

## NOTES TO THE ACCOUNTS

### 1 Group Reorganisation and Basis of Preparation

Pursuant to a corporate reorganisation (the “Reorganisation”), in preparation of the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the subsidiaries now comprising the Group. The Reorganisation of the Group was completed on 19th July 2000 and the shares of the Company were then listed on the Stock Exchange on 25th July 2000.

Although the reorganised group structure did not legally exist prior to the Reorganisation, the Group is considered to be a continuing entity. Accordingly the accounts for the two years ended 31st March 2001 have been prepared using the merger method of accounting.

### 2 Principal Accounting Policies

The accounts have been prepared under the historical cost convention as modified by the revaluation of hotel properties. The principal accounting policies adopted in the preparation of the accounts, which conform with accounting principles generally accepted in Hong Kong, are as follows:

#### (a) Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and all of its subsidiaries made up to 31st March. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated profit and loss account from the effective date of acquisition and up to the effective date of disposal respectively. All significant intra-group transactions and balances have been eliminated.

#### (b) Subsidiaries

A company is a subsidiary if more than 50% of the voting capital is held for the long term or if the composition of the board of directors is controlled by the Group. Investments in subsidiaries are carried at or below cost. Provision is made when, in the opinion of the Directors, there is a diminution in value other than temporary in nature.

**(c) Fixed assets and depreciation**

Fixed assets are stated at cost or valuation less accumulated depreciation.

**(i) 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, the excess of the deficit is charged to the profit and loss account.

No depreciation is provided on hotel properties on leases of more than twenty years. It is the Group's practice to maintain hotel buildings in a continued state of sound repair 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 on hotel properties is charged to the profit and loss account as incurred.

**(ii) Hotel properties under development**

Hotel properties under development are stated at cost, which comprise land cost, developments costs, interest and other direct expenses capitalised. Provision is made when, in the opinion of the Directors, there is a diminution in value other than temporary in nature. No depreciation is provided on hotel properties under development.

**(iii) Other fixed assets**

Other fixed assets are depreciated using the straight-line method to write off their costs over their estimated useful lives of five years.

Profit or loss on disposal of fixed assets is determined as the difference between the net disposal proceeds and the carrying amounts of the assets and is dealt with in the profit and loss account.

**(d) Inventories**

Inventories comprise primarily food, beverages and operating supplies and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(e) **Other investments**

Other investments comprise debt securities and 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.

(f) **Borrowing costs**

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

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

(g) **Deferred taxation**

Deferred taxation is provided for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(h) **Finance leases**

Leases that substantially transfer to the Group all the rewards and risks of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals. Assets held under finance leases are depreciated over their estimated useful lives or, if shorter, the relevant finance lease periods. Amounts payable in respect of finance leases are apportioned between interest charges and a reduction of the lease obligations based on the interest rates implicit in the relevant leases.

(i) **Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the terms of the leases.

(j) **Revenue recognition**

Revenue from hotel operations is recognised upon provision of services. Operating lease rental income is recognised on a straight-line basis over the term of the lease. Management fee income is recognised when services are rendered. Interest income is recognised on a time proportion basis that takes into account the principal amounts outstanding and the effective interest rate applicable.

(k) **Foreign currencies**

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

The accounts of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising therefrom are dealt with as a movement in reserves.

**3 Turnover and Contribution to Operating Profit**

The Group is principally engaged in hotel operations and management services. Turnover represents gross revenue from hotel operations, operating lease rental income and management services income.

Analyses of the Group's turnover and contribution to operating profit by each principal activity and principal market are set out below:

	<b>Turnover</b>		<b>Contribution to operating profit</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>By principal activity</b>				
Hotel				
Room rentals	<b>98,422</b>	99,217	<b>76,361</b>	74,093
Food and beverages	<b>38,960</b>	54,099	<b>8,440</b>	12,485
Ancillary services	<b>8,019</b>	9,540	<b>5,172</b>	6,160
Rental income	<b>3,563</b>	–	<b>3,563</b>	–
Management services	<b>11,493</b>	12,046	<b>4,536</b>	4,759
	<b>160,457</b>	174,902	<b>98,072</b>	97,497
Other income			<b>7,821</b>	312
Administrative expenses			<b>(60,184)</b>	(55,037)
Operating profit			<b>45,709</b>	42,772
<b>By principal market</b>				
Hong Kong	<b>86,338</b>	89,014	<b>55,521</b>	47,730
Canada	<b>74,119</b>	85,888	<b>42,551</b>	49,767
	<b>160,457</b>	174,902	<b>98,072</b>	97,497
Other income			<b>7,821</b>	312
Administrative expenses			<b>(60,184)</b>	(55,037)
Operating profit			<b>45,709</b>	42,772

#### 4 Other Income

	2001 HK\$'000	2000 HK\$'000
Interest income		
Bank deposits	6,295	–
Unlisted investment	1,353	–
Miscellaneous	173	312
	<b>7,821</b>	<b>312</b>

#### 5 Operating Profit

	2001 HK\$'000	2000 HK\$'000
Operating profit is stated after crediting and charging the following:		
<b>Crediting</b>		
Operating lease rental income for land and buildings	3,563	–
<b>Charging</b>		
Staff costs	55,380	62,825
Provision for doubtful debts	–	442
Operating lease rental expense for land and buildings payable to fellow subsidiaries	2,052	1,952
Exchange loss	1,538	66
Depreciation	606	685
Auditors' remuneration	852	751
Retirement benefit costs (note a)	183	199
<b>(a) Retirement benefit costs</b>		
Gross contributions	485	199
Forfeitures utilised	(302)	–
Net contributions	<b>183</b>	<b>199</b>

The Group participates in two types of defined contribution schemes, namely the Mandatory Provident Fund (“MPF”) Scheme and Occupational Retirement Scheme Ordinance (“ORSO”) Scheme for employees.

The Group participates in several defined contribution schemes under the ORSO which are available to employees joining before 1st December 2000. Under these schemes, contributions of 5% of the employee's monthly salaries are made by the employees and by the Group. The Group's contributions to these schemes are expensed as incurred and 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. Monthly contributions to the MPF scheme are made equal to 5% of the employee's relevant income in accordance with the legislative requirements and are expensed as incurred. The assets of all retirement schemes are held separately from those of the Group in independently administered funds.

The Group's contribution to the ORSO Scheme has been suspended since 1st March 1999 but was re-instated during the current year.

As at 31st March 2000 and 2001, no forfeitures was available to reduce the Group's future contributions.

## 6 Finance Costs

	2001 HK\$'000	2000 HK\$'000
Interest expense		
Bank loans and overdrafts	82,328	65,802
Amount due to a fellow subsidiary	22,287	24,152
Finance lease obligations not wholly payable within five years	34	39
Other incidental borrowing costs	6,554	656
Interest income	-	(563)
	<b>111,203</b>	<b>90,086</b>
Amount capitalised in cost of hotel property under development	<b>(94,392)</b>	<b>(74,634)</b>
	<b>16,811</b>	<b>15,452</b>

## 7 Directors' and Senior Management's Emoluments

- (i) The aggregate amount of emoluments payable to Directors of the Company during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Fees	40	–
Salaries and other emoluments	11,182	3,027
	<b>11,222</b>	<b>3,027</b>

The emoluments of individual Directors fell within the following bands:

Emolument bands	2001 Number	2000 Number
HK\$Nil – HK\$1,000,000	8	9
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	2	–
HK\$2,500,001 – HK\$3,000,000	2	–
	<b>12</b>	<b>10</b>

- (ii) Emoluments paid to independent non-executive directors amounted to HK\$40,000 (2000: Nil) during the year. None of the directors has waived the right to receive their emoluments.
- (iii) The five highest paid individuals in the Group for the year include five (2000: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals in 2000, which individually fell below HK\$1,000,000, amounted to HK\$1,115,000 in aggregate.

## 8 Taxation Credit/(Charge)

	2001 HK\$'000	2000 HK\$'000
Current year provision	(5)	(391)
Overprovision in prior years	272	27
	<b>267</b>	<b>(364)</b>

Hong Kong profits tax has been provided at the rate of 16% (2000:16%) on the estimated assessable profits for the year. No provision for overseas taxation has been made as there are no assessable overseas profits for the year (2000: Nil).

Tax losses available at 31st March 2001 to reduce future taxable profits of subsidiaries to which they relate amounted to approximately HK\$281 million (2000:HK\$269 million). No deferred taxation has been provided as there are no material timing differences which would result in a liability payable or asset recoverable in the foreseeable future.

The surplus on revaluation of the Hong Kong hotel property does not constitute a timing difference for deferred tax purposes as realisation of the revaluation surplus would not result in a tax liability. Realisation of the surplus on revaluation of the Canadian hotel property would give rise to a taxation liability in Canada, which would amount to approximately HK\$4.8 million at 31st March 2001 (2000:HK\$8.4 million). No provision has been made in the accounts for this liability as the property is held for the long term and management has no intention to dispose of the property in the foreseeable future.

## 9 Profit Attributable to Shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of HK\$891,000 (2000: Nil).

## 10 Dividend

	2001 HK\$'000	2000 HK\$'000
Interim dividend with a scrip option, paid, of HK0.2 cent (2000:Nil) per share	<b>10,000</b>	—

## 11 Earnings Per Share

The calculation of earnings per share is based on the consolidated profit attributable to shareholders of HK\$29,165,000 and on the weighted average 4,556,491,572 shares in issue during the year ended 31st March 2001. The calculation of earnings per share for the year ended 31st March 2000 was based on the profit attributable to shareholders of HK\$26,956,000 and on the assumption that 3,500,000,000 shares (restated for the subdivision of 1 share to 5 shares in September 2000) issued pursuant to the Reorganisation mentioned in note 1 had been in issue throughout the 2000 financial period.

No diluted earnings per share is presented as the exercise of subscription rights attached to the bonus warrants would be anti-dilutive.



## 12 Fixed Assets

### Group

	Hotel properties HK\$'000	Hotel property under development HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
<b>Cost or valuation</b>				
At 31st March 2000	1,725,550	991,235	4,634	2,721,419
Exchange difference	(27,468)	–	–	(27,468)
Additions	9,606	196,615	72	206,293
Surplus on revaluation	130,339	–	–	130,339
<b>At 31st March 2001</b>	<b>1,838,027</b>	<b>1,187,850</b>	<b>4,706</b>	<b>3,030,583</b>
<b>Accumulated depreciation</b>				
At 31st March 2000	–	–	3,003	3,003
Charge for the year	–	–	606	606
<b>At 31st March 2001</b>	<b>–</b>	<b>–</b>	<b>3,609</b>	<b>3,609</b>
<b>Net book value</b>				
<b>At 31st March 2001</b>	<b>1,838,027</b>	<b>1,187,850</b>	<b>1,097</b>	<b>3,026,974</b>
At 31st March 2000	1,725,550	991,235	1,631	2,718,416

- (a) Hotel properties comprise a long term leasehold property in Hong Kong of HK\$1,480,000,000 (2000:HK\$1,350,000,000) and a freehold property in Canada of HK\$358,027,000 (2000:HK\$375,550,000). The properties were revalued by Knight Frank and Grant Thornton Management Consultants, independent professional valuers, on an open market value basis as at 31st March 2001, respectively.
- (b) Hotel property under development is held under a medium term lease in Hong Kong and is stated at cost as follows:

	2001 HK\$'000	2000 HK\$'000
Land	503,151	496,936
Incidental development expenditure	354,142	258,134
Borrowing costs capitalised	330,557	236,165
	<b>1,187,850</b>	<b>991,235</b>

- (c) All other fixed assets are stated at cost less accumulated depreciation. The net book value of the fixed assets held by the Group under a finance lease amounted to HK\$285,000 (2000:HK\$384,000).
- (d) The aggregate net book value of fixed assets pledged as securities for loans of the Group amounted to HK\$3,025,877,000 (2000:HK\$1,366,785,000).
- (e) At 31st March 2000, fixed assets pledged as securities for loans of a fellow subsidiary company amounted to HK\$1,350,000,000. Such pledge of fixed assets was released upon listing of the Company.

### 13 Subsidiaries

	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	1,446,549	–
Amounts due to subsidiaries	(327)	–
	<b>1,446,222</b>	–

Details of the principal subsidiaries are set out in note 24.

### 14 Debtors and Prepayments

An ageing analysis of trade receivables, which are included in debtors and prepayments, is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
0 day to 60 days	5,704	6,767
61 days to 120 days	507	1,031
More than 120 days	2,277	3,410
	<b>8,488</b>	11,208

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

## 15 Creditors and Accruals

An ageing analysis of trade payables, which are included in creditors and accruals, is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
0 day to 60 days	6,513	7,958
61 days to 120 days	3,364	776
More than 120 days	127	498
	<b>10,004</b>	<b>9,232</b>

## 16 Amounts Due to Fellow Subsidiaries

Included in amounts due to fellow subsidiaries is construction cost of HK\$5,000,000 (2000:HK\$40,418,000) payable to a fellow subsidiary.

## 17 Share Capital

	Number of shares	HK\$'000
<b>Authorised:</b>		
Shares of HK\$0.1 each upon incorporation	1,000,000	100
Increase in shares of HK\$0.1 each during the year	4,999,000,000	499,900
Subdivision of 1 share to 5 shares at HK\$0.02 each	20,000,000,000	–
<b>At 31st March 2001</b>	<b>25,000,000,000</b>	<b>500,000</b>
<b>Issued and fully paid:</b>		
Issue of shares of HK\$0.1 each upon incorporation	1,000,000	100
Issue of shares of HK\$0.1 each pursuant to Reorganisation	699,000,000	69,900
	700,000,000	70,000
Issue of shares of HK\$0.1 each pursuant to share placement	300,000,000	30,000
Subdivision of 1 share to 5 shares at HK\$0.02 each	4,000,000,000	–
Exercise of warrants	5,648	–
Issued as scrip dividend	52,206,785	1,044
<b>At 31st March 2001</b>	<b>5,052,212,433</b>	<b>101,044</b>

The following changes in the share capital of the Company took place during the year:

- (a) On 19th July, 2000, the authorised share capital of the Company was increased by HK\$499,900,000 through the creation of 4,999,000,000 shares of HK\$0.1 each.

On the same date, 699,000,000 shares of HK\$0.1 each were issued and allotted to Asia Standard International Limited, a fellow subsidiary, by means of capitalisation of all amounts owing by the Group to fellow subsidiaries pursuant to the Reorganisation. In addition, 300,000,000 shares of HK\$0.1 each were issued and allotted to certain independent investors and Asia Orient Holdings Limited, the ultimate holding company, by way of a share placement at HK\$1.2 per share.

- (b) Pursuant to a resolution passed at a Special General Meeting held on 26th September 2000, the Company's issued and unissued shares of HK\$0.1 each were subdivided into five shares of HK\$0.02 each ("Subdivided Shares"). The Subdivided Shares rank pari passu in all respects with the shares in issue prior to the share subdivision.
- (c) Pursuant to a special resolution of the Company which was passed at the same Special General Meeting, a bonus issue of warrants was made on the basis of one warrant for every five Subdivided Shares of the Company held by shareholders (other than overseas shareholders) of the Company whose names appeared on the register of members on 26th September 2000. Each warrant entitles its holder to subscribe for fully paid Subdivided Shares of the Company at an initial subscription price of HK\$0.24 per Subdivided Share, subject to adjustment, from the date of issue of the warrants from 27th September 2000 to 8th October 2001 (both dates inclusive). During the year, a total of 5,648 shares were issued upon the exercise of warrants and at 31st March 2001, there were 999,994,352 warrants unexercised.
- (d) On 15th December 2000, the Directors declared an interim dividend with scrip dividend option. A total of 52,206,785 shares were issued as scrip dividend in lieu of cash on 1st March 2001.

## 18 Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Hotel properties revaluation reserve HK\$'000	Exchange reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
<b>Group</b>						
At 31st March 1999	–	920,374	453,698	(8,540)	178,148	1,543,680
Translation difference	–	–	1,211	4,994	–	6,205
Reserve arising from the Reorganisation	–	(8,470)	–	–	–	(8,470)
Deficit on revaluation	–	–	(114,470)	–	–	(114,470)
Profit for the year retained	–	–	–	–	26,956	26,956
At 31st March 2000	–	911,904	340,439	(3,546)	205,104	1,453,901
Translation difference	–	–	(1,760)	(8,527)	–	(10,287)
Reserve arising from the Reorganisation	–	(2,571)	–	–	–	(2,571)
Premium on shares issued upon share placement	322,776	–	–	–	–	322,776
Premium on shares issued as scrip dividend	8,489	–	–	–	–	8,489
Exercise of warrants	1	–	–	–	–	1
Share issue expenses	(31,483)	–	–	–	–	(31,483)
Surplus on revaluation	–	–	130,339	–	–	130,339
Profit for the year attributable to shareholders	–	–	–	–	29,165	29,165
Dividend	–	(10,000)	–	–	–	(10,000)
<b>At 31st March 2001</b>	<b>299,783</b>	<b>899,333</b>	<b>469,018</b>	<b>(12,073)</b>	<b>234,269</b>	<b>1,890,330</b>
<b>Company</b>						
At 31st March 1999	–	–	–	–	–	–
Results for the year	–	–	–	–	–	–
At 31st March 2000	–	–	–	–	–	–
Premium on shares issued upon share placement	322,776	–	–	–	–	322,776
Premium on shares issued as scrip dividend	8,489	–	–	–	–	8,489
Exercise of warrants	1	–	–	–	–	1
Share issue expenses	(31,483)	–	–	–	–	(31,483)
Reserve arising from the Reorganisation	–	1,098,229	–	–	–	1,098,229
Profit for the year attributable to shareholders	–	–	–	–	891	891
Dividend	–	(10,000)	–	–	–	(10,000)
<b>At 31st March 2001</b>	<b>299,783</b>	<b>1,088,229</b>	<b>–</b>	<b>–</b>	<b>891</b>	<b>1,388,903</b>

The contributed surplus of the Company arose as a result of the Reorganisation and represents the excess of the consolidated net asset value of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange thereof.

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is also distributable. Accordingly, the total distributable reserves of the Company amount to HK\$1,089,120,000 (2000: Nil).

## 19 Long Term Liabilities

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank loans, secured ( <i>note a</i> )		
Repayable within one year	27,934	75,760
Repayable within one to two years	44,680	115,770
Repayable within two to five years	260,040	474,777
Repayable after five years	835,006	147,873
	<b>1,167,660</b>	814,180
Amount due to a fellow subsidiary ( <i>note b</i> )	–	342,451
Obligations under a finance lease not wholly repayable within five years	392	465
	<b>1,168,052</b>	1,157,096
Current portion included in current liabilities	<b>(27,976)</b>	(75,802)
	<b>1,140,076</b>	1,081,294

- (a) The bank loans are secured by mortgages of the Group's hotel properties (Note 12(d)), floating charges over all the assets and properties of certain subsidiaries and corporate guarantees given by the Company.
- (b) At 31st March 2000, an amount payable of HK\$298,017,000 bore interest at 9.15% per annum which was changed to 1.5% above prime rate upon listing of the Company. The whole balance was repaid during the year.
- (c) Subsequent to the year end, the Group refinanced a bank loan outstanding at 31st March 2001, amounting to HK\$4,972,000 (2000: Nil). The repayment terms at 31st March 2001 in respect of this bank loan have been reclassified according to the new bank loan agreement. As a result, the amount of liability which has been excluded from current liabilities amounts to HK\$4,227,000 (2000: Nil).

## 20 Commitments

### (a) Capital commitment

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
In respect of fixed assets:				
Authorised but not contracted for	–	1,379	–	–
Contracted but not provided for	<b>8,979</b>	67,296	–	–
	<b>8,979</b>	68,675	–	–

### (b) Operating leases

At 31st March 2001, the Group had commitments to make payments in the next twelve months in respect of land and buildings under operating leases which expire as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	<b>904</b>	–	–	–
In the second to fifth years inclusive	<b>1,314</b>	2,698	–	–
	<b>2,218</b>	2,698	–	–

## 21 Contingent Liabilities

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees for the loans and banking facilities of subsidiaries	–	–	<b>1,134,096</b>	–

## 22 Related Party Transactions

The following is a summary of significant related party transactions during the year:

	2001 HK\$'000	2000 HK\$'000
(i) Operating lease rental expense for land and buildings to fellow subsidiaries	<b>(2,052)</b>	(1,952)
(ii) Interest expense to a fellow subsidiary	<b>(22,287)</b>	(24,152)
(iii) Hotel revenue from intermediate holding company and a fellow subsidiary	772	1,030
(iv) Management services income from fellow subsidiaries	<b>2,875</b>	3,763
(v) Property development cost to a fellow subsidiary	<b>(88,460)</b>	(29,209)

Notes:

- (i) *Rental expense is subject to terms agreed by the parties involved, which is at a monthly fixed fee.*
- (ii) *Interest expense is calculated at a fixed rate of 9.15% per annum and changed to 1.5% above prime rate with effect from 25th July 2000, the date of listing of the Company.*
- (iii) *Hotel revenue is charged at prices and terms no less than those charged to other third party customers.*
- (iv) *Management services income, including repair and maintenance, cleaning, property management and administration, are subject to terms agreed by the parties involved, which are at fixed fees.*
- (v) *Property development cost is payable in accordance with the terms of the construction contract and by reference to the stage of completion of the construction work.*



## 23 Notes To Consolidated Cash Flow Statement

### (a) Reconciliation of profit before taxation to net cash inflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	28,898	27,320
Depreciation	606	685
Interest income	(7,648)	(349)
Finance cost	16,811	15,749
Profit on disposal of other investments	(14)	–
Decrease/(increase) in amount due from a fellow subsidiary	3,845	(2,279)
Decrease in inventories	5	453
Decrease in debtors and prepayments	4,390	12,898
Increase in creditors and accruals	9,071	10,102
Increase in amounts due to fellow subsidiaries	7,564	–
<b>Net cash inflow from operating activities</b>	<b>63,528</b>	<b>64,579</b>

**(b) Analysis of changes in financing during the year**

	Share capital, share premium and contributed surplus HK\$ 000	Amount due from an intermediate holding company HK\$ 000	Amount due to a fellow subsidiary HK\$ 000	Finance lease payable HK\$ 000	Long term bank loans HK\$ 000	Total HK\$ 000
At 31st March 1999	990,374	—	240,458	480	807,136	2,038,448
Net cash inflow / (outflow) from financing	—	(8,470)	78,050	(38)	(3,062)	66,480
Capitalisation of amount due from an intermediate holding company	(8,470)	8,470	—	—	—	—
Accrual of interest payable	—	—	23,943	—	—	23,943
Changes in exchange rates	—	—	—	23	10,106	10,129
At 31st March 2000	981,904	—	342,451	465	814,180	2,139,000
Net cash inflow / (outflow) from financing	321,294	(2,571)	(342,451)	(73)	369,177	345,376
Capitalisation of amount due from an intermediate holding company	(2,571)	2,571	—	—	—	—
Shares issued as scrip dividend	9,533	—	—	—	—	9,533
Dividend	(10,000)	—	—	—	—	(10,000)
Changes in exchange rates	—	—	—	—	(15,697)	(15,697)
At 31st March 2001	1,300,160	—	—	392	1,167,660	2,468,212

## 24 Principal Subsidiaries

Listed below are the Group's principal subsidiaries, which are all wholly owned and in the opinion of the Directors, principally affect the results and / or net assets of the Group:

Name	Principal activity	Issued and fully paid ordinary share capital (except otherwise stated)
<i>Incorporated in Hong Kong</i>		
Asia Standard Hotel (Holdings) Limited	Investment holding	HK\$2
Asia Standard Hotel International Limited	Investment holding	HK\$2
Empire Hotel International Company Limited	Hotel management	HK\$2
Good Year Engineering Service Limited	Engineering and maintenance services	HK\$2
Liford Limited	Nominee services	HK\$2
Pofair Limited	Club services	HK\$2
Prosperity Land Cleaning Service Limited	Property cleaning services	HK\$200 100 ordinary shares of HK\$1 each 100 non-voting deferred shares of HK\$1 each
Prosperity Land Estate Management Limited	Property management services	HK\$1,500,150 150 ordinary shares of HK\$1 each 1,500,000 non-voting deferred shares of HK\$1 each
Stone Pole Limited	Hotel investment and operation	HK\$10
Vinstar Development Limited	Hotel investment	HK\$2

<b>Name</b>	<b>Principal activity</b>	<b>Issued and fully paid ordinary share capital (except otherwise stated)</b>
<i>Incorporated in the British Virgin Islands</i>		
Asia Standard Hotel (BVI) Limited #	Investment holding	US\$1
Enrich Enterprises Ltd. **	Hotel investment	US\$1
Global Gateway Corp. **	Hotel operation	US\$1
Glory Ventures Enterprises Inc. **	Hotel investment	US\$1
Greatime Limited	Securities investment	US\$1
Join Luck Holdings Limited **	Trustee services	US\$1
Kingsmax Limited	Investment holding	US\$1
Hoover Services Inc.	Trade-marks holding	US\$1

# *Direct subsidiary of the company*

\*\* *Operates in Canada*

## **25 Subsequent Event**

On 6th April 2001, the Group acquired the entire issued share capital of JBC Travel Company Limited (“JBC”) at a consideration of HK\$36,000,000, from Hong Kong Enterprise International Limited, a company which is owned by Mr. Poon Jing, a Director of the Company. JBC is engaged in the travel agency and tour business.

## **26 Ultimate Holding Company**

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

## **27 Approval of Accounts**

The accounts were approved by the Board of Directors on 13th July 2001.