title 2011/12 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 committee to make positive contribution to society and communities.

THE PEOPLE

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

Directors and Senior Management

EXECUTIVE DIRECTORS

FUNG Siu To, Clement

Aged 63, is the Chairman of the Company and a member of the Remuneration Committee of the Company. He is also the Chairman, an executive director and a member of remuneration committee of Asia Orient Holdings Limited (“Asia Orient”), an executive director of its listed subsidiary, Asia Standard Hotel Group Limited (“Asia Standard Hotel”) and an independent non-executive director and an audit committee member of New Times Energy Corporation Limited, a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Mr. Fung is a holder of a Bachelor of Applied Science (Civil Engineering) degree and is also a fellow member of the Hong Kong Institution of Engineers. He joined the Company and its subsidiaries (together the “Group”) in 1988 and has over 25 years of experience in project management and construction. He is the brother-in-law of Mr. Poon Jing and Dr. Lim Yin Cheng, the Managing Director and Deputy Chairman of the Company respectively.

LIM Yin Cheng

Aged 67, is the Deputy Chairman of the Company. He is also the Deputy Chairman, Chief Executive, an executive director and a member of the remuneration committee of Asia Standard Hotel, Deputy Chairman and an executive director of Asia Orient. Dr. Lim is a holder of a Bachelor of Science (Chemical Engineering) and Doctor of Philosophy degrees. He has over 25 years of experience in engineering, project management and administration. He joined the Group in 1992. He is the brother-in-law of Mr. Poon Jing and Mr. Fung Siu To, Clement, the Managing Director and Chairman of the Company respectively.

POON Jing

Aged 57, is the Chief Executive and Managing Director of the Company. He is also the Chief Executive, Managing Director and an executive director of Asia Orient, the Chairman and an executive director of Asia Standard Hotel. He is the founder of the Group. Mr. Poon is the father of Mr. Poon Hai, the Development Manager of the Company and Asia Standard Hotel. He is also the brother-in-law of Mr. Fung Siu To, Clement and Dr. Lim Yin Cheng, the Chairman and Deputy Chairman of the Company respectively.

LUN Pui Kan

Aged 48, is the Finance Director of the Company. He is also the Finance Director of Asia Orient. Mr. Lun has over 25 years of experience in accounting and finance. He is a holder of a Bachelor of Science (Engineering) degree and is an associate member of The Hong Kong Institute of Certified Public Accountants (“HKICPA”) and a fellow member of The Association of Chartered Certified Accountants (“ACCA”). He joined the Group in 1994.

KWAN Po Lam, Phileas

Aged 53, is an executive director of the Company and Asia Orient. Mr. Kwan is a holder of a Bachelor of Business Administration degree. He joined the Group in 1986 and is responsible for property sales and leasing. He has over 25 years of experience in property sales, leasing and real estate management.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS

AU Yat Chuen

Aged 65, is a non-executive director of the Company. Mr. Au is an associate member of the Institute of Chartered Accountants in Australia, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Australian Society of Certified Practising Accountants and an associate member of the Institute of Chartered Secretaries and Administrators (“ICSA”). Between 1979 and 1984, he has held senior financial positions in several major listed property companies. Since 1984, he has been in full time private practice as a certified public accountant. He joined the Group in 1991.

LOUP, Nicholas James

Aged 52, is a non-executive director and a member of the Remuneration Committee of the Company. Mr. Loup is the Chief Executive of Grosvenor Ltd Asia, and a member of Grosvenor Group Limited’s Executive Committee in United Kingdom, and he is responsible for managing the Grosvenor operation in Asia where they are active in Hong Kong, China and Tokyo.

He is a General Committee member of the British Chamber of Commerce and a director of the Spinal Cord Injury Fund. He is also Chairman of the Asian Association for Investors in Non-listed Real Estate Vehicles Limited (ANREV) of which he is a founder member, and he is a member of Asia Pacific acquisition committee of the Tate.

Prior to rejoining Grosvenor in 1994, Mr. Loup had been a director of Colliers Jardine Hong Kong and Trafalgar House Property (UK) respectively. He joined the Group in 1999 and re-designated from executive director to a non-executive director of the Company in March 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS

KOON Bok Ming, Alan

Aged 71, is an independent non-executive director, a member of the Remuneration Committee and the Chairman of the Audit Committee of the Company. Mr. Koon is the Chief Executive Officer of a financial advisory firm and has over 30 years of experience in international banking and project and structured finance. He holds a Bachelor degree in Economics and a Master degree in Business Administration. He joined the Group in 1999.

LEUNG Wai Keung

Aged 49, is an independent non-executive director, a member of the Remuneration Committee and the Audit Committee of the Company. Mr. Leung is currently a Barrister-at-Law. He has about 9 years of experience in accounting and financial management in several firms and thereafter practicing as a barrister since 1996. He is also an independent non-executive director and a member of the Audit Committee of Asia Standard Hotel. Mr. Leung is a member of HKICPA, The Hong Kong Institute of Chartered Secretaries (“HKICS”), ACCA, ICSA and The Chartered Institute of Arbitrators. He was admitted to the High Court of Hong Kong as a barrister in 1994. He holds a Master degree in Accounting and Finance from the University of Lancaster and obtained a Bachelor of Laws from Manchester Metropolitan University. He was the President of HKICS in 2006. In 2007, Mr. Leung has been appointed by the Government to sit on various statutory tribunals such as the Guardianship Board, the Registration of Persons Tribunal, the Board of Review and others. Currently, Mr. Leung also holds the position as the Chairman of the Appeal Board for the Hotel and Guesthouse Accommodation, the Clubs (Safety of Premises) and Bedspace Apartments. Mr. Leung joined the Group in 2004.

Directors and Senior Management

WONG Chi Keung

Aged 57, is an independent non-executive director, a member of the Audit Committee and the Chairman of the Remuneration Committee of the Company. Mr. Wong holds a Master degree in Business Administration from The University of Adelaide in Australia. He is a fellow member of HKICPA, ACCA and CPA Australia; an associate member of ICSA and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management, advising on securities and corporate finance activities for Greater China Capital Limited under the Securities and Futures Ordinance.

Mr. Wong was an executive director, the Deputy General Manager, Group Financial Controller and Company Secretary of Yuexiu Property Company Limited (formerly known as Guangzhou Investment Company Limited) which is a company listed on the Stock Exchange, for over ten years. He is an independent non-executive director, the Chairman of the remuneration committee and a member of the audit committee of Asia Orient. He is also an independent non-executive director and a member of audit committee of Century City International Holdings Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, ENM Holdings Limited, First Natural Foods Holdings Limited (Provisional Liquidators Appointed), Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited, TPV Technology Limited and Zhuguang Holdings Group Company Limited, all of which are listed on the Stock Exchange. Mr. Wong has over 35 years of experience in finance, accounting and management. He joined the Group in 2004.

SENIOR MANAGEMENT

LEUNG King Yin, Kevin

Aged 50, is the Head of Project Management Division of the Company. Mr. Leung is an Authorized Person under the Buildings Ordinance of Hong Kong, a registered architect in Hong Kong and Australia, and member of both The Hong Kong Institute of Architects and Royal Australian Institute of Architects. Mr. Leung was a director of the Company for 5 years prior to his migration to Australia. He re-joined the Group in October 2007. He is responsible for property development and project management.

NG Siew Seng, Richard

Aged 60, is the Group general manager of Asia Standard Hotel and a director of a subsidiary of Asia Standard Hotel. Mr. Ng is responsible for the development and management of the hotel group's hospitality operations. With over 3 decades' extensive experience in hotel and travel industry for both local and overseas markets, Mr. Ng has held senior marketing and operational positions in a number of major international chain hotels and travel agents in Hong Kong and Macau. He joined Asia Standard Hotel Group in September 2007.

POON Hai

Aged 27, is the Development Manager of the Company and Asia Standard Hotel and also the director of certain subsidiaries of Asia Orient. Mr. Poon is responsible for the Group's investment, business development and project management. He is the son of Mr. Poon Jing, the Chief Executive and Managing Director of the Company. He joined the Group in 2009.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st March 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 39 to the financial statements.

The activities of the Group are mainly based in Hong Kong. Analyses of the Group's turnover and contribution to operating results by principal 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 32.

The Company did not pay an interim dividend (2011: HK0.5 cent per share with a scrip option, totaling HK\$6,197,000) for the year ended 31st March 2012.

The Board recommends a final dividend of HK0.8 cent (2011: HK2.0 cents) per share with a scrip option, totaling HK\$9,841,000 (2011: HK\$24,447,000) for the year ended 31st March 2012.

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 29 to the financial statements.

RESERVES

Movement in the reserves of the Group and the Company during the year are set out in note 30 to the financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties of the Group are set out on pages 10 to 12.

Report of the Directors

DONATIONS

During the year, the Group made charitable and other donations of HK\$429,000 (2011: HK\$5,227,000).

DIRECTORS

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

Mr. Fung Siu To, Clement
 Dr. Lim Yin Cheng
 Mr. Poon Jing
 Mr. Lun Pui Kan
 Mr. Kwan Po Lam, Phileas
 Mr. Au Yat Chuen
 Mr. Loup, Nicholas James
 Mr. Koon Bok Ming, Alan
 Mr. Leung Wai Keung
 Mr. Wong Chi Keung

Messrs. Lim Yin Cheng and Koon Bok Ming, Alan will retire from office by rotation in accordance with the Bye-Laws of the Company and Mr. Fung Siu To Clement will retire to comply with the Appendix 14 (the "Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 18 to 20.

DIRECTORS' INTERESTS IN CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the share option scheme of the Company as disclosed on pages 26 to 28, and that of a subsidiary, Asia Standard Hotel Group Limited ("Asia Standard Hotel"), at no time during the year was the Company, its subsidiaries or its fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March 2012, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules on the Stock Exchange were as follows:

(I) LONG POSITIONS IN SHARES

(a) The Company

Director	Number of shares held			Percentage of shares in issue (%)
	Personal interest	Corporate interest	Total	
Poon Jing	1,190,512	621,734,324	622,924,836	50.63

Note: By virtue of his controlling interest (48.02%) in Asia Orient Holdings Limited ("Asia Orient"), Mr. Poon Jing is deemed to be interested in the shares of the Company held by Asia Orient as disclosed under the heading "Substantial shareholders and other persons' interests and short positions in shares and underlying shares" below.

(b) Associated Corporations

Director	Associated corporation	Number of shares held			Total	Percentage of shares in issue (%)
		Personal interest	Family interest	Corporate interest		
Poon Jing	Asia Orient	205,026,822	4,873,940	133,068,271 <i>(Notes)</i>	342,969,033	48.02
Poon Jing	Asia Standard Hotel	50,050	-	1,132,669,492 <i>(Notes)</i>	1,132,719,542	73.08
Fung Siu To, Clement	Asia Orient	14,148,814	-	-	14,148,814	1.98
Fung Siu To, Clement	Mark Honour Limited	9	-	-	9	0.01

Notes:

- By virtue of his controlling interest in Asia Orient, Mr. Poon Jing is deemed to be interested in shares of Asia Standard Hotel held by Asia Orient and the Company.
- By virtue of Mr. Poon Jing's interest in the Company through Asia Orient, he is deemed to be interested in the shares of all the Company's subsidiaries and associated companies.

Report of the Directors

(II) LONG POSITIONS IN UNDERLYING SHARES**Interests in share options***(a) The Company*

Director	Outstanding as at 1st April 2011 and 31st March 2012
Fung Siu To, Clement	2,062,176
Lim Yin Cheng	2,062,176
Poon Jing	515,544
Lun Pui Kan	2,062,176
Kwan Po Lam, Phileas	2,062,176
Loup, Nicholas James	2,062,176

Notes:

- Options were granted on 30th March 2005 and exercisable during the period from 30th March 2005 to 29th March 2015 at exercise price of HK\$3.15 (as adjusted) per share.
- During the year, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

(b) Associated corporation – Asia Orient

Director	Date of grant	Exercise price (HK\$)	Exercise period	Outstanding as at 1st April 2011 and 31st March 2012
Fung Siu To, Clement	29th March 2007	1.4315	29th March 2007 to 28th March 2017	2,126,301
Lim Yin Cheng	29th March 2007	1.4315	29th March 2007 to 28th March 2017	2,126,301
Lun Pui Kan	29th March 2007	1.4315	29th March 2007 to 28th March 2017	2,126,301
Kwan Po Lam, Phileas	29th March 2007	1.4315	29th March 2007 to 28th March 2017	2,126,301

Note:

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

Report of the Directors

(II) LONG POSITIONS IN UNDERLYING SHARES (Continued)**Interests in share options (Continued)***(c) Associated corporation – Asia Standard Hotel*

Director	Date of grant	Exercise price (HK\$)	Exercise period	Outstanding as at 1st April 2011 and 31st March 2012
Fung Siu To, Clement	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
Lun Pui Kan	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	8,000,000
Kwan Po Lam, Phileas	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, cancelled or lapsed.

Save as disclosed above, as at 31st March 2012, none of the Directors or Chief Executive (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31st March 2012, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

LONG POSITIONS IN SHARES OF THE COMPANY

Shareholder	Capacity	Number of shares held	Total	Percentage (%)
Asia Orient (<i>Note 1</i>)	Beneficial Owner	47,029,169	621,734,324	50.54
	Interests in controlled corporation	574,705,155		
Asia Orient Holdings (BVI) Limited ("Asia Orient BVI") (<i>Note 1</i>)	Interests in controlled corporation	574,705,155	574,705,155	46.71
Asia Orient Company Limited ("AOCL") (<i>Note 2</i>)	Beneficial Owner	276,834,687	279,071,437	22.68
	Interests in controlled corporation	2,236,750		
Kingfisher Inc. and Lipton Investment Limited ("Kingfisher and Lipton") (<i>Note 2</i>)	Interests in controlled corporation	258,657,123	258,657,123	21.02
Dalton Investment LLC	Investment manager	98,414,636	98,414,636	8.00

Notes:

1. Asia Orient BVI is a wholly-owned subsidiary of Asia Orient. Accordingly, Asia Orient is deemed to have interest and duplicate the interest in the same 574,705,155 shares held by Asia Orient BVI.
2. AOCL, companies controlled by AOCL, Kingfisher and Lipton are wholly-owned subsidiaries of Asia Orient BVI. Asia Orient BVI is deemed to be interested in and duplicate the interest held by AOCL, Kingfisher and Lipton.

Save as disclosed above, as at 31st March 2012, 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 SCHEMES

COMPANY

The share option scheme was adopted on 27th August 2004 (the "Company's Share Option Scheme"). The board of Directors of the Company may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiary or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, acknowledge the contributions of, motivate and maintain relationship with the eligible participants.

Report of the Directors

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 71,851,459 shares, representing about 5.84% of the shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Company's Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under the Company's Share Option Scheme or any other share option scheme within any 12 months period, must not exceed 1% of the shares in issue from time to time.

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

The subscription price shall be at the discretion of the board of Directors provided that it shall be not less than the highest of (i) the closing price of a share on the relevant date of grant; (ii) the average of the closing prices of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The Company's Share Option Scheme is effective for 10 years from 27th August 2004.

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

Grantee	Outstanding as at 1st April 2011 and 31st March 2012
Directors	10,826,424
Other employees	2,577,717
	13,404,141

Notes:

- The options were granted on 30th March 2005 and exercisable from 30th March 2005 to 29th March 2015 at an exercise price of HK\$3.15 (as adjusted) per share.
- No option was granted, lapsed, exercised or cancelled during the year.

SUBSIDIARY – ASIA STANDARD HOTEL**Share option schemes**

The share option scheme of Asia Standard Hotel was adopted on 28th August 2006 (the "Asia Standard Hotel Share Option Scheme"). The board of directors of Asia Standard Hotel may grant options to any director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to Asia Standard Hotel, its subsidiary or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, recognise and acknowledge the contributions of, motivate and maintain an ongoing relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Asia Standard Hotel Group.

Report of the Directors

The total number of shares available for issue upon exercise of all options to be granted under the Asia Standard Hotel Share Option Scheme must not exceed 125,088,061 shares, representing about 8.07% of the Asia Standard Hotel's shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Asia Standard Hotel Share Option Scheme and any other share option scheme must not exceed 30% of the Asia Standard Hotel's shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under the Asia Standard Hotel Share Option Scheme or any other share option scheme within any 12 months period, must not exceed 1% of the Asia Standard Hotel's shares in issue from time to time.

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

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

The following table discloses details of Asia Standard Hotel options granted under the Asia Standard Hotel Share Option Scheme held by employees (including Directors):

Grantee	Date of grant	Exercise price (HK\$)	Exercise period	Outstanding as at 1st April 2011 and 31st March 2012
Directors	29th March 2007	1.296	29th March 2007 to 28th March 2017	8,000,000
	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	24,000,000
Director of a subsidiary	29th March 2007	1.296	29th March 2007 to 28th March 2017	8,000,000
	2nd April 2007	1.300	2nd April 2007 to 1st April 2017	8,000,000
Employees	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, lapsed, exercised or cancelled.

Report of the Directors

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	13.6%
Percentage of purchases attributable to the Group's five largest suppliers	29.9%
Percentage of sales attributable to the Group's largest customer	5.4%
Percentage of sales attributable to the Group's five largest customers	17.1%

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Confirmation of independence pursuant to the independence guidelines under the Listing Rules on the Stock Exchange 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 the annual report.

AUDITOR

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

On behalf of the Board

Fung Siu To, Clement
Chairman

Hong Kong, 22nd June 2012

Independent Auditor's Report

To the shareholders of Asia Standard International Group Limited

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Asia Standard International Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 32 to 106, which comprise the consolidated and company balance sheets as at 31st March 2012, 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 a 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 2012, 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, 22nd June 2012

Consolidated Profit and Loss Account

For the year ended 31st March 2012

	<i>Note</i>	2012 HK\$'000	2011 HK\$'000 (Restated)
Revenue	5	1,174,243	1,065,244
Cost of sales		(363,385)	(391,193)
Gross profit		810,858	674,051
Selling and administrative expenses		(185,560)	(173,947)
Depreciation		(92,213)	(89,848)
Net investment (loss)/gain	6	(1,453,884)	706,225
Fair value gain of investment properties		900,090	887,987
Other gain and charge	7	-	(7,336)
Operating (loss)/profit		(20,709)	1,997,132
Finance costs	11	(12,208)	(77,941)
Share of profits less losses of			
Jointly controlled entities		106,306	151,522
Associated companies		236,301	308,215
Profit before income tax		309,690	2,378,928
Income tax expense	12	(20,259)	(43,906)
Profit for the year		289,431	2,335,022
Attributable to:			
Shareholders of the Company		382,661	2,234,761
Non-controlling interests		(93,230)	100,261
		289,431	2,335,022
Dividends	14	9,841	30,644
Earnings per share (HK\$)			
Basic	15	0.31	1.80
Diluted	15	0.31	1.80

Consolidated Statement of Comprehensive Income

For the year ended 31st March 2012

	2012 HK\$'000	2011 HK\$'000 (Restated)
Profit for the year	289,431	2,335,022
Other comprehensive (charge)/income		
Net fair value (loss)/gain on available-for-sale investments	(37,215)	8,152
Impairment of available-for-sale investments charged to profit and loss account	2,261	551
Release of reserve upon disposal of available-for-sale investments	–	(9,008)
Currency translation differences	8,390	10,574
	(26,564)	10,269
Total comprehensive income for the year	262,867	2,345,291
Total comprehensive income attributable to:		
Shareholders of the Company	368,636	2,241,930
Non-controlling interests	(105,769)	103,361
	262,867	2,345,291

Consolidated Balance Sheet

As at 31st March 2012

	<i>Note</i>	31st March 2012 HK\$'000	31st March 2011 HK\$'000 (Restated)	1st April 2010 HK\$'000 (Restated)
Non-current assets				
Property, plant and equipment	16	2,526,770	2,617,038	2,672,342
Investment properties	17	4,297,374	3,391,122	2,419,600
Jointly controlled entities	19	971,731	568,871	674,409
Associated companies	20	1,195,611	987,338	715,703
Available-for-sale investments	21	197,295	230,257	228,258
Goodwill		–	–	5,103
Mortgage loans receivable	22	14,073	81,729	143,035
Deferred income tax assets	32	1,041	5,252	9,764
		9,203,895	7,881,607	6,868,214
Current assets				
Properties under development for sale	23	1,521,261	1,122,355	431,322
Completed properties held for sale	23	56,216	90,289	159,127
Hotel and restaurant inventories		2,342	2,341	2,206
Mortgage loans receivable	22	1,156	3,664	35,315
Trade and other receivables	24	207,603	230,845	241,590
Amount due from a jointly controlled entity	19	91,000	65,000	–
Income tax recoverable		173	513	880
Financial assets at fair value through profit or loss	25	3,507,089	5,020,218	3,028,862
Bank balances and cash	27	398,366	315,300	227,657
		5,785,206	6,850,525	4,126,959
Current liabilities				
Trade and other payables	28	113,158	133,590	145,919
Amount due to a jointly controlled entity	19	55,357	–	–
Amount due to an associated company	20	–	14,850	51,150
Derivative financial instruments	26	6,001	26,242	17,961
Warrant liabilities		–	–	17,000
Borrowings	31	1,526,688	1,615,997	1,615,257
Income tax payable		21,734	36,857	64,382
		1,722,938	1,827,536	1,911,669
Net current assets		4,062,268	5,022,989	2,215,290
Total assets less current liabilities		13,266,163	12,904,596	9,083,504

Consolidated Balance Sheet

As at 31st March 2012

	<i>Note</i>	31st March 2012 HK\$'000	31st March 2011 HK\$'000 (Restated)	1st April 2010 HK\$'000 (Restated)
Non-current liabilities				
Long term borrowings	<i>31</i>	2,364,093	2,270,071	757,370
Deferred income tax liabilities	<i>32</i>	64,025	45,105	19,625
		2,428,118	2,315,176	776,995
<hr/>				
Net assets		10,838,045	10,589,420	8,306,509
<hr/>				
Equity				
Share capital	<i>29</i>	12,302	12,224	12,471
Reserves	<i>30</i>	10,121,020	9,761,535	7,547,318
<hr/>				
Equity attributable to shareholders of the Company		10,133,322	9,773,759	7,559,789
Non-controlling interests		704,723	815,661	746,720
		10,838,045	10,589,420	8,306,509

Fung Siu To, Clement
Director

Lun Pui Kan
Director

Balance Sheet

As at 31st March 2012

	<i>Note</i>	2012 HK\$'000	2011 HK\$'000
Non-current assets			
Subsidiaries	18	1,229,076	1,229,076
Current assets			
Amount due from subsidiaries	18	4,500,195	4,382,152
Trade and other receivables		152	149
Financial assets at fair value through profit or loss	25	–	13
Income tax receivable		46	11
Bank balances and cash	27	62,336	41,377
		4,562,729	4,423,702
Current liabilities			
Trade and other payables		1,074	905
		1,074	905
Net current assets		4,561,655	4,422,797
Net assets		5,790,731	5,651,873
Equity			
Share capital	29	12,302	12,224
Reserves	30	5,778,429	5,639,649
		5,790,731	5,651,873

Fung Siu To, Clement
Director

Lun Pui Kan
Director

Consolidated Statement of Cash Flows

For the year ended 31st March 2012

	<i>Note</i>	2012 HK\$'000	2011 HK\$'000 (Restated)
Cash flows from operating activities			
Net cash generated from/(used in) operations	36	356,640	(1,386,010)
Net income tax paid		(11,914)	(41,070)
Interest paid		(73,237)	(48,080)
Interest received from bank deposit and other receivables		5,477	26,839
Net cash generated from/(used in) operating activities		276,966	(1,448,321)
Cash flows from investing activities			
Purchase of available-for-sale investments		–	(10,180)
Proceeds on disposal of available-for-sale investment		–	14,786
Addition to investment properties		(6,162)	(10,225)
Addition to property, plant and equipment		(11,074)	(69,799)
Proceeds on disposal of property, plant and equipment		5,866	3
Increase in investment in a jointly controlled entity		(500,000)	(30,000)
Repayment by associated companies and jointly controlled entities		130,841	121,598
Dividend received from associated companies and jointly controlled entities		137,200	95,000
Net cash (used in)/generated from investing activities		(243,329)	111,183
Net cash generated from /(used in) before financing activities		33,637	(1,337,138)
Cash flows from financing activities			
Drawdown of long term borrowings		381,030	1,705,120
Repayment of long term borrowings		(51,500)	(68,500)
Net decrease in short term borrowings		(272,590)	(147,153)
Dividend paid		(11,237)	(18,089)
Repurchase of shares		–	(48,887)
Conversion of warrants of a listed subsidiary by non-controlling interests		–	9,752
Distribution of dividend by a listed subsidiary to non-controlling interests		(3,005)	(4,388)
Net cash generated from financing activities		42,698	1,427,855
Net increase in cash and cash equivalents		76,335	90,717
Cash and cash equivalents at the beginning of the year		309,569	221,614
Changes in exchange rates		3,529	(2,762)
Cash and cash equivalents at the end of the year		389,433	309,569
Analysis of the balances of cash and cash equivalents			
Bank balances and cash (excluding restricted bank balances)	27	389,433	309,569

Consolidated Statement of Changes in Equity

For the year ended 31st March 2012

	Shareholders of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 31st March 2010			
As previously stated	7,238,937	746,720	7,985,657
Prior year adjustment – write back of deferred tax on investment properties	320,852	–	320,852
As restated	7,559,789	746,720	8,306,509
Fair value gain on available-for-sale investments	5,690	2,462	8,152
Impairment of available-for-sale investments charged to profit and loss account	385	166	551
Release of reserve upon disposal of available-for-sale investments	(6,295)	(2,713)	(9,008)
Currency translation differences	7,389	3,185	10,574
Profit for the year	2,234,761	100,261	2,335,022
Total comprehensive income for the year	2,241,930	103,361	2,345,291
Conversion of warrants	–	14,087	14,087
2010 final dividend	(16,222)	(3,459)	(19,681)
2011 interim dividend	(1,867)	(929)	(2,796)
Share repurchase	(48,887)	–	(48,887)
Net increase in shareholding in a listed subsidiary	39,016	(44,119)	(5,103)
Total transactions with owners	(27,960)	(34,420)	(62,380)
At 31st March 2011, as restated	9,773,759	815,661	10,589,420
At 31st March 2011			
As previously stated	9,257,821	815,661	10,073,482
Prior year adjustment – write back of deferred tax on investment properties	515,938	–	515,938
As restated	9,773,759	815,661	10,589,420
Fair value loss on available-for-sale investments	(25,834)	(11,381)	(37,215)
Impairment of available-for-sale investments charged to profit and loss account	1,584	677	2,261
Currency translation differences	10,225	(1,835)	8,390
Profit/(loss) for the year	382,661	(93,230)	289,431
Total comprehensive income/(charge) for the year	368,636	(105,769)	262,867
2011 final dividend	(11,237)	(3,005)	(14,242)
Net increase in shareholding in a listed subsidiary	2,164	(2,164)	–
Total transactions with owners	(9,073)	(5,169)	(14,242)
At 31st March 2012	10,133,322	704,723	10,838,045

Notes to the Financial Statements

1 BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, 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/REVISED HKFRS

The following revised and amended HKFRSs are relevant to the Group’s operations and are mandatory for accounting periods beginning on or after 1st January 2011:

HKAS 24 (Revised)	Related Party Disclosures
Amendment to HKAS 34	Interim Financial Reporting

The adoption of the above HKFRSs in the current year did not have any significant effect on the financial statements or result in any substantial changes in the Group’s significant accounting policies.

The Group has decided to early adopt the amendments to HKAS 12, “Deferred tax: recovery of underlying assets” (“HKAS 12 (Amendment)”), in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, “Investment property”. The amendments are effective for accounting periods beginning on or after 1st January 2012, but early adoption is permitted.

The change in policy arising from the adoption of HKAS 12 (Amendment) is the only change which has a material impact on the current and comparative periods. The Group does not have to provide deferred tax on fair value changes arising from revaluation of investment properties in Hong Kong. Previously, deferred tax was generally provided on fair value changes arising from this class of assets.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(A) THE ADOPTION OF NEW/REVISED HKFRS (Continued)

This change in accounting policy has been applied retrospectively. The impact of the adoption of HKAS 12 (Amendment) is as follows:

Consolidated profit and loss account

	For the year ended 31st March	
	2012 HK\$'000	2011 HK\$'000
Increase in share of profits less losses of associated companies	35,927	49,005
Decrease in income tax expense	148,515	146,081
Increase in profit for the year and attributable to shareholders of the Company	184,442	195,086
Increase in earnings per share (HK\$)	0.15	0.16

Consolidated balance sheet

	31st March 2012 HK\$'000	31st March 2011 HK\$'000	1st April 2010 HK\$'000
Increase/(decrease) in:			
Associated companies	146,054	110,127	61,122
Deferred income tax liabilities	(554,326)	(405,811)	(259,730)
Net assets	700,380	515,938	320,852

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(A) THE ADOPTION OF NEW/REVISED HKFRS (Continued)

The following new HKFRSs are relevant to the Group's operation but not yet effective for the year ended 31st March 2012:

Effective for accounting periods beginning on or after:

1st January 2013

HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurement

1st January 2015

HKFRS 9	Financial Instruments
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HKFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1st January 2013.

HKFRS 12 "Disclosures of Interests in Other Entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1st January 2013.

HKFRS 13 "Fair Value Measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1st January 2013.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(A) THE ADOPTION OF NEW/REVISED HKFRS (Continued)

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

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

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

The Group has not early adopted the above new HKFRSs. 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 change to the Group's accounting policies and presentation of the financial statements.

(B) BASIS OF CONSOLIDATION

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

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

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.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(B) BASIS OF CONSOLIDATION (Continued)

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, jointly controlled entities or associated companies is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill, and any related exchange reserve.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the accounting policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(C) SUBSIDIARIES

Subsidiaries are all entities (including special purpose entities) over 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) JOINTLY CONTROLLED ENTITIES

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with other venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes advances that are equity in nature, in substance forming part of the investments, and goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(E) ASSOCIATED COMPANIES

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes advances that are equity in nature, in substance forming part of the investments, and goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(F) BALANCES WITH SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

Balances with subsidiaries, jointly controlled entities and associated companies are split into its financial assets/liabilities and equity components at initial recognition. The financial assets/liabilities component is initially stated at fair value and subsequently carried at amortised cost. The equity component is recognised at cost.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(G) GOODWILL

Goodwill represents the excess of the cost of acquisition over the fair values of the Group's share of the net identifiable assets of the acquired subsidiaries, jointly controlled entities and associated companies at the date of acquisition. If the Group's share of the net identifiable assets of the acquired subsidiaries, jointly controlled entities and associated companies 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 on acquisitions of jointly controlled entities and associated companies is included in investments in jointly controlled entities and associated companies respectively. Goodwill as intangible asset is tested for impairment at least annually and whenever there is any impairment indication and carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment losses recognised on goodwill are not reversed.

(H) 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.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(H) 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.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(H) 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(O).

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.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(I) 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.

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

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
Other equipment	3 to 10 years

No depreciation is provided for buildings under development.

Freehold land is not amortised.

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(J)).

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(J) 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 balance sheet date.

(K) INVESTMENT PROPERTIES

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

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

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

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

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(L) PROPERTIES UNDER DEVELOPMENT FOR SALE

Properties under development for sale are included in current assets and comprise leasehold land, construction costs, interest and other direct costs attributable to such properties and are stated at the lower of cost and net realisable value.

(M) COMPLETED PROPERTIES HELD FOR SALE

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises leasehold land, construction costs, interest and other direct expenses capitalised during the course of development. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(N) HOTEL AND RESTAURANT INVENTORIES

Hotel and restaurant 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.

(O) TRADE AND OTHER RECEIVABLES

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

(P) TRADE PAYABLES

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

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(Q) 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.

(R) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account or capitalised when applicable (note 2(Y)) over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(S) EMPLOYEE BENEFITS**(i) Employee leave entitlements**

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

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

(ii) Retirement benefit obligations

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

(iii) Share-based compensation

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

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(S) 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.

(T) CURRENT AND DEFERRED INCOME TAX

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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, jointly controlled entities and associated companies, 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.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(U) SHARE CAPITAL

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

(V) SEGMENT REPORTING

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.

(W) REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is recognised as follows:

(i) Properties

Revenue from sales of properties is recognised upon the later of completion of the properties and the sale and purchase contracts, where the risks and rewards of the properties are transferred to the purchasers. Deposits and installments received on properties sold prior to the date of revenue recognition are included under current liabilities.

(ii) Investment properties

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

(iii) Hotel, travel agency and management services businesses

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

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

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

Management fee income is recognised when services are rendered.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(W) REVENUE RECOGNITION (Continued)**(iv) Investment and others**

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

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

(X) FOREIGN CURRENCY TRANSLATION**(i) Functional and presentation currency**

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

(ii) Transactions and balances

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

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

Translation differences on non-monetary 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;

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)**(X) FOREIGN CURRENCY TRANSLATION (Continued)****(iii) Group companies (Continued)**

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

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

(Y) BORROWING COSTS

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

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

(Z) OPERATING LEASES

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

(AA) CASH AND CASH EQUIVALENTS

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

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(AB) RELATED PARTIES

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, jointly controlled entities and associated companies and key management (including close members of their families), where the individual, company or group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

(AC) 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 appropriate.

(AD) 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.

(AE) 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 and jointly controlled entities in accordance with HKFRS 4, "Insurance Contracts".

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT

(II) 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 cash flow interest rate risk. The Group's overall risk management 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, Macau 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 dollar, Sterling pounds, Euros and Japanese Yen.

At 31st March 2012, the Group's entities with functional currency of Hong Kong dollar had United States dollar net monetary assets of HK\$1,304,387,000 (2011: HK\$1,564,162,000). 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 dollars.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

(II) 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:

	2012			2011		
	Net monetary assets/ (liabilities) amount HK\$'000	Increase/(decrease) on result attributable to the shareholders of the Company if exchange rate changes by		Net monetary assets/ (liabilities) amount HK\$'000	Increase/(decrease) on result attributable to the shareholders of the Company if exchange rate changes by	
		+5%	-5%		+5%	-5%
		HK\$'000	HK\$'000		HK\$'000	HK\$'000
Sterling	1,352,877	60,835	(60,835)	2,207,612	103,544	(103,544)
Euro	121,868	7,169	(7,169)	224,846	9,853	(9,853)
Japanese Yen	(64,114)	(1,876)	1,876	(82,033)	(4,841)	4,841

(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 debt securities of other entities (classified as "available-for-sale investments" and "financial assets at fair value through profit or loss") are traded in the Hong Kong Stock Exchange, 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.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

(II) FINANCIAL RISK FACTORS (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

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:

	2012				2011			
	Increase/(decrease) in result attributable to shareholders of the Company if price changes by +10%		Increase/(decrease) in available-for-sale investment reserve of the Company if price changes by -10%		Increase/(decrease) in result attributable to shareholders of the Company if price changes by +10%		Increase/(decrease) in available-for-sale investment reserve of the Company if price changes by -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	304,910	(304,910)	-	-	444,505	(444,505)	-	-
Available-for-sale investments	-	(215)	14,152	(13,937)	-	(177)	16,396	(16,219)

(b) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents (note 27), financial assets at fair value through profit or loss (note 25), derivative financial instruments (note 26), as well as credit exposures to mortgage loans receivable and trade and other receivables.

Sales of properties are made to customers with appropriate mortgage arrangements. Other sales are either made in cash, via major credit cards or to customers with appropriate credit history.

The Group has limited its credit exposure by restricting their selection of financial institutions. Trade and other receivable, mortgage loans receivable 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 credit facilities and compliance of financial covenants of borrowings. The Group maintains flexibility in funding by keeping 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.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

(II) FINANCIAL RISK FACTORS (Continued)

(c) Liquidity risk (Continued)

The relevant maturity groupings on the contractual undiscounted cash flows based on the remaining period at the balance sheet date to the contractual maturity date of the Group's and the Company's financial liabilities are analysed in the financial statements.

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

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				Total undiscounted cash flow HK\$'000	Company	
	On demand HK\$'000	Within 1 year HK\$'000	Within 2 to 5 years HK\$'000	After 5 years HK\$'000		Within 1 year HK\$'000	Total undiscounted cash flows HK\$'000
At 31st March 2012							
Non-derivative financial liabilities							
Trade and other payables	-	113,158	-	-	113,158	1,074	1,074
Amount due to a jointly controlled entity	-	55,357	-	-	55,357	-	-
Borrowings	1,100,548	469,506	882,156	1,705,212	4,157,422	-	-
	1,100,548	638,021	882,156	1,705,212	4,325,937	1,074	1,074
Derivative financial liabilities							
Interest rate swaps							
- Outflow	-	3,816	1,922	-	5,738	-	-
	1,100,548	641,837	884,078	1,705,212	4,331,675	1,074	1,074
At 31st March 2011							
Non-derivative financial liabilities							
Trade and other payables	-	133,590	-	-	133,590	905	905
Amount due to an associated company	-	14,850	-	-	14,850	-	-
Borrowings	1,355,094	297,084	695,353	1,806,008	4,153,539	-	-
	1,355,094	445,524	695,353	1,806,008	4,301,979	905	905
Derivative financial liabilities							
Interest rate swaps							
- Inflow	-	(77,882)	-	-	(77,882)	-	-
- Outflow	-	101,276	3,904	-	105,180	-	-
	-	23,394	3,904	-	27,298	-	-
	1,355,094	468,918	699,257	1,806,008	4,329,277	905	905

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

(II) FINANCIAL RISK FACTORS (Continued)

(c) Liquidity risk (Continued)

The table that follows summarise 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 flows HK\$’000
31st March 2012	13,211	49,792	20,277	83,280
31st March 2011	13,916	52,522	33,222	99,660

(d) Cash flow interest rate risk

Other than bank balances and deposits, financial investments with fixed coupons, mortgage loans receivable, loans receivable and advance to a jointly controlled entity (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 are mostly at fixed rates. 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 2012, with all other variables held constant, if the interest rate had increased/ decreased by 10 basis point, the Group’s post tax profit attributable to shareholders of the Company would have been HK\$2,559,000 (2011: HK\$2,422,000) worse/better.

(II) CAPITAL RISK MANAGEMENT

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

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

(II) CAPITAL RISK MANAGEMENT (Continued)

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 2012 and 2011 were as follows:

	2012 HK\$'000	2011 HK\$'000 (Restated)
Borrowings (<i>note 31</i>)	3,890,781	3,886,068
Less: bank balances and cash (<i>note 27</i>)	(398,366)	(315,300)
Net debt	3,492,415	3,570,768
Net assets	10,838,045	10,589,420
Gearing ratio against net assets	32%	34%
Revalued net assets	16,492,000	14,819,000
Gearing ratio against revalued net assets	21%	24%

(III) 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).

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

(III) FAIR VALUE ESTIMATION (Continued)

- 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 2012.

	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Assets			
Financial assets at fair value through profit or loss	3,489,581	17,508	3,507,089
Available-for-sale investments	186,331	10,964	197,295
	3,675,912	28,472	3,704,384
Liabilities			
Derivative financial instruments	–	6,001	6,001

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	5,003,375	16,843	5,020,218
Available-for-sale investments	220,100	10,157	230,257
	5,223,475	27,000	5,250,475
Liabilities			
Derivative financial instruments	–	26,242	26,242

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.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

(III) FAIR VALUE ESTIMATION (Continued)

The fair value of financial instruments that are not traded in an active market is determined by using latest available transaction price or valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

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) ESTIMATE OF FAIR VALUE OF INVESTMENT PROPERTIES

At 31st March 2012, the Group had investment properties with fair value of HK\$4,297,374,000 (2011: HK\$3,391,122,000). The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the amount is determined within a range of reasonable fair value estimates. Information from a variety of sources is considered in making the judgement:

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

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

Notes to the Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(B) IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

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

(C) INCOME TAXES

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

Recognition of deferred income tax assets (note 32), which principally relate to tax losses, depends on the management's expectations of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

(D) FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments (note 26) that are not traded in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are periodically reviewed. To the extent practical, models use only observable data, however areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the fair values of derivative financial instruments and warrants.

(E) IMPAIRMENT OF AVAILABLE-FOR-SALE INVESTMENTS

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

5 TURNOVER AND SEGMENT INFORMATION

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

Notes to the Financial Statements

5 TURNOVER AND SEGMENT INFORMATION (Continued)

The Group is principally engaged in property development and investment, hotel, travel agency and catering operations and securities investments. Turnover comprises revenue from property sales and leasing, hotel and travel agency, management services and interest income and dividend income, together with gross consideration from disposal of financial assets at fair value through profit or loss and derivative financial instruments. Revenue include revenue from property sales and leasing, hotel and travel agency, management services, interest income and dividend income.

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 property sales, property leasing, hotel and travel and investments. Segment assets consist primarily of property, plant and equipment, investment properties, available-for-sale investments, other non-current assets, hotel inventories, properties, trade and other receivables and financial assets at fair value through profit or loss. Segment liabilities comprise mainly borrowings.

	Property sales HK\$'000	Property leasing HK\$'000	Hotel and travel HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
2012						
Turnover	38,132	88,942	698,218	3,136,557	21,267	3,983,116
Segment revenue	38,132	88,942	698,218	327,684	21,267	1,174,243
Contribution to segment results	4,714	83,028	275,323	327,684	21,267	712,016
Depreciation	-	-	(88,725)	-	(3,488)	(92,213)
Net investment loss	-	-	-	(1,453,884)	-	(1,453,884)
Fair value gain of investment properties	-	900,090	-	-	-	900,090
Segment results	4,714	983,118	186,598	(1,126,200)	17,779	66,009
Unallocated corporate expenses						(86,718)
Operating loss						(20,709)
Finance costs						(12,208)
Share of profits less losses of						
Jointly controlled entities	106,306	-	-	-	-	106,306
Associated companies	(30)	236,348	-	-	(17)	236,301
Profit before income tax						309,690
Income tax expense						(20,259)
Profit for the year						289,431

Notes to the Financial Statements

5 TURNOVER AND SEGMENT INFORMATION (Continued)

	Property sales HK\$'000	Property leasing HK\$'000	Hotel and travel HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
2011 (Restated)						
Turnover	133,685	78,997	631,505	1,068,955	26,604	1,939,746
Segment revenue	133,685	78,997	631,505	194,453	26,604	1,065,244
Contribution to segment results	78,608	73,927	211,209	194,453	26,604	584,801
Depreciation	-	-	(87,632)	-	(2,216)	(89,848)
Net investment gain	-	-	-	706,225	-	706,225
Fair value gain of investment properties	-	887,987	-	-	-	887,987
Other gain and charge	(20,000)	-	-	-	12,664	(7,336)
Segment results	58,608	961,914	123,577	900,678	37,052	2,081,829
Unallocated corporate expenses						(84,697)
Operating profit						1,997,132
Finance costs						(77,941)
Share of profits less losses of						
Jointly controlled entities	151,523	-	-	-	(1)	151,522
Associated companies	489	307,741	-	-	(15)	308,215
Profit before income tax						2,378,928
Income tax expense						(43,906)
Profit for the year						2,335,022

Notes to the Financial Statements

5 TURNOVER AND SEGMENT INFORMATION (Continued)

	Property sales HK\$'000	Property leasing HK\$'000	Hotel and travel HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
As at 31st March 2012						
Segment assets	2,743,988	5,395,688	2,635,462	3,781,147	175,879	14,732,164
Other unallocated assets						256,937
						<u>14,989,101</u>
Segment assets include:						
Jointly controlled entities and associated companies	1,165,960	1,091,468	-	-	914	2,258,342
Addition to non-current assets*	500,000	6,162	7,397	-	3,677	517,236
Segment liabilities						
Borrowings	1,543,000	486,495	1,044,007	817,279	-	3,890,781
Other unallocated liabilities						260,275
						<u>4,151,056</u>
As at 31st March 2011 (Restated)						
Segment assets	1,951,195	4,279,224	2,695,054	5,358,447	244,584	14,528,504
Other unallocated assets						203,628
						<u>14,732,132</u>
Segment assets include:						
Jointly controlled entities and associated companies	737,108	883,170	-	-	931	1,621,209
Addition to non-current assets*	-	10,225	29,373	-	44,348	83,946
Segment liabilities						
Borrowings	775,000	498,484	1,097,683	1,514,901	-	3,886,068
Other unallocated liabilities						256,644
						<u>4,142,712</u>

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

Notes to the Financial Statements

5 TURNOVER AND SEGMENT INFORMATION (Continued)

	2012 HK\$'000	2011 HK\$'000 (Restated)
Revenue		
Hong Kong	784,683	792,198
Overseas	389,560	273,046
	1,174,243	1,065,244
Non-current assets*		
Hong Kong	7,852,229	6,994,163
Overseas	1,139,257	570,206
	8,991,486	7,564,369

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

Notes to the Financial Statements

6 NET INVESTMENT (LOSS)/GAIN

	2012 HK\$'000	2011 HK\$'000
Financial assets at fair value through profit or loss		
– net unrealised (loss)/gain from market price movements	(666,817)	553,001
– net unrealised exchange (loss)/gain	(33,051)	133,280
– net realised (loss)/gain (<i>note</i>)	(747,392)	28,642
Available-for-sale investments		
– net realised gain	–	2,314
– impairment	(2,261)	(551)
Derivative financial instruments		
– net unrealised loss	–	(10,461)
– net realised loss	(4,363)	–
	(1,453,884)	706,225
<i>Note:</i>		
Net realised (loss)/gain on financial assets at fair value through profit or loss		
Gross consideration	2,805,198	874,502
Cost of investments	(2,729,640)	(440,948)
Total gain	75,558	433,554
Less: net unrealised gain recognised in prior years	(822,950)	(404,912)
Net realised (loss)/gain recognised in current year	(747,392)	28,642

7 OTHER GAIN AND CHARGE

	2012 HK\$'000	2011 HK\$'000
Provision for diminution in value of properties under development for sale	–	(20,000)
Net fair value gain on warrant liabilities	–	12,664
	–	(7,336)

Notes to the Financial Statements

8 INCOME AND EXPENSES BY NATURE

	2012 HK\$'000	2011 HK\$'000
Income		
Net rental income (<i>note</i>)	83,028	73,927
Interest income		
– Listed investments	291,532	153,637
– Unlisted investments	379	560
– A jointly controlled entity	7,948	16,524
– Other receivables	4,525	3,764
– Bank deposits	952	811
Dividend income		
– Listed investments	35,424	40,256
Gain on disposal of property, plant and equipment	4,242	–
Expenses		
Operating lease rental expense for land and buildings	8,041	6,285
Employee benefit expense including Directors' emoluments (<i>note 9</i>)	170,688	149,416
Loss on disposal of property, plant and equipment	–	1,827
Auditor's remuneration	5,913	4,808
Cost of properties and goods sold	207,495	247,328
<i>Note:</i>		
Net rental income		
Investment properties	83,815	75,014
Properties held for sale	5,127	3,983
	88,942	78,997
Outgoings	(5,914)	(5,070)
Net rental income	83,028	73,927

Notes to the Financial Statements

9 EMPLOYEE BENEFIT EXPENSE

	2012 HK\$'000	2011 HK\$'000
Wages and salaries	165,750	144,920
Retirement benefits cost (note (a))	5,338	4,496
Capitalised under properties under development	171,088 (400)	149,416 –
Employee benefit expense	170,688	149,416

Staff costs are stated inclusive of Directors' emoluments and are included in cost of sales and administrative expenses.

Notes:

(a) Retirement benefits costs

	2012 HK\$'000	2011 HK\$'000
Gross contributions	5,178	4,445
Termination benefit	160	51
Net contributions	5,338	4,496

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

In Hong Kong, the Group participates in several defined contribution schemes under the ORSO which are available to employees joining before 1st December 2000. Under these schemes, contribution of 5% of the employee's monthly salaries are made by the employees and by the Group. The Group's contributions may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also participates in the MPF scheme, which are available to all employees not joining the ORSO schemes in Hong Kong and in the CPP organised by the Canadian Government for all employees in Canada. Monthly contributions to the MPF scheme and CPP are made equal to 5% (2011: 5%) or a fixed sum and 4.95% (2011: 4.95%) respectively, of the employee's relevant income in accordance with the local legislative requirements.

As at 31st March 2012, no forfeiture (2011: Nil) was available to reduce the Group's future contributions to the ORSO Scheme.

Notes to the Financial Statements

9 EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Share options

The Company and Asia Standard Hotel Group Limited ("Asia Standard Hotel"), a listed subsidiary, operate share option schemes, whereby options may be granted to employees of the Group, including the Executive Directors, to subscribe for shares of the Company and Asia Standard Hotel respectively. The consideration to be paid on each grant of option is HK\$1 for the Company and Asia Standard Hotel respectively.

Company

Details of share options held under the share option scheme of the Company as at 31st March 2012 are as follows:

Date of grant	Exercise price per share	Expiry date	Number of share options outstanding at 1st April 2011 and 31st March 2012
30th March 2005	HK\$3.15	29th March 2015	
Directors			10,826,424
Employees			2,577,717
			13,404,141

Note:

During the year, no share option was granted, exercised, cancelled or lapsed (2011: Nil).

Notes to the Financial Statements

9 EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Share options (Continued)

Asia Standard Hotel

Details of share options held under the share option scheme of Asia Standard Hotel as at 31st March 2012 are as follows:

Date of grant	Exercise price per share	Expiry date	Number of share options outstanding at 1st April 2011 and 31st March 2012
29th March 2007	HK\$1.296	28th March 2017	
Directors			8,000,000
Employees			8,000,000
			16,000,000
			16,000,000
2nd April 2007	HK\$1.300	1st April 2017	
Directors			24,000,000
Director of Asia Standard Hotel			8,000,000
Employees			30,999,999
			62,999,999
			62,999,999
			78,999,999

Note:

During the year, no share option was granted, exercised, cancelled or lapsed (2011: Nil).

Notes to the Financial Statements

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 2012 and 2011 are set out as follows:

Name of Director	Directors' fee	Salaries, allowances and benefits in kind <i>(note)</i>	Employer's contribution to retirement benefit scheme	Total emoluments
2012 (in HK\$'000)				
Executive				
Mr. Fung Siu To, Clement	–	2,430	42	2,472
Dr. Lim Yin Cheng	–	4,571	60	4,631
Mr. Poon Jing	–	21,474	12	21,486
Mr. Lun Pui Kan	–	2,324	96	2,420
Mr. Kwan Po Lam, Phileas	–	6,527	53	6,580
	–	37,326	263	37,589
Non-executive				
Mr. Loup, Nicholas James	160	–	–	160
Mr. Au Yat Chuen	160	–	–	160
	320	–	–	320
Independent Non-executive				
Mr. Koon Bok Ming, Alan	160	–	–	160
Mr. Leung Wai Keung [#]	260	–	–	260
Mr. Wong Chi Keung	160	–	–	160
	580	–	–	580
	900	37,326	263	38,489

Notes to the Financial Statements

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS
(Continued)

Name of Director	Directors' fee	Salaries, allowances and benefits in kind <i>(note)</i>	Employer's contribution to retirement benefit scheme	Total emoluments
2011 (in HK\$'000)				
Executive				
Mr. Fung Siu To, Clement	–	2,566	42	2,608
Dr. Lim Yin Cheng	–	4,509	60	4,569
Mr. Poon Jing	–	18,512	12	18,524
Mr. Lun Pui Kan	–	2,596	105	2,701
Mr. Kwan Po Lam, Phileas	–	3,830	53	3,883
	–	32,013	272	32,285
Non-executive				
Mr. Loup, Nicholas James	100	–	–	100
Mr. Au Yat Chuen	120	–	–	120
	220	–	–	220
Independent Non-executive				
Mr. Koon Bok Ming, Alan	120	–	–	120
Mr. Leung Wai Keung [#]	200	–	–	200
Mr. Wong Chi Keung	100	–	–	100
	420	–	–	420
	640	32,013	272	32,925

Note: Balance includes HK\$16,639,000 (2011: HK\$10,500,000) paid by Asia Standard Hotel.

[#] Includes fees from Asia Standard Hotel of HK\$100,000 (2011: HK\$100,000).

Notes to the Financial Statements

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS
(Continued)

- (b) The five highest paid individuals in the Group for the year include four (2011: five) Directors whose emoluments are already reflected in the analysis presented above. The remuneration payable to the remaining one (2011: Nil) individuals during the year is as follows:

	2012 HK\$'000	2011 HK\$'000
Basic salaries, allowances, benefits in kind	2,627	–

- (c) During the year, no emolument was paid or is payable by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2011: Nil).

11 FINANCE COSTS

	2012 HK\$'000	2011 HK\$'000
Interest expense		
Long term bank loans	(53,764)	(30,336)
Short term bank loans and overdrafts	(20,826)	(16,090)
Interest capitalised under properties under development for sale	12,042	–
Other incidental borrowing costs	(5,199)	(6,963)
Net foreign exchange gain/(loss) on borrowings	53,561	(26,732)
Fair value gain on interest rate swaps (<i>note 26(a)</i>)	1,978	2,180
	(12,208)	(77,941)

Notes to the Financial Statements

12 INCOME TAX EXPENSE

	2012 HK\$'000	2011 HK\$'000 (Restated)
Current income tax		
Hong Kong profits tax	(16,560)	(14,434)
Over provisions in prior years	19,433	520
	2,873	(13,914)
Deferred income tax	(23,132)	(29,992)
	(20,259)	(43,906)

Hong Kong profits tax is provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year. Income tax on overseas profits has been calculated on the estimated assessable profit for the year at the rates of tax prevailing in the countries in which the Group operates.

Shares of income tax charge of jointly controlled entities and associated companies for the year of HK\$21,031,000 (2011: HK\$28,541,000) and HK\$3,561,000 (2011: HK\$1,939,000, as restated) are included in the profit and loss account as share of profits less losses of jointly controlled entities and associated companies respectively.

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

	2012 HK\$'000	2011 HK\$'000 (Restated)
Profit before income tax	309,690	2,378,928
Share of profits less losses of jointly controlled entities and associated companies	(342,607)	(459,737)
	(32,917)	1,919,191
Calculated at a tax rate of 16.5% (2011: 16.5%)	5,431	(316,667)
Over provisions in prior years	19,433	520
Effect of different tax rates in other countries	2,265	1,852
Income not subject to income tax	206,057	288,216
Expenses not deductible for tax purposes	(248,710)	(14,930)
Tax losses not recognised	(3,384)	(8,199)
Recognition of previously unrecognised tax losses	-	101
Utilisation of previously unrecognised tax losses	2,951	7,146
Others	(4,302)	(1,945)
Income tax expense	(20,259)	(43,906)

Notes to the Financial Statements

13 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK\$150,095,000 (2011: HK\$389,039,000).

14 DIVIDENDS

	2012 HK\$'000	2011 HK\$'000
Interim, paid, of nil (2011: HK0.5 cent) per share	–	6,197
Final, proposed, of HK0.8 cent (2011: HK2.0 cents) per share	9,841	24,447
	9,841	30,644

At a meeting held on 22nd June 2012, the Board of Directors has proposed to pay a final dividend of HK0.8 cent (2011: HK2.0 cents) 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 2013.

The amount of HK\$9,841,000 is based on 1,230,142,122 issued shares as at 22nd June 2012.

15 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$382,661,000,000 (2011: HK\$2,234,761,000, as restated) and divided by the weighted average number of 1,226,214,516 (2011: 1,240,344,588) shares in issue during the year.

For the year ended 31st March 2012, the Company's and its listed subsidiary's outstanding share options and warrants did not have a diluted effect on the earnings per share, the basic and diluted earnings per share were equal.

The calculation of diluted earnings per share for the year ended 31st March 2011 is based on HK\$2,233,393,000 equalling to the profit attributable to shareholders of the Company of HK\$2,234,761,000 (as restated) with a decrease in share of profit after tax of HK\$1,368,000 from the Company's listed subsidiary arising from potential conversion of its warrants and divided by the 1,240,344,588 shares in issue during the year. The Company's and its listed subsidiary's outstanding share options did not have a diluted effect on the earnings per share.

Notes to the Financial Statements

16 PROPERTY, PLANT AND EQUIPMENT

	Freehold land of a hotel in Canada HK\$'000	Leasehold land in Hong Kong HK\$'000	Hotel buildings HK\$'000	Other buildings HK\$'000	Other equipments HK\$'000	Total HK\$'000
Cost						
At 31st March 2010	78,018	2,018,320	1,484,287	16,449	40,442	3,637,516
Currency translation differences	3,628	–	21,655	–	269	25,552
Additions	–	–	29,093	38,180	6,448	73,721
Adjustments (<i>note (c)</i>)	–	–	(3,922)	–	–	(3,922)
Transfer to investment properties	–	(46,099)	–	–	–	(46,099)
Disposals	–	–	(4,326)	–	(1,951)	(6,277)
At 31st March 2011	81,646	1,972,221	1,526,787	54,629	45,208	3,680,491
Accumulated depreciation						
At 31st March 2010	–	332,715	587,893	5,540	39,026	965,174
Currency translation differences	–	–	13,469	–	223	13,692
Charge for the year	–	26,591	60,977	1,108	1,172	89,848
Transfer to investment properties	–	(814)	–	–	–	(814)
Disposals	–	–	(2,496)	–	(1,951)	(4,447)
At 31st March 2011	–	358,492	659,843	6,648	38,470	1,063,453
Net book value						
At 31st March 2011	81,646	1,613,729	866,944	47,981	6,738	2,617,038
Cost						
At 31st March 2011	81,646	1,972,221	1,526,787	54,629	45,208	3,680,491
Currency translation differences	(2,345)	–	(14,115)	–	225	(16,235)
Additions	–	–	7,397	377	3,300	11,074
Disposals	–	–	(286)	(2,586)	(299)	(3,171)
At 31st March 2012	79,301	1,972,221	1,519,783	52,420	48,434	3,672,159
Accumulated depreciation						
At 31st March 2011	–	358,492	659,843	6,648	38,470	1,063,453
Currency translation differences	–	–	(8,914)	–	184	(8,730)
Charge for the year	–	26,591	62,063	1,518	2,041	92,213
Disposals	–	–	(178)	(1,076)	(293)	(1,547)
At 31st March 2012	–	385,083	712,814	7,090	40,402	1,145,389
Net book value						
At 31st March 2012	79,301	1,587,138	806,969	45,330	8,032	2,526,770

Notes to the Financial Statements

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

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

	2012 HK\$'000	2011 HK\$'000
Hotel properties		
Hotel buildings	806,969	866,944
Hotel freehold land	79,301	81,646
Hotel leasehold land	1,557,034	1,583,363
	2,443,304	2,531,953

Supplementary information with hotel properties at valuation:

The aggregate open market value of the hotel properties in Hong Kong and Canada based on valuations conducted in both years by Vigers Appraisal & Consulting Limited and Grant Thornton Management Consultants, independent professional valuers, amounted to HK\$8,124,088,000 (2011: HK\$6,791,059,000).

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

- (b) The aggregate net book value of property, plant and equipment pledged as security for loans amounted to HK\$2,493,308,000 (2011: HK\$2,569,157,000).
- (c) Amount represented write back of cost over provided in prior years.
- (d) The carrying amount of properties is as follows:

	2012 HK\$'000	2011 HK\$'000
Freehold	245,096	270,517
Long term leases	1,435,469	1,466,617
Medium term leases	838,174	873,166
	2,518,739	2,610,300

Notes to the Financial Statements

17 INVESTMENT PROPERTIES

	2012 HK\$'000	2011 HK\$'000
At the beginning of the year	3,391,122	2,419,600
Transfer in from properties under development for sale	–	28,025
Transfer in from property, plant and equipment	–	45,285
Additions	6,162	10,225
Fair value change	900,090	887,987
At the end of the year	4,297,374	3,391,122

Investment properties were revalued by Prudential Surveyors International Limited, independent professional valuers, on an open market value basis as at 31st March 2012 and 2011. Investment properties are situated on long term leasehold land in Hong Kong.

The aggregate net book value of investment properties pledged as securities for loans amounted to HK\$4,297,374,000 (2011: HK\$3,307,200,000).

18 SUBSIDIARIES

	2012 HK\$'000	2011 HK\$'000
Unlisted shares, at cost	1,229,076	1,229,076
Amounts due from subsidiaries less provisions	4,500,195	4,382,152
	5,729,271	5,611,228

As at 31st March 2012, the shares in certain subsidiaries are pledged to secure loan facilities granted to the Group.

Details of the principal subsidiaries are set out in note 39.

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

Notes to the Financial Statements

19 JOINTLY CONTROLLED ENTITIES

	2012 HK\$'000	2011 HK\$'000
Share of net assets	682,874	212,367
Advances to jointly controlled entities	316,711	384,269
Provisions for advances to jointly controlled entities	(27,854)	(27,765)
	971,731	568,871
Amount due from a jointly controlled entity included in current assets	91,000	65,000
Amount due to a jointly controlled entity included in current liabilities	(55,357)	–
	1,007,374	633,871

Advances to jointly controlled entities are equity in nature and made to finance property development projects. The advances to jointly controlled entities are denominated in Hong Kong dollar. In 2011, except for an amount of HK\$149,208,000 due from a jointly controlled entity which is interest bearing at The Hong Kong and Shanghai Banking Corporation ("HSBC") prime rate, the remaining amounts are unsecured, interest free and have no fixed term of repayment, the interest bearing amount was fully repaid during the year.

Details of the principal jointly controlled entities are set out in note 39.

The Group's share of assets and liabilities and results of jointly controlled entities:

	2012 HK\$'000	2011 HK\$'000
Assets		
Non-current assets	836,703	503,021
Current assets	409,411	228,803
	1,246,114	731,824
Liabilities		
Non-current liabilities	156,589	6,446
Current liabilities	406,651	513,011
	563,240	519,457
Net assets	682,874	212,367
Income	310,550	413,061
Expenses	(183,213)	(232,998)
Profit before income tax	127,337	180,063
Income tax expense	(21,031)	(28,541)
Profit for the year	106,306	151,522

Notes to the Financial Statements

20 ASSOCIATED COMPANIES

	2012 HK\$'000	2011 HK\$'000 (Restated)	2010 HK\$'000 (Restated)
Share of net assets	1,091,468	883,170	611,730
Advances to associated companies	641,955	641,932	642,212
Provisions for advances to associated companies	(537,812)	(537,764)	(538,239)
	1,195,611	987,338	715,703
Amount due to an associated company included in current liabilities	-	(14,850)	(51,150)
	1,195,611	972,488	664,553

As at 31st March 2012 and 2011, the shares in an associated company are pledged to secure the loan facilities granted to the Group.

Advances to associated companies are equity in nature and made to finance property development projects. The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment. The advances to associated companies are denominated in Hong Kong dollar.

Details of the principal associated companies are set out in note 39.

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

	2012 HK\$'000	2011 HK\$'000 (Restated)	2010 HK\$'000 (Restated)
Assets	1,250,362	1,045,571	773,160
Liabilities	(158,894)	(162,401)	(161,430)
Net assets	1,091,468	883,170	611,730
Revenues	23,387	15,425	14,410
Profit for the year	236,301	308,215	105,717

Notes to the Financial Statements

21 AVAILABLE-FOR-SALE INVESTMENTS

	2012 HK\$'000	2011 HK\$'000
Unlisted equity securities	10,964	10,157
Equity securities listed in Hong Kong	186,331	220,100
	197,295	230,257

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 disposal of. No such reclassification was made for the years ended 31st March 2010, 2011 and 2012.

As at 31st March 2012, the fair value of the remaining reclassified financial assets was HK\$4,815,000 (2011: HK\$8,544,000). During the year, fair value loss of HK\$3,729,000 (2011: gain of HK\$1,620,000) and impairment loss of HK\$2,261,000 (2011: HK\$551,000) for the reclassified financial assets were recognised in other comprehensive income and profit and loss account respectively.

- (b) Impairment provision of HK\$2,261,000 (2011: HK\$551,000) on available-for-sale investments was recognised in profit and loss account during the year (note 6).

22 MORTGAGE LOANS RECEIVABLE

	2012 HK\$'000	2011 HK\$'000
Mortgage loans receivable	15,229	85,393
Less: current portion included in current assets	(1,156)	(3,664)
	14,073	81,729

The mortgage loans receivable carry interest at rates ranged from HSBC prime rate plus 1.5 to 2% (2011: HSBC prime rate plus 1.5% to 2%) per annum. The effective interest rate at 31st March 2012 was 6.12% (2011: 6.52%) per annum. The mortgage loans receivable are denominated in Hong Kong dollar. The carrying amounts of the mortgage loans receivable approximate their fair values.

Notes to the Financial Statements

23 PROPERTIES UNDER DEVELOPMENT FOR SALE AND COMPLETED PROPERTIES HELD FOR SALE

	2012 HK\$'000	2011 HK\$'000
Properties under development for sale		
Leasehold land	1,449,455	1,091,071
Development costs	71,806	31,284
	1,521,261	1,122,355
Completed properties held for sale		
Leasehold land	35,877	47,677
Development costs	20,339	42,612
	56,216	90,289

At 31st March 2012, properties amounting to HK\$1,453,940,000 (2011: HK\$1,129,632,000) were pledged to banks to secure certain banking facilities of the Group.

At 31st March 2012 and 2011, all the properties under development for sale were not scheduled for completion within twelve months.

Notes to the Financial Statements

24 TRADE AND OTHER RECEIVABLES

	2012 HK\$'000	2011 HK\$'000
Trade receivables		
Fully performing	28,057	62,127
Past due but not impaired	6,775	6,160
Impaired	2,968	446
	37,800	68,733
Less: provision for impairment of receivables	(2,968)	(446)
Trade receivables, net	34,832	68,287
Accrued interest and dividend receivable	76,763	73,226
Loan receivables	54,571	55,072
Prepayments	12,612	10,140
Utility and other deposits	11,574	8,912
Other receivables	17,251	15,208
	207,603	230,845

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

	2012 HK\$'000	2011 HK\$'000
0 day to 60 days	33,780	67,764
61 days to 120 days	992	500
More than 120 days	60	23
	34,832	68,287

Notes to the Financial Statements

24 TRADE AND OTHER RECEIVABLES (Continued)

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

	2012 HK\$'000	2011 HK\$'000
0 day to 60 days	6,451	6,026
More than 60 days	324	134
	6,775	6,160

As at 31st March 2012, trade receivables of HK\$2,968,000 (2011: HK\$446,000) were impaired.

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

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

	2012 HK\$'000	2011 HK\$'000
Hong Kong dollar	120,765	114,464
United States dollar	36,602	52,831
Sterling	34,711	48,197
Canadian dollar	12,526	10,576
Others	2,999	4,777
	207,603	230,845

Loan receivables were interest bearing from HSBC prime rate to 2% above HSBC prime rate per annum (2011: same).

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Notes to the Financial Statements

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Equity securities				
– Listed in Hong Kong	574,271	438,744	–	13
– Listed in the USA	458,432	920,313	–	–
– Listed in Europe	465,602	767,434	–	–
– Unlisted	–	44,694	–	–
	1,498,305	2,171,185	–	13
Debt securities				
– Listed in the USA	–	104,510	–	–
– Listed in Europe	1,338,383	2,507,681	–	–
– Listed in Singapore	652,893	219,999	–	–
– Unlisted	8,000	8,000	–	–
	1,999,276	2,840,190	–	–
Unlisted fund	9,508	8,843	–	–
	3,507,089	5,020,218	–	13

Notes:

- (a) The debt securities carry fixed coupon ranging from 2% to 13.5% (2011: from 5.905% to 13%) per annum and their nominal values are equivalent to HK\$2,804,792,000 (2011: HK\$3,469,026,000).
- (b) At 31st March 2012, financial assets at fair value through profit or loss equivalent to HK\$337,571,000 (2011: HK\$1,040,036,000) were pledged as security for borrowings (2011: United States dollar versus Japanese Yen interest rate swaps (note 26(b)) and borrowings).
- (c) Financial assets at fair value through profit or loss are denominated in the following currencies:

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Sterling	1,317,700	2,413,750	–	–
United States dollar	1,301,681	1,715,854	–	–
Hong Kong dollar	582,271	446,744	–	13
Euro	305,437	443,870	–	–
	3,507,089	5,020,218	–	13

Notes to the Financial Statements

26 DERIVATIVE FINANCIAL INSTRUMENTS

	2012 HK\$'000	2011 HK\$'000
Interest rate swaps		
– Hong Kong dollar (<i>note (a)</i>)	6,001	7,979
– Foreign currency (<i>note (b)</i>)	–	18,263
	6,001	26,242

Notes:

- (a) The notional principal amount of the outstanding interest rate swap contracts at 31st March 2012 were HK\$150,000,000 (2011: HK\$200,000,000).
- (b) In 2011, the notional principal amount of US\$10,000,000 of the outstanding United States dollar versus Japanese Yen interest rate swap contract was secured by financial assets at fair value through profit or loss (note 25(b)).
- (c) The Group's derivative financial instruments are settled on a net basis, except for interest income and expense, and notional principal amount derived from United States dollar versus Japanese Yen interest rate swaps which are settled in gross.

27 BANK BALANCES AND CASH

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Cash at bank and in hand	219,674	109,030	2,250	1,377
Short term bank deposits	169,759	200,539	60,086	40,000
Cash and cash equivalents	389,433	309,569	62,336	41,377
Restricted bank balances	8,933	5,731	–	–
	398,366	315,300	62,336	41,377

Notes to the Financial Statements

27 BANK BALANCES AND CASH (Continued)

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

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Hong Kong dollar	280,953	259,431	62,336	41,377
Renminbi	56,880	11,518	-	-
Canadian dollar	40,929	34,086	-	-
United States dollar	17,487	7,473	-	-
Others	2,117	2,792	-	-
	398,366	315,300	62,336	41,377

28 TRADE AND OTHER PAYABLES

	2012 HK\$'000	2011 HK\$'000
Trade payables	19,307	56,009
Accrual and other payables	65,204	52,982
Rental and management fee deposits	28,647	24,599
	113,158	133,590

The aging analysis of trade payables is as follows:

	2012 HK\$'000	2011 HK\$'000
0 day to 60 days	19,260	55,946
61 days to 120 days	36	46
More than 120 days	11	17
	19,307	56,009

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

Notes to the Financial Statements

29 SHARE CAPITAL

Shares of HK\$0.01 each	Number of shares	Amount HK\$'000
Authorised:		
At 31st March 2011 and 2012	400,000,000,000	4,000,000

	Number of shares		Amount	
	2012	2011	2012 HK\$'000	2011 HK\$'000
Issued and fully paid:				
At the beginning of the year	1,222,371,832	1,247,129,646	12,224	12,471
Scrip dividend (<i>note (a)</i>)	7,770,290	4,044,186	78	41
Share repurchase (<i>note (b)</i>)	-	(28,802,000)	-	(288)
At the end of the year	1,230,142,122	1,222,371,832	12,302	12,224

Notes:

- (a) In September 2010, 1,789,151 new shares were allotted and issued at HK\$1.36 per share in lieu of final dividend for the year ended 31st March 2010.

In February 2011, 2,255,035 new shares were allotted and issued at HK\$1.92 per share in lieu of interim dividend for the six months ended 30th September 2010.

In October 2011, 7,770,290 new shares were allotted and issued at HK\$1.70 per share in lieu of final dividend for the year ended 31st March 2011.

- (b) All the repurchased shares were cancelled before 31st March 2011.

Notes to the Financial Statements

30 RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share options reserve HK\$'000	Available- for-sale investment reserve HK\$'000	Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
Group							
At 31st March 2010							
As previously stated	2,008,811	43,902	16,638	67,916	2,782,836	2,306,363	7,226,466
Prior year adjustment – write back of deferred tax on investment properties (note 2(a))	-	-	-	-	-	320,852	320,852
As restated	2,008,811	43,902	16,638	67,916	2,782,836	2,627,215	7,547,318
Fair value gain on available-for-sale investments	-	-	-	5,690	-	-	5,690
Release of reserve upon disposal of available-for-sale investment	-	-	-	(6,295)	-	-	(6,295)
Impairment of available-for-sale investments charged to profit and loss account	-	-	-	385	-	-	385
Currency translation differences	-	-	-	-	-	7,389	7,389
Profit for the year	-	-	-	-	-	2,234,761	2,234,761
2010 final dividend	2,415	-	-	-	-	(18,655)	(16,240)
2011 interim dividend	4,307	-	-	-	-	(6,197)	(1,890)
Share repurchase	-	288	-	-	-	(48,887)	(48,599)
Net increase in shareholding in a listed subsidiary	-	-	-	-	-	39,016	39,016
At 31st March 2011	2,015,533	44,190	16,638	67,696	2,782,836	4,834,642	9,761,535
Representing:							
2011 final dividend proposed	-	-	-	-	-	24,447	24,447
Others	2,015,533	44,190	16,638	67,696	2,782,836	4,810,195	9,737,088
At 31st March 2011	2,015,533	44,190	16,638	67,696	2,782,836	4,834,642	9,761,535
At 31st March 2011							
As previously stated	2,015,533	44,190	16,638	67,696	2,782,836	4,318,704	9,245,597
Prior year adjustment – write back of deferred tax on investment properties (note 2(a))	-	-	-	-	-	515,938	515,938
As restated	2,015,533	44,190	16,638	67,696	2,782,836	4,834,642	9,761,535
Fair value loss on available-for-sale investments	-	-	-	(25,834)	-	-	(25,834)
Impairment of available-for-sale investments charged to profit and loss account	-	-	-	1,584	-	-	1,584
Currency translation differences	-	-	-	-	-	10,225	10,225
Profit for the year	-	-	-	-	-	382,661	382,661
2011 final dividend	13,132	-	-	-	-	(24,447)	(11,315)
Net increase in shareholding in a listed subsidiary	-	-	-	-	-	2,164	2,164
At 31st March 2012	2,028,665	44,190	16,638	43,446	2,782,836	5,205,245	10,121,020
Representing:							
2012 final dividend proposed	-	-	-	-	-	9,841	9,841
Others	2,028,665	44,190	16,638	43,446	2,782,836	5,195,404	10,111,179
At 31st March 2012	2,028,665	44,190	16,638	43,446	2,782,836	5,205,245	10,121,020

Notes to the Financial Statements

30 RESERVES (Continued)

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
Company					
At 31st March 2010	2,007,660	43,902	2,796,995	468,782	5,317,339
Profit for the year	–	–	–	389,039	389,039
2010 final dividend	2,415	–	–	(18,655)	(16,240)
2011 interim dividend	4,307	–	–	(6,197)	(1,890)
Share repurchase	–	288	–	(48,887)	(48,599)
At 31st March 2011	2,014,382	44,190	2,796,995	784,082	5,639,649
Representing:					
2011 final dividend proposed	–	–	–	24,447	24,447
Others	2,014,382	44,190	2,796,995	759,635	5,615,202
At 31st March 2011	2,014,382	44,190	2,796,995	784,082	5,639,649
At 31st March 2011	2,014,382	44,190	2,796,995	784,082	5,639,649
Profit for the year	–	–	–	150,095	150,095
2011 final dividend	13,132	–	–	(24,447)	(11,315)
At 31st March 2012	2,027,514	44,190	2,796,995	909,730	5,778,429
Representing:					
2012 final dividend proposed	–	–	–	9,841	9,841
Others	2,027,514	44,190	2,796,995	899,889	5,768,588
At 31st March 2012	2,027,514	44,190	2,796,995	909,730	5,778,429

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

Notes to the Financial Statements

31 BORROWINGS

	31st March 2012 HK\$'000	31st March 2011 HK\$'000
Current liabilities		
Short term bank loans and overdrafts		
Secured	1,020,249	1,235,901
Unsecured	4,140	99,000
	1,024,389	1,334,901
Current portion of long term bank loans	437,303	202,541
Portion of long term bank loans containing a repayment on demand clause	64,996	78,555
	1,526,688	1,615,997
Non-current liabilities		
Long term bank loans, secured	2,364,093	2,270,071
	3,890,781	3,886,068

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

	31st March 2012 HK\$'000	31st March 2011 HK\$'000
Repayable within one year	437,303	202,541
Repayable between one and two years	178,853	388,244
Repayable between two to five years	633,417	247,890
Repayable after five years	1,616,819	1,712,492
	2,866,392	2,551,167
Current portion included in current liabilities	(437,303)	(202,541)
	2,429,089	2,348,626

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.

Notes to the Financial Statements

31 BORROWINGS (Continued)

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

	31st March 2012	31st March 2011
	HK\$'000	HK\$'000
Hong Kong dollar	3,500,233	3,039,974
Euro	187,743	223,552
Canadian dollar	76,299	90,193
Japanese Yen	64,159	63,817
United States dollar	62,347	211,997
Sterling	–	256,535
	3,890,781	3,886,068

The effective interests of the borrowing at the balance sheet date range from 0.59% to 3.6% (2011: 0.57% to 2.7%) per annum.

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

32 DEFERRED INCOME TAX

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

	2012	2011	2010
	HK\$'000	HK\$'000	HK\$'000
		(Restated)	(Restated)
Deferred income tax assets	1,041	5,252	9,764
Deferred income tax liabilities	(64,025)	(45,105)	(19,625)
	(62,984)	(39,853)	(9,861)

Notes to the Financial Statements

32 DEFERRED INCOME TAX (Continued)

The movement in 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:

Deferred income tax assets

	Tax loss		Difference in cost base of properties		Total	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
At the beginning of the year	22,629	57,529	57,755	59,197	80,384	116,726
Recognised in the profit and loss account	(17,630)	(34,900)	951	(1,442)	(16,679)	(36,342)
At the end of the year	4,999	22,629	58,706	57,755	63,705	80,384

Deferred income tax liabilities

	Accelerated tax depreciation		Revaluation of properties		Fair value adjustments		Total	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
At the beginning of the year								
As previously stated	(62,237)	(69,005)	(405,811)	(259,730)	(58,000)	(57,582)	(526,048)	(386,317)
Prior year adjustment	-	-	405,811	259,730	-	-	405,811	259,730
As restated	(62,237)	(69,005)	-	-	(58,000)	(57,582)	(120,237)	(126,587)
Recognised in the profit and loss account	(5,183)	6,768	-	-	(1,269)	(418)	(6,452)	6,350
At the end of the year	(67,420)	(62,237)	-	-	(59,269)	(58,000)	(126,689)	(120,237)

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$75 million (2011: HK\$72 million) in respect of losses amounting to HK\$430 million (2011: HK\$422 million) that can be carried forward against future taxable income. Except for tax losses of HK\$408 million (2011: HK\$404 million) which have no expiry date, the balance will expire at various dates up to and including 2029 (2011: 2029).

Notes to the Financial Statements

33 CAPITAL COMMITMENTS

Capital commitments at the balance sheet date are as follows:

	2012 HK\$'000	2011 HK\$'000
Property, plant and equipment		
Contracted but not provided for	7,344	1,054
Authorised but not contracted for	33,129	4,277
	40,473	5,331

34 OPERATING LEASE ARRANGEMENTS

(A) LESSOR

The Group leases out certain properties under operating leases which typically run for lease terms between 1 and 6 years.

At 31st March 2012, the future aggregate minimum rental receipts receivable under non-cancellable operating leases were as follows:

	2012 HK\$'000	2011 HK\$'000
In respect of land and buildings:		
Within one year	92,724	80,462
In the second to fifth year inclusive	223,777	46,430
After the fifth year	17	-
	316,518	126,892

Notes to the Financial Statements

34 OPERATING LEASE ARRANGEMENTS (Continued)

(B) LESSEE

At 31st March 2012, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	2012 HK\$'000	2011 HK\$'000
In respect of land and buildings:		
Within one year	5,618	5,090
In the second to fifth year inclusive	8,940	7,614
After the fifth year	2,305	3,699
	16,863	16,403

35 FINANCIAL GUARANTEES

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Guarantees for the banking and loan facilities of:				
Subsidiaries	–	–	2,244,030	1,634,000
Jointly controlled entities	149,461	–	149,461	–
	149,461	–	2,393,491	1,634,000

Notes to the Financial Statements

36 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

RECONCILIATION OF PROFIT BEFORE INCOME TAX TO NET CASH GENERATED FROM/(USED IN) OPERATIONS

	2012 HK\$'000	2011 HK\$'000 (Restated)
Profit before income tax	309,690	2,378,928
Share of profits less losses of		
Jointly controlled entities	(106,306)	(151,522)
Associated companies	(236,301)	(308,215)
Depreciation	92,213	89,848
Net realised and unrealised loss/(gains) on financial assets at fair value through profit or loss	1,447,260	(714,923)
Impairment of available-for-sale investments	2,261	551
Net realised gain on disposal of available-for-sale investments	–	(2,314)
Net realised and unrealised loss on derivative financial instruments	4,363	10,461
Fair value gain on revaluation of investment properties	(900,090)	(887,987)
Net fair value gain on warrant liabilities	–	(12,664)
(Gain)/loss on disposal of property, plant and equipment	(4,242)	1,827
Net provision for diminution in value of properties under development for sale/completed properties held for sale	–	20,000
Dividend income	(35,424)	(40,256)
Interest income	(305,336)	(175,296)
Interest expense	7,009	70,977
Operating profit before working capital changes	275,097	279,415
Decrease in mortgage loans receivable	70,164	92,957
Increase in properties under development for sale (excluding interest expense capitalised)	(354,764)	(670,219)
Increase in hotel and restaurant inventories	(1)	(135)
Decrease in trade and other receivables	28,554	46,625
Decrease/(increase) in financial assets at fair value through profit or loss	65,869	(1,276,433)
Decrease in derivative financial instruments	(22,625)	–
(Increase)/decrease in restricted bank balances	(3,202)	312
Decrease in trade and other payables	(20,224)	(11,958)
Dividend received from financial investments	30,804	40,233
Interest received from financial investments	286,968	113,193
Net cash generated from/(used in) operations	356,640	(1,386,010)

Notes to the Financial Statements

37 RELATED PARTY TRANSACTIONS

The major shareholder of the Group is Asia Orient Holdings Limited ("Asia Orient"), a company incorporated in Bermuda and listed in Hong Kong. Asia Orient directly own 50.5% of the Company's shares, the remaining 49.5% 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:

(A) SALES AND PURCHASE OF GOODS AND SERVICES

	2012 HK\$'000	2011 HK\$'000
Income from/(expense to) subsidiaries of Asia Orient		
Rental income <i>(note (a))</i>	678	630
Engineering service income <i>(note (b))</i>	108	–
Management fee expense <i>(note (c))</i>	(1,267)	(1,007)
Cleaning expense <i>(note (d))</i>	(959)	(785)
Income from a jointly controlled entity		
Management fee <i>(note (e))</i>	1,440	1,320
Project management fee <i>(note (e))</i>	987	720
Agency fee <i>(note (e))</i>	5,280	3,100
Interest income <i>(note 19)</i>	2,284	9,780

Notes:

- (a) Rental income is subject to terms agreed by the parties involved, which are at a fixed monthly fee.
- (b) Engineering service income is charged for services rendered at a mutually agreed fee.
- (c) Management fee expense is charged for management services rendered at a mutually agreed fee.
- (d) Cleaning expense is subject to terms agreed by the parties involved, which are at a fixed monthly fee.
- (e) Project management fee, management fee and agency fee is subject to mutually agreed terms.
- (f) The balances with jointly controlled entities are disclosed in note 19.
- (g) No significant transactions have been entered with the Directors of the Company (being the key management personnel) during the year other than the emoluments paid to them as disclosed in note 10.

Notes to the Financial Statements

37 RELATED PARTY TRANSACTIONS (Continued)

(B) KEY MANAGEMENT COMPENSATION

	2012	2011
	HK\$'000	HK\$'000
Fee	900	640
Salaries, allowances and benefits in kind	42,895	35,115
Employer's contribution to retirement benefit scheme	299	296
	44,094	36,051

Key management includes the Company's Directors and three (2011: two) senior management members.

38 SUBSEQUENT EVENT

Subsequent to the balance sheet date, the Group has entered into provisional sale and purchase agreements in relation to acquisition of a building in Hong Kong for an aggregate consideration of approximately HK\$177 million. This is part of a hotel development project undertaken by the Group to increase its hotel capacity. The acquisition is expected to be completed by September 2012.

Notes to the Financial Statements

39 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

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

SUBSIDIARIES

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

Name	Principal activity	Issued and fully paid ordinary share capital
<i>Incorporated in Hong Kong</i>		
Asia Standard (Beijing) Company Limited	Investment holding	HK\$2
Asia Standard Development (Holdings) Limited	Investment holding	HK\$10 and non-voting deferred share capital of HK\$362,892,949
Asia Standard Development (Real Estate Agencies) Limited	Real estate agency services	HK\$2
Asia Standard Finance Company Limited	Financing services	HK\$1,000,000
Asia Standard International Limited *	Investment holding	HK\$1,214,916,441
Asia Standard Management Services Limited	Management services	HK\$2
Asia Standard Project Management Company Limited	Project management	HK\$2
Cheer Selection Limited	Securities investment	HK\$2
Full Union Development Limited	Property development	HK\$2
Get Rich Enterprises Limited	Property development	HK\$2
Glory Ocean Limited	Property development	HK\$2
Grace Profit Enterprises Limited (70.1% owned)	Investment holding	HK\$2
Hoi Chak Properties Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$2
JBC Travel Company Limited (70.1% owned)	Travel agency	HK\$2,500,000
Mark Honour Limited (99.9% owned)	Property development	HK\$100,000
Master Asia Enterprises Limited (70.1% owned)	Hotel holding	HK\$10,000
Perfect Wave Limited (70.1% owned)	Catering operation	HK\$2
Stone Pole Limited (70.1% owned)	Hotel holding	HK\$10
Tilpifa Company Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$10,000
Tonlok Limited	Property development	HK\$1,000

Notes to the Financial Statements

39 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Continued)

SUBSIDIARIES (Continued)

Name	Principal activity	Issued and fully paid ordinary share capital
Union Rich Resources Limited	Property development	HK\$2
Vinstar Development Limited (70.1% owned)	Hotel holding	HK\$2
Winfast Engineering Limited	Construction	HK\$2
<i>Incorporated in Bermuda</i>		
Asia Standard Hotel Group Limited (70.1% owned)	Investment holding	HK\$30,996,847
<i>Incorporated in the British Virgin Islands</i>		
Enrich Enterprises Ltd. (70.1% owned)**	Hotel holding	US\$1
Global Gateway Corp. (70.1% owned)**	Hotel operation	US\$1
Glory Ventures Enterprises Inc. (70.1% owned)**	Hotel holding	US\$1
Greatime Limited (70.1% owned)	Securities investment	US\$1
Onrich Enterprise Limited (70.1% owned)	Securities investment	US\$1
Techfull Properties Corp.	Securities investment	US\$1
Topshine Investment Holdings Limited (70.1% owned)	Securities investment	US\$1
<i>Incorporated and operates in the People's Republic of China (the "PRC")</i>		
上海鴻華星期五餐廳有限公司 (66.6% owned)	Catering operation	RMB17,384,640
<i>Incorporated and operates in Macau</i>		
國際石廠發展有限公司	Property development	MOP3,000,000

* Direct subsidiary of the Company

** Operates in Canada

Notes to the Financial Statements

39 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Continued)

ASSOCIATED COMPANIES

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

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
Gallop Worldwide Limited (incorporated in the British Virgin Islands)	Investment holding	US\$2	50%
Perfect Pearl Company Limited	Property investment	HK\$1,000 and non-voting deferred share capital of HK\$10,000	33%

JOINTLY CONTROLLED ENTITIES

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

Name	Principal activity	Issued and fully paid share capital	Group equity interest
Lucky New Investment Limited	Property development	HK\$1	50%
Paramount Shine Limited	Property development	HK\$2	50%
<i>Incorporated and operates in the PRC</i>			
北京黃海房地產開發有限公司	Property development	RMB240,000,000	50%
上海廣南房地產發展有限公司	Property development	US\$70,000,000	50%
<i>Incorporated in the British Virgin Islands</i>			
Chater Capital Limited	Investment holding	US\$4	50%

40 ULTIMATE HOLDING COMPANY

The ultimate holding company is Asia Orient, a company incorporated in Bermuda and listed in Hong Kong.

41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 22nd June 2012.

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

Asia Standard Hotel Group Limited ("Asia Standard Hotel") is a principal subsidiary of the Company. It is incorporated in Bermuda and listed in Hong Kong and its subsidiaries are principally engaged in hotel and catering services, travel agency businesses and financial investments.

To provide shareholders with further information on the financial performance and position of Asia Standard Hotel, the following is a summary of the audited consolidated financial statements of Asia Standard Hotel for the year ended 31st March 2012.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2012

	2012 HK\$'000	2011 HK\$'000
Revenue	822,569	695,851
Cost of sales	(323,538)	(330,246)
Gross profit	499,031	365,605
Selling and administrative expenses	(126,319)	(107,503)
Depreciation	(90,139)	(89,046)
Net investment (loss)/gain	(566,740)	222,905
Other gain and charges	–	12,664
Operating (loss)/profit	(284,167)	404,625
Finance costs	(173)	(51,899)
(Loss)/profit before income tax	(284,340)	352,726
Income tax expense	(27,114)	(26,524)
(Loss)/profit for the year attributable to shareholders	(311,454)	326,202
Dividends	–	15,367
(Loss)/earnings per share (HK\$)		
Basic	(0.20)	0.23
Diluted	(0.20)	0.22

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

CONSOLIDATED BALANCE SHEET

As at 31st March 2012

	At 31st March 2012 HK\$'000	At 31st March 2011 HK\$'000
Non-current assets		
Property, plant and equipment	2,496,669	2,586,848
Available-for-sale investments	186,331	220,100
	2,683,000	2,806,948
Current assets		
Inventories	2,342	2,341
Trade and other receivables	106,426	102,826
Financial assets at fair value through profit or loss	1,234,554	1,699,188
Bank balances and cash	133,710	111,705
	1,477,032	1,916,060
Current liabilities		
Trade and other payables	63,905	47,112
Derivative financial instruments	3,402	23,767
Borrowings	668,071	842,295
Income tax payable	20,722	19,340
	756,100	932,514
Net current assets	720,932	983,546
Total assets less current liabilities	3,403,932	3,790,494
Non-current liabilities		
Long term borrowings	917,839	968,165
Deferred income tax liabilities	46,737	26,619
	964,576	994,784
Net assets	2,439,356	2,795,710
Equity		
Share capital	30,997	30,757
Reserves	2,408,359	2,764,953
	2,439,356	2,795,710

