

Notes to the Accounts

1 Change in composition of the group

During the year, the Group's interest in Asia Standard International Group Limited ("Asia Standard") decreased from 52.8% to 40.5% as the results of a series of transactions and events set out below:

- (a) In November 2004, the Group disposed of 80 million shares in Asia Standard and the Group's interest in Asia Standard decreased from 52.8% to 50.9%;
- (b) In January 2005, the Group further disposed of 35 million shares in Asia Standard with its interest decreased to 49.99%. Asia Standard has been reclassified and accounted for as an associated company instead of a subsidiary thereafter;
- (c) In February and March 2005, Asia Standard issued 820 million and 145 million new shares for the subscription by the third parties and a substantial shareholder of Asia Standard respectively. The Group's interest in Asia Standard was further diluted to 40.5%.

The results of Asia Standard has been consolidated into the profit and loss accounts of the Group up to the date of disposal. The results of Asia Standard after the date of disposal and the financial position of Asia Standard at balance sheet date have been equity accounted for in the accounts of the Group.

2 Principal accounting policies

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of investment, hotel and certain other properties and in accordance with accounting principles generally accepted in Hong Kong.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005.

The new HKFRSs mainly affecting the Group are:

HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HK-Int 2	The Appropriate Accounting Policies for Hotel Properties
HK-Int 3	Revenue – Pre-completion Contracts for the Sale of Development Properties
HKAS-Int 21	Income taxes – Recovery of Revalued Non-Depreciable Assets

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March 2005. The Group is assessing the impact of these new HKFRSs and has so far identified that they will not affect the cash flows of the Group.

Notes to the Accounts

2 Principal accounting policies (continued)

(a) Basis of preparation (continued)

The changes mainly affect the Group through its associated company and the more significant differences between new HKFRSs and current accounting policies that are expected to affect the Group's profit and loss account and balance sheet are as follows:

(i) Investment properties

The change in fair value of the investment properties and deferred taxation on the corresponding revaluation surplus or deficit will be recognised in the profit and loss account. Revaluation movement on a portfolio basis has been accounted for in the equity under the current accounting policy and no deferred taxation was provided for thereon.

(ii) Hotel properties

Land and buildings will be accounted for separately. Hotel buildings will be stated at cost less accumulated depreciation and impairment, while the underlying freehold land will be accounted for as property, plant and equipment and stated at cost less impairment, the underlying leasehold land will be accounted for as described in note (iii) below. Hotel properties have been stated at valuation without depreciation under the current accounting policy.

(iii) Leasehold land in Hong Kong

Leasehold land in Hong Kong will no longer be accounted for as property, plant and equipment. Instead, it will be accounted for as prepayment of lease and stated at cost and recognised as an expense on a straight-line basis over the lease term. Leasehold land has been stated at cost less impairment, if any, under the current accounting policy.

(iv) Pre-sale of development properties

Stage of completion method will no longer be used to recognise revenue from pre-sale of development properties, instead revenue will be recognised upon completion of those properties.

(v) Share options

The Group will be required to determine the fair value of all share options to employees and recognised as expense in the profit and loss account over the vesting period. This treatment will apply to share options granted after 7th November 2002 and had not yet vested on 1st January 2005. Under the current accounting policy, share options to employees were not recorded in the financial statement.

(vi) Financial instruments

Under the new HKFRSs, financial instruments will be carried at either amortised cost or fair value, depending on their classification. Depending on the classification of the financial instruments, movements in fair value will be either charged to net profit or loss or taken to equity in accordance with the standard. In addition, all derivatives, including those embedded in non-derivatives host contracts will be recognised in the balance sheet at fair value. This will result in a change to the Group's current accounting policies in respect of classification, measurement and recognition of financial instruments.

The Group will be continuing with the assessment of the impact of the new HKFRSs and other significant changes may be identified as a result.

2 Principal accounting policies (continued)

(b) Basis of consolidation

The consolidated accounts of the Group include the accounts of the Company and its subsidiaries made up to 31st March and the Group's share of post-acquisition profits less losses, and reserves, of its jointly controlled entities and associated companies.

The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated profit and loss account from the effective dates of acquisition and to the effective dates of disposal respectively.

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/negative goodwill which remains unamortised, and those previously taken to reserves and any related exchange reserve.

All material intra-group transactions and balances have been eliminated on consolidation.

(c) Subsidiaries

Subsidiaries are companies in which the Group has the power to exercise control governing the financial and operating policies of the companies.

In the Company's balance sheet, investments in subsidiaries are carried at cost. Provision is made when the Directors consider that there is a long term impairment in value.

(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. The Group's investments in jointly controlled entities are carried in the consolidated balance sheet at the Group's share of net assets. The Group continues to share losses incurred by jointly controlled entities, which is over and above the carrying amounts of the investments, to the extent that the Group has guaranteed obligations or other commitments of these jointly controlled entities.

In the Company's balance sheet, investments in jointly controlled entities are stated at cost. Provision is made when the Directors consider that there is a long term impairment in value.

(e) Associated companies

An associated company is a company, not being a subsidiary or a jointly controlled entity, in which an equity interest is held for the long term and significant influence is exercised in its management. The Group's investments in associated companies are included in the consolidated balance sheet at the Group's share of net assets. The Group continues to share losses incurred by associated companies, which is over and above the carrying amounts of the investments, to the extent that the Group has guaranteed obligations or other commitments of these associated companies.

In the Company's balance sheet, investments in associated companies are carried at cost. Provision is made when the Directors consider that there is a long term impairment in value.

Notes to the Accounts

2 Principal accounting policies (continued)

(f) Goodwill

Goodwill represents the difference between the cost of an acquisition over the fair values ascribed to the Group's share of the net assets of the acquired subsidiaries, jointly controlled entities and associated companies at the effective date of acquisition.

Goodwill on acquisitions, which occurred on or prior to 31st March 2001, was taken directly to reserves. The carrying amount of goodwill, including those previously taken directly to reserves, is reviewed annually and provision is only made where, in the opinion of the Directors, there is a long term impairment in value.

Goodwill arising on acquisitions occurring after 31st March 2001 is included in the balance sheet as a separate asset and amortised using the straight line method over its estimated useful life of not more than twenty years.

Where the fair values ascribed to the net assets exceed the purchase consideration, such differences are recognised in the consolidated profit and loss account in the year of acquisition or over the weighted average useful life of those non-monetary assets acquired.

(g) Other investments

Other investments are stated in the balance sheet at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair values are recognised in the profit and loss account. Profits or losses on disposals of such investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(h) Fixed assets

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and are held for investment purpose.

Investment properties held on leases of more than twenty years are stated at valuation. Independent professional valuations are carried out at intervals of not more than three years by independent valuers; in each of the intervening years, valuations are undertaken by either independent professional valuers or professionally qualified executives of the Group. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. Increases in valuation are credited to investment properties revaluation reserve; decreases are first set off against increases on earlier valuations on a portfolio basis and thereafter charged to the profit and loss account. Upon disposal of an investment property, the related revaluation surplus is released from the investment properties revaluation reserve and included in calculating the profit or loss on disposal.

No depreciation is provided in respect of investment properties held on leases of more than twenty years.

2 Principal accounting policies (continued)

(h) Fixed assets (continued)

(ii) Hotel properties

Hotel properties are interests in land and buildings and their integral fixed plant, fixtures and fittings which are collectively used in the hotel operation. The initial cost of the hotel operating equipment (linen, silverware and chinaware) was included in the cost of hotel properties and subsequent additions or replacements are charged to the profit and loss account as incurred. Hotel properties are revalued annually based on independent professional valuations on an open market value basis. Changes in the values of hotel properties are dealt with as movements in the hotel properties revaluation reserve. If the reserve is insufficient to cover a revaluation deficit on an individual basis, the excess of the deficit is charged to the profit and loss account.

No depreciation is provided on hotel properties held on leases of more than twenty years. It is the Group's practice to maintain hotel buildings in a continual state of sound repairs and to make improvements thereto from time to time and accordingly the Directors consider that, given the estimated lives of the hotel properties, any depreciation charge would be insignificant due to their high residual value. Such expenditure on repairs and maintenance is charged to the profit and loss account as incurred.

(iii) Other properties

Other properties are interests in land and buildings other than investment or hotel properties and are stated at cost less accumulated depreciation and provision for significant impairment in value or carried at valuation.

In respect of land and buildings stated at valuation, independent professional valuations are carried out at intervals of not more than three years by independent valuers; in each of the intervening years, the Directors review the carrying value of the other properties and adjustment is made where there has been a material change. Increases in valuation are credited to the other properties revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited. Upon the disposal of a property, the relevant portion of the realised revaluation reserve in respect of previous valuations is transferred from the revaluation reserve to revenue reserve.

Depreciation is provided on other properties, using the straight line method, to write off their cost or valuation over their estimated useful lives as follows:

Leasehold land	Unexpired term of leases
Buildings	50 years

Upon revaluation of other properties, the accumulated depreciation at the date of revaluation is eliminated against the cost of the other properties and the resulting net amount is restated to the revalued amount of the other properties. The amount of the adjustment arising on the elimination of accumulated depreciation forms part of the changes in the carrying amount of the other properties as a result of a revaluation which is dealt with on the same basis as changes in valuation of the other properties as mentioned above.

Notes to the Accounts

2 Principal accounting policies (continued)

(h) Fixed assets (continued)

(iv) Properties under development for investment

Properties under development for investment are stated at cost and are included in fixed assets. Cost comprises land at cost, construction costs, interest and other direct expenses capitalised. Provision is made when the Directors consider that there is a long term impairment in value. On completion, the properties are transferred to investment or hotel properties respectively.

No depreciation is provided on properties under development for investment.

(v) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and provision for significant impairment in value. Depreciation is provided on other fixed assets, using the straight line method, to write off their costs over their estimated useful lives of 4 to 10 years.

Profits or losses on disposal of other fixed assets are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the profit and loss account.

(vi) Impairment of fixed assets

The carrying amounts of other fixed assets and properties which are stated at cost less accumulated depreciation are reviewed regularly. When the estimated recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts. Expected future cash flows have been discounted in determining the recoverable amount.

(i) Properties held for/under development for sale

Properties held for/under development for sale are included in current assets and comprise land at cost, construction costs, interest and other direct costs attributable to such properties and attributable profits taken to-date, less sales instalments received and allowances for any foreseeable losses.

When a development property is sold in advance of completion, profit is recognised over the course of the development and is computed each year as a proportion of the total estimated profit to completion; the proportion used being the lower of the proportion of the construction works completed and the proportion of sales proceeds received and receivable at the balance sheet date to total sales proceeds.

Where purchasers fail to pay the balance of the purchase price on completion and the Group exercises its entitlement to resell the property, sales deposits received in advance of completion which are forfeited are credited to operating profit; and any profits recognised up to the date of completion are written back.

(j) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises land at cost, construction costs, interest and other direct expenses capitalised during the course of development. Net realisable value is determined by the Directors based on prevailing market conditions.

(k) Hotel and restaurant inventories

Hotel and restaurant inventories comprise consumables and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis.

2 Principal accounting policies (continued)

(l) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(m) 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) Pension obligations

The Group contributes to several defined contribution retirement benefit 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.

(n) Deferred taxation

Deferred taxation 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 accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred 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 taxation is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(o) Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably on the following bases:

(i) Properties held for/under development for sale

Revenue from sales of development properties for sale is recognised as set out in note (i) above.

(ii) Completed properties held for sale

Revenue from sales of completed properties held for sale is recognised upon completion of the sale and purchase contracts.

(iii) Investment properties

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

Notes to the Accounts

2 Principal accounting policies (continued)

(o) Revenue recognition (continued)

(iv) 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 and hotel reservation service is recognised when customers confirm the booking.

Management fee income is recognised when services are rendered.

(v) Investment and others

Revenue from sale of securities is recognised when the significant risks and rewards of ownership have been transferred to the purchaser.

Interest income is recognised on a time proportion basis that takes into account the principal amount outstanding and the effective interest rate applicable.

Dividend income from investments is recognised when the shareholder's right to receive payment is established.

(p) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates of exchange ruling at that date. Exchange differences arising in these cases are dealt with in the profit and loss accounts.

The profit and loss accounts of subsidiaries, jointly controlled entities and associated companies denominated in foreign currencies are translated at the weighted average exchange rates during the year and balance sheets are translated at the rates of exchange ruling at the balance sheet date. Exchange difference arising from the translation of net investments in these subsidiaries, jointly controlled entities and associated companies are dealt with as a movement in reserve.

(q) 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 charged to the profit and loss account in the year in which they are incurred.

(r) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable, net of incentives received from the lessors, under such operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(s) Cash and cash equivalents

Cash and cash equivalents are stated in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, cash investment with a maturity of three months or less from the date of investment and bank overdrafts.

3 Turnover and segment information

The Group and its associated companies are principally engaged in property development and investment, hotel, travel agency and management services operations. Turnover comprises gross revenues from property sales, property leasing, hotel and travel agency, management services, investment and interest income.

Primary reporting format – business segments

The Group and its associated companies are organised into four main business segments, comprising property sales, property leasing, hotel and travel and investments. There is no other significant identifiable separate business segment. Segment revenue from external customers is after elimination of inter-segment revenues. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments. Segment assets consist primarily fixed assets, other non-current assets, hotel inventories, properties, debtors, prepayments and other receivables and investments. Segment liabilities comprise mainly creditors, accruals, bank and other loans. Following the change in composition of the Group as described in note 1, assets and liabilities of Asia Standard are reclassified under associated companies. Additional segment information of jointly controlled entities and associated companies was set out in supplementary notes.

2005 (in HK\$'000)	Property sales	Property leasing	Hotel and travel	Investments	Other operations	Group
Segment revenue	36,165	37,725	439,054	18,782	21,454	553,180
Contribution to segment results	(19,126)	33,152	79,424	2,767	12,871	109,088
Other income and charges	11,400	–	(1,848)	(62,334)	(1,678)	(54,460)
Unallocated corporate expenses						(33,756)
Operating profit						20,872
Finance costs						(73,283)
Share of results of						
Jointly controlled entities (note (i))						162,359
Associated companies (note (i))						(80,061)
Profit before taxation						29,887
Taxation charge						(45,358)
Loss after taxation						(15,471)
Minority interests						(145,499)
Loss attributable to shareholders						(160,970)

Notes to the Accounts

3 Turnover and segment information (continued)

Primary reporting format – business segments (continued)

2004 (in HK\$'000)	Property sales	Property leasing	Hotel and travel	Investments	Other operations	Group
Segment revenue	167,813	53,155	425,966	91,735	28,721	767,390
Contribution to segment results	(3,132)	47,557	42,067	2,689	24,136	113,317
Other income and charges	(20,074)	34,990	(11,542)	(25,436)	(62,589)	(84,651)
Unallocated corporate expenses						(56,149)
Operating loss						(27,483)
Finance costs						(117,843)
Share of results of						
Jointly controlled entities (note (i))						(45,296)
Associated companies (note (i))						(111,486)
Loss before taxation						(302,108)
Taxation credit						908
Loss after taxation						(301,200)
Minority interests						72,955
Loss attributable to shareholders						(228,245)

Notes:

(i) Share of results of jointly controlled entities and associated companies

	2005		2004	
	Jointly controlled entities HK\$'000	Associated companies HK\$'000	Jointly controlled entities HK\$'000	Associated companies HK\$'000
Property sales	204,761	(1,461)	(3,189)	(15,972)
Property leasing	–	34,288	–	12,977
Hotel and travel	–	7,636	–	(713)
Investments	(42,402)	(104,719)	(42,107)	(107,606)
Other operations	–	(1,944)	–	(172)
Finance costs	–	(10,855)	–	–
Unallocated corporate expenses	–	(3,006)	–	–
	162,359	(80,061)	(45,296)	(111,486)

(ii) Certain comparative amounts have been reclassified to conform with current year's segment classification.

3 Turnover and segment information (continued)

Primary reporting format – business segments (continued)

2005 (in HK\$'000)	Property sales	Property leasing	Hotel and travel	Investments	Other operations	Group
Segment assets	101,000	–	–	97,381	31,482	229,863
Jointly controlled entities and associated companies (note (i))						1,743,529
Unallocated assets						134,358
						2,107,750
Segment liabilities	–	–	–	–	35,817	35,817
Minority interests and loans						8,311
Unallocated liabilities						61,815
						105,943
Capital expenditure	22	–	140	–	1,792	1,954
Depreciation	15	–	680	–	369	1,064
2004 (in HK\$'000)						
Segment assets	1,271,340	1,975,133	3,301,942	92,027	175,959	6,816,401
Jointly controlled entities and associated companies (note (ii))	372,959	188,052	–	147,759	10,906	719,676
Unallocated assets						180,352
						7,716,429
Segment liabilities	654,102	883,794	1,356,818	–	69,522	2,964,236
Minority interests and loans						2,351,923
Unallocated liabilities						309,847
						5,626,006
Capital expenditure	25	–	154	–	79	258
Depreciation	40	246	3,243	–	518	4,047

Note: (i) Share of net assets of jointly controlled entities and associated companies

	2005 HK\$'000	2004 HK\$'000
Property sales	342,042	372,959
Property leasing	603,143	188,052
Hotel and travel	603,380	–
Investments	56,213	147,759
Other operations	6,841	10,906
Unallocated net assets	131,910	–
	1,743,529	719,676

Notes to the Accounts

3 Turnover and segment information (continued)

Secondary reporting format – geographical segments

The activities of the Group are mainly based in Hong Kong. A summary of geographical segments is set out as follows:

2005 (in HK\$'000)	Segment revenue	Operating profit/(loss)	Total assets	Capital expenditure
Hong Kong	490,442	1,731	1,883,563	1,950
Mainland China	6,252	732	124,506	4
Canada	56,486	18,409	99,681	–
	553,180	20,872	2,107,750	1,954

2004 (in HK\$'000)

Hong Kong	685,621	(40,557)	6,964,852	237
Mainland China	22,594	(560)	320,920	21
Canada	59,175	13,634	430,657	–
	767,390	(27,483)	7,716,429	258

4 Other income and charges

	2005 HK\$'000	2004 HK\$'000
Write-back of provision / (provision) for diminution in value of properties under development / held for sale	11,400	(20,074)
Revaluation surplus on investment properties	–	34,990
Unrealised gains / (losses) on other investments	92,271	(25,436)
Write-back of provision / (provision) for doubtful debts	12,325	(51,400)
Loss on disposal of subsidiaries	(3,946)	–
Loss on disposal of an associated company	–	(9,129)
Loss on partial disposal of interest in a listed subsidiary (note 1(a))	(25,272)	(8,220)
Loss on disposal of a listed subsidiary (note 1(b))	(10,193)	–
Loss on deemed disposal of interest in a listed associated company (note 1(c))	(115,194)	–
Negative goodwill recognised	–	1,031
Impairment loss of goodwill	(10,002)	–
Amortisation of goodwill	(5,849)	(6,413)
	(54,460)	(84,651)

5 Operating profit/(loss)

	2005 HK\$'000	2004 HK\$'000
Operating profit / (loss) is stated after crediting and charging the following:		
Crediting		
Net rental income (note (a))	33,391	46,039
Interest income		
Debt securities	226	226
Others	9,682	12,878
Dividends from listed investments	142	1,207
Gain / (loss) on disposal of fixed assets	1,008	(68)
Unrealised gain / (losses) on other investments	92,271	(25,436)
Net realised gains on other investments	2,625	1,482
Charging		
Operating lease rental expenses for land and buildings	3,952	6,235
Impairment loss of goodwill	10,002	–
Provision for long term investment	1,601	–
Amortisation of goodwill	5,849	6,413
Staff costs, including Director's emoluments (note 8)	72,438	91,493
Depreciation	1,064	4,047
Auditors' remuneration	2,933	3,343

Note:

(a) Net rental income

	2005 HK\$'000	2004 HK\$'000
Gross rental income		
Investment properties	24,130	34,295
Properties held for sale	13,595	18,860
	37,725	53,155
Outgoings	(4,334)	(7,116)
	33,391	46,039

Notes to the Accounts

6 Finance costs

	2005 HK\$'000	2004 HK\$'000
Interest expense		
Long term bank loans	46,390	66,623
Convertible bonds	23,291	30,999
Convertible notes	1,723	5,027
Loans from minority shareholders of subsidiaries	2,328	3,443
Short term bank loans and overdrafts	6,535	19,001
Other incidental borrowing costs	6,603	7,551
	86,870	132,644
Capitalised as cost of properties under development		
Interest expense	(11,175)	(13,671)
Other incidental borrowing costs	(2,412)	(1,130)
	73,283	117,843

To the extent funds are borrowed generally and used for the purpose of financing certain properties under development, the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation as part of the costs of these properties under development is 5.3% (2004: 5.5%) per annum.

7 Directors' and senior management's emoluments

(a) The aggregate amount of emoluments paid and payable to Directors of the Company during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Fees (i)	453	220
Salaries, housing allowances and benefits in kind (ii)	19,917	23,660
	20,370	23,880

(i) Fees paid by the Company to Non-executive Directors.

(ii) Other emoluments paid to executive Directors include HK\$9,667,000 (2004: HK\$12,960,000) paid by Asia Standard International Group Limited ("Asia Standard") and HK\$6,783,000 (2004: HK\$5,700,000) paid by Asia Standard Hotel Group Limited ("Asia Standard Hotel") prior to their changing from subsidiaries to associated companies.

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

The emoluments of individual Directors fell within the following bands:

Emoluments band	Number	
	2005	2004
HK\$nil – HK\$500,000	4	2
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	1	2
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	–	2
HK\$11,500,001 – HK\$12,000,000	1	–
HK\$12,000,001 – HK\$12,500,000	–	1

None of the Directors have waived the right to receive their emoluments.

(b) The five highest paid individuals in the Group for the year include five (2004: five) Directors whose emoluments are already reflected in the analysis presented above.

8 Staff costs

	2005	2004
	HK\$'000	HK\$'000
Wages and salaries	72,372	89,969
Retirement benefits costs (note (a))	2,329	2,915
	74,701	92,884
Capitalised under properties under development	(2,263)	(1,391)
	72,438	91,493

Staff costs are stated inclusive of Directors' emoluments.

Notes:

(a) Retirement benefits costs

	2005	2004
	HK\$'000	HK\$'000
Gross contributions	2,429	3,069
Forfeitures utilised	(100)	(154)
Net contributions	2,329	2,915

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

Notes to the Accounts

8 Staff costs (continued)

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 is 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% and 4.95% (2004: 5% and 4.95%) respectively, of the employee's relevant income in accordance with the local legislative requirements.

The Group's contributions to all these schemes are expensed as incurred. The assets of all these retirement schemes are held separately from those of the Group in independently administered funds.

As at 31st March 2005, no forfeitures (2004: nil) were available to reduce the Group's future contributions to the ORSO schemes.

(b) Share options

The Company and Asia Standard (prior to its reclassification as an associated company) 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 respectively. The consideration to be paid on each grant of option varies between HK\$1 and HK\$10. The share option scheme of Asia Standard had expired on 22nd January 2002.

Details of share options held under the schemes are as follows:

Grantee	Expiry date	Exercise price	2005 Number	2004 Number
Company				
Directors	11th February 2014	HK\$3.3	6,872,000	6,872,000
Staff	24th February 2015	HK\$2.895	5,400,000	–
Asia Standard				
Director	27th March 2005	HK\$0.384	–	1,750,000

During the year, 5,400,000 (2004: 6,872,000) share options to subscribe for shares of the Company were granted and 1,750,000 (2004: nil) share options to subscribe for shares of Asia Standard were exercised. No share options were cancelled or lapsed (2004: 4,950,000 and 300,000 share options to subscribe for shares of the Company were cancelled and lapsed respectively) during the year.

9 Taxation (charge)/credit

	2005 HK\$'000	2004 HK\$'000
Current taxation		
Hong Kong profits tax	–	(140)
Overprovisions in prior years	140	915
Deferred taxation		
Relating to the origination and reversal of temporary differences	(3,735)	(117)
Resulting from an increase in tax rate	–	2,168
	(3,595)	2,826
Share of taxation attributable to		
Jointly controlled entities	(36,464)	(287)
Associated companies	(5,299)	(1,631)
	(45,358)	908

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The taxation on the Group's (profit)/loss before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2005 HK\$'000	2004 HK\$'000
(Profit)/loss before taxation	(29,887)	302,108
Calculated at a taxation rate of 17.5% (2004: 17.5%)	(5,230)	52,869
Overprovisions in prior years	140	918
Effect of different taxation rates in other countries	272	844
Income not subject to taxation	35,974	15,188
Expenses not deductible for taxation purposes	(65,957)	(55,661)
Tax losses not recognised	(8,892)	(18,643)
Utilisation of previously unrecognised temporary difference	1,736	5,226
Recognition of previously unrecognised tax losses	1,212	1,775
Recognition of previously unrecognised temporary difference	(1,186)	–
Derecognition of deferred tax assets	(3,010)	(3,777)
Increase in opening net deferred tax assets resulting from an increase in tax rate	–	1,998
Others	(417)	171
Taxation (charge)/credit	(45,358)	908

10 Loss attributable to shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$229,894,000 (2004: HK\$112,806,000).

Notes to the Accounts

11 Dividend and distribution

	2005 HK\$'000	2004 HK\$'000
Interim, paid, of HK2 cents (2004: nil) per share	3,997	–
Scrip distribution, proposed, of HK4.3 cents (2004: nil) per share	10,084	–
	14,081	–

Note: At a meeting held on 19th July 2005, the Board has declared a distribution of HK4.3 cents per share in scrip. This proposed distribution is not reflected as a payable in these accounts, but will be reflected as an appropriation of contributed surplus in the year ending 31st March 2006.

12 Loss per share

The calculation of loss per share is based on loss attributable to shareholders of HK\$160,970,000 (2004: HK\$228,245,000) and on the weighted average of 186,544,765 (2004: 153,152,913) shares in issue during the year.

The calculation of diluted loss per share is based on HK\$165,519,000 equalling to the loss attributable to shareholders of HK\$160,970,000 plus decreased share of profit after tax of listed associated companies of HK\$4,549,000 assuming the convertible bonds and notes of the listed associated companies had been converted and the weighted average number of 186,544,765 shares in issue during the year.

No diluted loss per share is presented for the year ended 31st March 2004 as the exercise of subscription rights attached to the share options and the conversion of the convertible bonds would not have a dilutive effect on the loss per share.

13 Fixed assets

	Investment properties HK\$'000	Hotel properties HK\$'000	Other properties HK\$'000	Properties under development HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Group						
Cost or valuation						
At 31st March 2004	1,423,000	3,167,550	10,507	42,326	50,352	4,693,735
Translation differences	–	34,300	–	–	25	34,325
Additions	–	–	–	–	1,954	1,954
Disposals	–	–	(2,534)	–	(28)	(2,562)
Disposal of a listed subsidiary	(1,423,000)	(3,201,850)	(7,973)	(42,373)	(49,087)	(4,724,283)
Cost adjustment	–	–	–	47	–	47
At 31st March 2005	–	–	–	–	3,216	3,216
Accumulated depreciation and impairment						
At 31st March 2004	–	–	2,210	–	48,489	50,699
Translation differences	–	–	–	–	22	22
Charge for the year	–	–	162	–	902	1,064
Disposals	–	–	(642)	–	(28)	(670)
Disposal of a listed subsidiary	–	–	(1,730)	–	(47,531)	(49,261)
At 31st March 2005	–	–	–	–	1,854	1,854
Net book value						
At 31st March 2005	–	–	–	–	1,362	1,362
At 31st March 2004	1,423,000	3,167,550	8,297	42,326	1,863	4,643,036

13 Fixed assets (continued)

- (a) In 2004, investment properties comprised long term leasehold land and buildings of HK\$1,423,000,000 in Hong Kong. They were revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis.
- (b) In 2004, hotel properties comprised long term leasehold land and buildings situated in Hong Kong of HK\$1,400,000,000, medium term leasehold land and buildings in Hong Kong of HK\$1,350,000,000 and freehold land and buildings situated in Canada of HK\$417,550,000. The hotel properties in Hong Kong and Canada were revalued by Knight Frank and Grant Thornton Management Consultants, independent professional valuers, on an open market value basis respectively.
- (c) In 2004, included in other properties are long term leasehold land and buildings of HK\$2,440,000 and medium term leasehold land and buildings of HK\$5,857,000, both of which were stated at cost less accumulated depreciation and impairment. All these properties were located in Hong Kong.
- (d) In 2004, properties under development comprise long term leasehold land and buildings of HK\$42,326,000 in Hong Kong and were stated at cost.
- (e) No fixed assets were pledged as securities for loans (2004: HK\$4,638,733,000).

14 Subsidiaries

	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	2,823,639	2,823,639
Amounts due by subsidiaries less provisions	605,869	794,146
	3,429,508	3,617,785

Details of the principal subsidiaries are set out in note [36].

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

Notes to the Accounts

15 Jointly controlled entities

	Group	
	2005 HK\$'000	2004 HK\$'000
Share of net liabilities	(37,841)	(130,359)
Goodwill less amortisation and impairment	–	40,699
Advances to jointly controlled entities less provisions	50,095	357,464
Amount due to a jointly controlled entity	(4,422)	(4,422)
	7,832	263,382

In 2004, the shares in certain jointly controlled entities were pledged to secure loan facilities granted to those entities and advances to jointly controlled entities amounted to HK\$261,027,000 were subordinated to the repayment of the loans of those jointly controlled entities.

Advances are made to finance working capital of those jointly controlled entities. The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment.

Detail of the principal jointly controlled entities are set out in note 36.

16 Associated companies

	Group	
	2005 HK\$'000	2004 HK\$'000
Share of net assets / (liabilities)	1,735,529	(92,071)
Goodwill less amortisation and impairment	–	88,237
Advances to associated companies less provisions	183	511,293
Amounts due to associated companies	(15)	(51,165)
	1,735,697	456,294
Market value of listed shares	691,512	42,021

In 2004, the shares in certain associated companies were pledged to secure the loan facilities granted to those companies and advance to associated companies amounted to HK\$345,700,000 were subordinated to the repayment of the loans of those companies.

The Group equity accounted for the results and net assets of Asia Standard following the disposal of its interest in Asia Standard in January 2005 (note 1(b)). Extracts of Asia Standard's audited consolidated profit and loss account and balance sheet are shown on pages 73 to 74.

The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment. In 2004, advances to associated companies were made mainly to finance property development projects and an amount of HK\$8,565,000 due from an associated company was interest bearing at prime rate.

Details of the principal associated companies are set out in note 36.

17 Long term investments

	Group	
	2005 HK\$'000	2004 HK\$'000
Unlisted share, at cost	–	1
Advance to an investee company	–	1,600
	–	1,601
Share listed in Hong Kong, at cost	68,633	–
	68,633	1,601
Market value of listed shares	62,717	–

Advance to an investee company is unsecured, interest free and has no fixed terms of repayment.

Notes to the Accounts

18 Goodwill

	Group HK\$'000
Cost	
At 31st March 2004	44,647
Disposal of a listed subsidiary	(24,643)
At 31st March 2005	20,004
Accumulated amortisation and impairment	
At 31st March 2004	13,760
Amortisation charge	5,849
Impairment charge	10,002
Disposal of a listed subsidiary	(9,607)
At 31st March 2005	20,004
Net book value	
At 31st March 2005	–
At 31st March 2004	30,887

19 Mortgage loans receivable

At 31st March 2004, mortgage loans receivable of HK\$14,518,000 in aggregate were pledged as security for the Group's long term loans.

20 Properties held for/under development for sale and completed properties held for sale

At 31st March 2004, properties amounted to HK\$1,416,374,000 were pledged to banks to secure certain banking facilities of the Group.

At 31st March 2004, properties that were carried at net realisable values were HK\$721,712,000 and properties held for deployment in operating leases were HK\$538,212,000.

21 Debtors and prepayments

Debtors and prepayments include trade debtors, utility and other deposits, stakeholders' accounts, interest and other receivables. At 31st March 2004, there was a housing loan of HK\$1,088,000 granted to a Director, Mr. Kwan Po Lam, Phileas, in March 1995 and the loan was fully repaid in August 2004. The loan was secured by a legal mortgage over the subject property, carried interest at 2% below prime rate per annum and the principal was repayable by quarterly instalments of HK\$17,000 each. The maximum outstanding balance during the year was HK\$1,088,000 (2004: HK\$1,156,000).

Trade debtors amounted to HK\$349,000 (2004: HK\$37,905,000), 90% of which (2004: 100%) were aged under six months. 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.

22 Other investments

	Group	
	2005 HK\$'000	2004 HK\$'000
Equity securities		
Listed in Hong Kong	24,154	78,418
Listed overseas	–	7,327
Unlisted	–	1,688
	24,154	87,433
Debt securities	4,500	4,500
	28,654	91,933

23 Bank balances and cash

In 2004, the balances include restricted bank balances of HK\$32,625,000 which were pledged to banks to secure certain banking facilities of the Group or required to be utilised for specific purposes. In addition, bank balances of HK\$33,161,000 (2004: HK\$32,493,000) are held in trust in respect of buildings managed by the Group on behalf of third parties.

24 Creditors and accruals

Creditors and accruals include trade creditors, rental and management fee deposits, interest and other payables, retentions payable of construction costs and various accruals. Trade creditors amounted to HK\$3,779,000 (2004: HK\$26,012,000), 85% (2004: 100%) of which were aged under six months.

Notes to the Accounts

25 Share capital

Shares of HK\$0.1 each	Number of shares		Amount HK\$'000	
Authorised:				
At 31st March 2004 and 2005		750,000,000		75,000
	Number of shares		Amount	
	2005	2004	2005 HK\$'000	2004 HK\$'000
Issued and fully paid:				
At beginning of the year	173,493,094	149,826,429	17,349	14,983
Conversion of convertible notes (note (a))	26,333,332	23,666,665	2,634	2,366
Scrip dividend (note (b))	89,784	–	9	–
Placement of new shares (note (c))	34,600,000	–	3,460	–
At end of the year	234,516,210	173,493,094	23,452	17,349

Notes:

- (a) During the year, holders of HK\$31,600,000 (2004: HK\$28,400,000) convertible notes of the Company exercised the conversion rights attaching to the notes by converting those notes into 26,333,332 new shares of the Company at HK\$1.20 per share.
- (b) In March 2005, 89,784 new shares were allotted and issued in lieu of interim dividend.
- (c) Pursuant to a placing and subscription agreement dated 2nd March 2005, the Company issued 34.6 million shares at HK\$2.50 per share, a discount of approximately 9.9% to the closing price of HK\$2.775 per share as quoted on the Stock Exchange on 1st March 2005, to more than six independent third parties. The net proceeds from the subscription was approximately HK\$84.1 million representing HK\$2.43 per share, of which about HK\$70 million was used for the repayment of bank loan and the remaining balance is for general working capital purpose. The reasons for this share placement were to broaden the shareholder and capital base as well as to strengthen the financial position of the Company.

26 Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Revaluation reserve		Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
			Investment properties HK\$'000	Hotel properties HK\$'000			
Group							
At 31st March 2003	1,391,348	485,917	–	75,973	1,002,675	(729,133)	2,226,780
Translation differences	–	–	–	499	–	9,606	10,105
Conversion of convertible notes	26,033	–	–	–	–	–	26,033
Disposal of interest in a listed subsidiary	–	(6,179)	–	(896)	–	896	(6,179)
Surplus on revaluation							
Company and subsidiaries							
Gross	–	–	34,990	44,784	–	–	79,774
Taxation	–	–	–	(204)	–	–	(204)
Associated companies	–	–	7,669	–	–	–	7,669
Surplus on revaluation transfer to profit and loss account							
Company and subsidiaries	–	–	(34,990)	–	–	–	(34,990)
Associated companies	–	–	(7,669)	–	–	–	(7,669)
Loss for the year	–	–	–	–	–	(228,245)	(228,245)
At 31st March 2004	1,417,381	479,738	–	120,156	1,002,675	(946,876)	2,073,074
Company and subsidiaries	1,417,381	479,738	–	120,156	1,002,675	(313,138)	2,706,812
Jointly controlled entities	–	–	–	–	–	(224,044)	(224,044)
Associated companies	–	–	–	–	–	(409,694)	(409,694)
At 31st March 2004	1,417,381	479,738	–	120,156	1,002,675	(946,876)	2,073,074
At 31st March 2004	1,417,381	479,738	–	120,156	1,002,675	(946,876)	2,073,074
Translation differences	–	–	–	161	–	7,617	7,778
Conversion of convertible notes	28,966	–	–	–	–	–	28,966
Placement of new shares	80,686	–	–	–	–	–	80,686
Scrip dividend	245	–	–	–	–	–	245
Partial disposal of interest in a listed subsidiary	–	(19,075)	–	(4,499)	–	4,499	(19,075)
Disposal of a listed subsidiary	–	(8,253)	–	(1,945)	–	1,945	(8,253)
Deemed disposal of interest in a listed associated company	–	(92,108)	–	(21,713)	–	21,713	(92,108)
Surplus on revaluation							
Associated companies							
Gross	–	–	64,215	32,210	–	–	96,425
Taxation	–	–	–	(195)	–	–	(195)
Surplus on revaluation transfer to profit and loss account							
Associated companies	–	–	(24,221)	–	–	–	(24,221)
Dividend paid	–	–	–	–	–	(3,997)	(3,997)
Loss for the year	–	–	–	–	–	(160,970)	(160,970)
At 31st March 2005	1,527,278	360,302	39,994	124,175	1,002,675	(1,076,069)	1,978,355
Company and subsidiaries							
2005 proposed scrip distribution (note 11)	–	–	–	–	10,084	–	10,084
Others	1,527,278	360,302	–	–	992,591	(520,128)	2,360,043
Jointly controlled entities	–	–	–	–	–	(403,833)	(403,833)
Associated companies	–	–	39,994	124,175	–	(152,108)	12,061
At 31st March 2005	1,527,278	360,302	39,994	124,175	1,002,675	(1,076,069)	1,978,355

At 31st March 2005, the capital reserve included goodwill of HK\$37,721,000 (2004: HK\$37,721,000) which arose from acquisitions prior to 31st March 2001.

Notes to the Accounts

26 Reserves (continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
Company				
At 31st March 2003	1,391,348	2,838,224	(574,066)	3,655,506
Conversion of convertible notes	26,033	–	–	26,033
Loss for the year	–	–	(112,806)	(112,806)
At 31st March 2004	1,417,381	2,838,224	(686,872)	3,568,733
At 31st March 2004	1,417,381	2,838,224	(686,872)	3,568,733
Conversion of convertible notes	28,966	–	–	28,966
Placement of new shares	80,686	–	–	80,686
Scrip dividend	245	–	–	245
Dividend paid	–	–	(3,997)	(3,997)
Loss for the year	–	–	(229,894)	(229,894)
At 31st March 2005	1,527,278	2,838,224	(920,763)	3,444,739
Representing:				
2005 proposed scrip distribution (note 11)	–	10,084	–	10,084
Others	1,527,278	2,828,140	(920,763)	3,434,655
At 31st March 2005	1,527,278	2,838,224	(920,763)	3,444,739

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is also distributable. Accordingly, total distributable reserves of the Company amount to HK\$1,917,461,000 (2004: HK\$2,151,352,000) as at 31st March 2005.

27 Convertible bonds

On 7th January 2002, Asia Standard International Capital Limited ("ASICL"), a wholly owned subsidiary of Asia Standard, issued HK\$290,000,000 convertible bonds to Westrata Investment Limited ("Westrata"), a substantial shareholder of Asia Standard. The bonds bore interest at 7% per annum payable semi-annually in arrears and were guaranteed by Asia Standard. In March 2003, the bond had been transferred from Westrata to Grosvenor Limited ("Grosvenor"), an indirect subsidiary of Grosvenor Group Limited.

Grosvenor had the option to convert the bonds into fully paid shares of HK\$0.01 each of Asia Standard at a conversion price of HK\$0.45 per share, subject to adjustment, at any time between 7th January 2002 and 7th January 2007. Following the completion of the placing new share of Asia Standard, the conversion price of the bonds was adjusted from HK\$0.45 per share to HK\$0.44 per share. ASICL may purchase all or part of the bonds at any time on or after 7th January 2002, subject to certain conditions, together with accrued interest. Unless previously converted or redeemed, the bonds would be redeemed on 7th January 2007 at a redemption price equal to 118.3% of the principal amount together with accrued interest.

At 31st March 2004, provision of HK\$23,700,000 for the premium payable had been made in the accounts so as to provide a constant periodic rate of charge to the profit and loss account over the term of the bonds.

28 Convertible notes

- (a) On 16th January 2003, the Company issued HK\$60,000,000 convertible notes which bear interest at 5% per annum payable annually in arrears. Each holder of the notes has the option to convert the notes into fully paid shares of HK\$0.10 each of the Company at (a) HK\$1.10 per share from the date of issue of the convertible notes and (b) HK\$1.20 per share after the first anniversary of the date of issue of the convertible notes to the business date last preceding the second anniversary of the date of issue of the convertible notes. The Company shall repay the outstanding principal amount of the convertible notes together with accrued interest on the business date last preceding the second anniversary of the date of issue of the convertible notes. Save for repayment upon maturity, the convertible notes cannot be redeemed. During the year, HK\$31,600,000 (2004: HK\$28,400,000) of these convertible notes were converted into fully paid share of the Company at HK\$1.20 (2004: HK\$1.20) per share and no convertible notes remained outstanding at 31st March 2005 (2004: HK\$31,600,000).
- (b) On 15th April 2003, Asia Standard Hotel issued convertible notes of the principal amount of HK\$46,000,000, which bore interest at Hong Kong prime rate per annum payable semi-annually in arrears. Each holder of the notes had the option to convert the notes into fully paid shares of HK\$0.02 each of Asia Standard Hotel at a conversion price of HK\$0.25 per share, subject to adjustment, at any time from the date of issue to the last business date preceding the maturity date of 18 months from the date of issue. On 14th October 2004, Asia Standard Hotel had fully redeemed all the convertible notes.

29 Long term loans

	Group	
	2005 HK\$'000	2004 HK\$'000
Bank loans, secured		
Repayable within one year	37,372	118,446
Repayable between one and two years	6,226	145,220
Repayable between two and five years	–	751,362
Repayable after five years	–	1,332,634
	43,598	2,347,662
Current portion included in current liabilities	(37,372)	(118,446)
	6,226	2,229,216

In 2004, the Group refinanced bank loans outstanding of approximately HK\$1,469 million. The terms of repayment at 31st March 2004 in respect of these bank loans had been reclassified according to the new loan agreements. As a result, the amount of liabilities which had been excluded from current liabilities amounted to approximately HK\$65 million.

Notes to the Accounts

30 Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

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

Group

Deferred tax liabilities

	Accelerated tax depreciation		Revaluation of properties		Deferred assets		Fair value adjustments on acquisitions		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	(105,618)	(87,404)	(2,993)	(2,218)	(649)	(878)	(94,702)	(99,957)	(203,962)	(190,457)
(Charged)/credited to profit and loss account	(4,672)	(15,671)	–	–	138	229	(391)	5,255	(4,925)	(10,187)
Charged to equity	–	–	–	(509)	–	–	–	–	–	(509)
Exchange differences	(573)	(2,543)	(89)	(266)	–	–	–	–	(662)	(2,809)
Disposal of a listed subsidiary	110,852	–	3,082	–	511	–	95,093	–	209,538	–
At end of the year	(11)	(105,618)	–	(2,993)	–	(649)	–	(94,702)	(11)	(203,962)

Deferred tax assets

	Decelerated tax depreciation		Provisions		Tax losses		Difference in cost base of properties		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	428	290	620	310	168,685	145,750	43,345	53,762	213,078	200,112
(Charged) / credited to profit and loss account	(377)	138	(2)	310	(16,698)	22,207	18,267	(10,417)	1,190	12,238
Exchange differences	–	–	–	–	–	728	–	–	–	728
Disposal of subsidiaries	–	–	–	–	(7,925)	–	–	–	(7,925)	–
Disposal of a listed subsidiary	–	–	(618)	–	(138,810)	–	(61,612)	–	(201,040)	–
At end of the year	51	428	–	620	5,252	168,685	–	43,345	5,303	213,078

Company

Deferred tax assets

	Tax losses	
	2005	2004
	HK\$'000	HK\$'000
At beginning of the year	196	291
Charged to profit and loss account	(25)	(95)
At end of the year	171	196

30 Deferred taxation (continued)

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group had unrecognised tax losses of HK\$6 million (2004: HK\$434 million) to carry forward against future taxable income. These tax losses have no expiry date (2004: HK\$364 million). In 2004, tax losses of HK\$70 million would expire at various dates up to and including 2011.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Deferred tax assets	5,303	62,517	171	196
Deferred tax liabilities	(11)	(53,401)	–	–
	5,292	9,116	171	196

31 Minority interests and loans

	Group	
	2005 HK\$'000	2004 HK\$'000
Minority interests	–	2,245,000
Loans from minority shareholders of subsidiaries, unsecured	8,311	106,923
	8,311	2,351,923

Loans from minority shareholders are to finance property projects of subsidiaries, and interest free and have no specific terms of repayment. In 2004, loans of HK\$86,570,000 bore interest at 1.5% above prime rate.

32 Capital commitments

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Contracted but not provided for	–	–	–	–
Authorised but not contracted for	–	–	–	–
	–	–	–	–

Notes to the Accounts

33 Operating lease arrangements

(a) Lessor

The Group leases out certain properties under operating leases which typically run for lease terms between 1 and 10 years.

At 31st March 2005, the future aggregate minimum rental receipts receivable under non-cancellable operating leases were as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
In respect of land and buildings:		
Within one year	–	56,795
In the second to fifth year inclusive	–	59,968
After the fifth year	–	7,915
	–	124,678

(b) Lessee

At 31st March 2005, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
In respect of land and buildings:		
Within one year	259	3,110
In the second to fifth year inclusive	87	6,898
After the fifth year	–	–
	346	10,008

34 Contingent liabilities

(a) Guarantee

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Guarantees for the banking and loan facilities of:				
Subsidiaries	–	–	58,274	135,150
Jointly controlled entities	–	146,693	–	–
Associated companies	–	97,068	–	–
Third parties	–	1,785	–	–
	–	245,546	58,274	135,150

34 Contingent liabilities (continued)

(b) In May 2003, the Group received a writ in respect of which the plaintiff, a purchaser of a property developed by the Group in 1997, sought to claim damages and rescission of the sale and purchase transaction on the alleged grounds that the said property consideration had been grossly overvalued. In November 2004, both parties entered into an agreement under which the plaintiff withdrew their claims and agreed to refrain from commencing fresh legal proceedings against the Group on the subject matter.

35 Notes to consolidated cash flow statement**(a) Reconciliation of profit / (loss) before taxation to net cash generated from operations**

	2005	2004
	HK\$'000	HK\$'000
Profit / (loss) before taxation	29,887	(302,108)
Share of profits less losses of		
Jointly controlled entities	(162,359)	45,296
Associated companies	80,061	111,486
Depreciation	1,064	4,047
Amortisation of goodwill	5,849	6,413
(Gain) / loss on disposal of fixed assets	(1,008)	68
Provision for long term investments	1,601	–
Impairment loss of goodwill	10,002	–
Loss on disposal of an associated company	–	9,129
Loss on disposal of a subsidiary	3,946	–
Loss on partial disposal of interest in a listed subsidiary	25,272	8,220
Loss on disposal of a listed subsidiary	10,193	–
Loss on deemed disposal of interest in a listed associated company	115,194	–
Net realised and unrealised (gains) / losses on other investments	(94,896)	23,954
(Write-back of provision) / provision for diminution in value of		
properties under development/held for sale	(11,400)	20,074
Revaluation surplus on investment properties	–	(34,990)
Dividends from other investments	(142)	(1,207)
Negative goodwill recognised	–	(1,031)
Interest income	(9,908)	(13,104)
Interest expense	69,092	111,422
Operating profit / (loss) before working capital changes	72,448	(12,331)
Decrease / (increase) in mortgage loans receivable	9,113	(12,839)
(Increase) / decrease in properties held for / under development		
for sale (excluding interest expense capitalised)	(400,346)	111,089
(Increase) / decrease in hotel and restaurant inventories	(480)	295
Decrease / (increase) in debtors and prepayments	63,388	(110,572)
(Decrease) / increase in creditors and accruals	(81,228)	30,222
Net cash (used in) / generated from operations	(337,105)	5,864

Notes to the Accounts

35 Notes to consolidated cash flow statement (continued)

(b) Disposal of subsidiaries

	Asia Standard 2005 HK\$'000	Other subsidiaries 2005 HK\$'000	Total 2005 HK\$'000
Net assets disposed			
Fixed assets	4,675,022	–	4,675,022
Jointly controlled entities	164,750	–	164,750
Associated companies	379,886	–	379,886
Goodwill	15,036	–	15,036
Mortgage loans receivable	31,220	–	31,220
Deferred tax assets	49,036	7,925	56,961
Properties held for / under development for sale	1,232,026	273,017	1,505,043
Completed properties held for sale	555,109	–	555,109
Hotel and restaurant inventories	3,095	–	3,095
Debtors and prepayments	125,324	–	125,324
Other investments	171,801	–	171,801
Tax recoverable	224	–	224
Restricted bank balances	26,275	–	26,275
Bank balances and cash	99,501	28	99,529
Creditors and accruals	(199,147)	(37)	(199,184)
Bank overdraft	(7,362)	–	(7,362)
Short term bank loans	(9,999)	–	(9,999)
Long term bank loans	(2,426,024)	(130,000)	(2,556,024)
Taxation	(9,313)	–	(9,313)
Convertible bonds	(290,000)	–	(290,000)
Deferred tax liabilities	(57,534)	–	(57,534)
Minority interests and loans	(2,573,111)	–	(2,573,111)
	1,955,815	150,933	2,106,748
Less: Capital reserve	(8,253)	–	(8,253)
Loss on disposal	(10,193)	(3,946)	(14,139)
	1,937,369	146,987	2,084,356
Satisfied by:			
Cash proceeds received less expenses	13,160	71,514	84,674
Reclassified to			
Associated company	1,855,576	–	1,855,576
Long term investments	68,633	–	68,633
Jointly controlled entity	–	75,473	75,473
	1,937,369	146,987	2,084,356

35 Notes to consolidated cash flow statement (continued)

(b) Disposal of subsidiaries (continued)

	Asia Standard 2005 HK\$'000	Other subsidiaries 2005 HK\$'000	Total 2005 HK\$'000
Cash consideration	13,160	71,514	84,674
Bank balances and cash disposed	(99,501)	(28)	(99,529)
Bank overdrafts disposed	7,362	–	7,362
	(78,979)	71,486	(7,493)

(c) Analysis of changes in financing

	Share capital (including premium) HK\$'000	Revenue reserve HK\$'000	Long term loans HK\$'000	Short term bank loans HK\$'000	Convertible bonds HK\$'000	Convertible notes HK\$'000	Minority interests and loans HK\$'000	Restricted bank balances HK\$'000	Total HK\$'000
At 31st March 2003	1,406,331	(729,133)	2,511,261	132,050	290,000	60,000	2,290,611	(33,853)	5,927,267
Conversion of notes	28,399	–	–	–	–	(28,400)	–	–	(1)
Minority interests' share of revaluation reserve	–	–	–	–	–	–	105,291	–	105,291
Minority interests' share of loss and exchange reserve of subsidiaries	–	–	–	–	–	–	(58,638)	–	(58,638)
Partial disposal of interest in a listed subsidiary	–	896	–	–	–	–	–	–	896
Net decrease of interest in a listed subsidiary	–	–	–	–	–	–	19,071	–	19,071
Exchange differences	–	9,606	17,152	–	–	–	–	–	26,758
Loss for the year	–	(228,245)	–	–	–	–	–	–	(228,245)
Net cash from/(used in) financing activities	–	–	(180,751)	(9,452)	–	46,000	(4,412)	1,228	(147,387)
At 31st March 2004	1,434,730	(946,876)	2,347,662	122,598	290,000	77,600	2,351,923	(32,625)	5,645,012
Conversion of notes	31,600	–	–	–	–	(31,600)	–	–	–
Scrip dividend	254	(254)	–	–	–	–	–	–	–
Minority interests' share of profit and exchange reserve of subsidiaries	–	–	–	–	–	–	159,216	–	159,216
Disposal of a listed subsidiary	–	1,945	(2,426,024)	(9,999)	(290,000)	–	(2,573,111)	26,275	(5,270,914)
Disposal of subsidiaries	–	–	(130,000)	–	–	–	–	–	(130,000)
Deemed disposal of interest in a listed associated company	–	21,713	–	–	–	–	–	–	21,713
Partial disposal of interest in a listed subsidiary	–	4,499	–	–	–	–	71,451	–	75,950
Exchange differences	–	7,617	12,211	–	–	–	–	–	19,828
Loss for the year	–	(160,970)	–	–	–	–	–	–	(160,970)
Net cash from/(used in) financing activities	84,146	(3,743)	239,749	(102,599)	–	(46,000)	(1,168)	6,350	176,735
At 31st March 2005	1,550,730	(1,076,069)	43,598	10,000	–	–	8,311	–	536,570

Notes to the Accounts

36 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 held by the Group and have their principal place of operations in Hong Kong.)

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest %
<i>Incorporated in the British Virgin Islands</i>			
Asia Orient Holdings (BVI) Limited*	Investment holding	US\$100	100
Finnex Limited	Securities investment	US\$1	100
Impetus Holdings Limited	Investment holding	US\$1	100
Innovision Gateway Limited	Investment holding	US\$1	100
Jetcom Capital Limited	Investment holding	US\$1	100
Mega Fusion Limited	Investment holding	US\$1	100
New Day Holdings Ltd.	Investment holding	US\$1	100
Persian Limited	Investment holding	US\$49,050	100
Sunrich Holdings Limited	Securities investment	US\$1	100
Superise Limited	Research and development of healthcare food and beverage	US\$1	100
Telemail Group Inc.	Investment holding	US\$1	100
United Resources Associates Limited	Investment holding	US\$6	83.3

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

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest %
<i>Incorporated in Hong Kong</i>			
Asia Orient Company Limited	Investment holding	US\$26,964,837	100
Good Year Engineering Services Limited	Engineering and maintenance services	HK\$2	100
Hitako Limited	Investment holding	HK\$20	100
Ocean Hand Investments Limited	Investment holding	HK\$2	100
Pan Bright Investment Limited	Investment holding	HK\$20	100
Pan Harbour Investment Limited	Investment holding	HK\$2	100
Pan Inn Investment Limited	Investment holding	HK\$20	100
Pan Kite Investment Limited	Investment holding	HK\$20	100
Pan Pearl Investment Limited	Investment holding	HK\$20	100
Pan Spring Investment Limited	Investment holding	HK\$20	100
Prosperity Land Cleaning Service Limited	Cleaning services	HK\$100 and non-voting deferred share capital of HK\$100	100
Prosperity Land Estate Management Limited	Property management	HK\$150 and non-voting deferred share capital of HK\$1,500,000	100
Union Home Development Limited	Investment holding	HK\$2	100
<i>Incorporated in Liberia</i>			
Bassindale Limited	Investment holding	US\$500	100

* Direct subsidiary of the Company

Notes to the Accounts

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

Jointly controlled entities

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest %
<i>Incorporated in British Virgin Islands</i>			
Fresh Outlook Property Limited	Investment holding	US\$100	50.0
<i>Incorporated in Hong Kong</i>			
China INFOBANK Limited	Internet content provider	HK\$27,000,000	40.0
Express Wind Limited	Investment holding	HK\$10,000	25.0
<i>Incorporated in the People's Republic of China ("PRC")</i>			
Cultural Palace Entertainment Company Limited [#]	Leasing of an entertainment complex	US\$4,750,000	25.0
北京康標科技有限公司 ^{##}	Investment and distribution of medical equipment	RMB1,311,923	34.5

[#] Cooperative Joint Venture operates in the PRC

^{##} Wholly owned Foreign Enterprises operates in the PRC

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

Associated companies

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest %
<i>Incorporated in Bermuda</i>			
Asia Standard Hotel Group Limited	Hotel, catering services and travel	HK\$101,042,000	31.5
Asia Standard International Group Limited	Property development, property leasing, hotel and travel	HK\$50,760,000	40.5
<i>Incorporated in Hong Kong</i>			
Asia Standard Development (Holdings) Limited	Investment holding	HK\$10 and non-voting deferred share capital of HK\$362,892,949	40.5
Asia Standard Finance Company Limited	Financing services	HK\$1,000,000	40.5
Asia Standard International Limited	Investment holding	HK\$1,214,916,441	40.5
Asia Standard Management Services Limited	Management services	HK\$2	40.5
Full Union Development Limited	Property development	HK\$2	40.5
Get Rich Enterprises Limited	Property development	HK\$2	32.4
Hoi Chak Properties Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$2	40.5
JBC Travel Company Limited	Travel agency	HK\$2,500,000	31.5
Lucky New Investment Limited	Property development	HK\$1	20.3
Paramount Shine Limited	Property development	HK\$2	20.3
Master Asia Enterprises Limited	Property development	HK\$10,000	40.5
Stone Pole Limited	Hotel holding	HK\$10	31.5
Tilpifa Company Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$10,000	40.5
Tonlok Limited	Property development	HK\$1,000	40.5
Union Rich Resources Limited	Property development	HK\$2	32.4
Vinstar Development Limited	Hotel holding	HK\$2	31.5
Vitasalin Asia Limited	Distribution of health care and beauty products	HK\$10,000	17.5
Weststar Enterprises Limited	Property development	HK\$2	20.3
Winfast Engineering Limited	Construction	HK\$2	40.5

Notes to the Accounts

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

Associated companies (continued)

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest %
<i>Incorporated in British Virgin Islands</i>			
Enrich Enterprises Limited	Hotel holding	US\$1	31.5
Global Gateway Corp.	Hotel operation	US\$1	31.5
Glory Ventures Enterprises Inc.	Hotel holding	US\$1	31.5
Goldmax International Limited	Investment holding	US\$1,000	20.3
<i>Incorporated in Cayman Islands</i>			
Asia Standard International Capital Limited	Financing services	US\$2	40.5
Q9 Technology Holdings Limited	Investment holding	HK\$12,463,500	32.0
<i>Incorporated in the PRC</i>			
美聲節能科技(珠海)有限公司#	Distribution of energy saving devices	RMB2,119,400	20.0
漁陽房地產開發(深圳)有限公司#	Property development	RMB40,000,000	10.7

Wholly owned Foreign Enterprises operates in the PRC

37 Approval of accounts

The accounts were approved by the Board of Directors on 19th July 2005.