

1. 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.

In the current year, the Group adopted and implemented the following revised or new Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

SSAP 1 (revised)	Presentation of financial statements
SSAP 9 (revised)	Events after the balance sheet date
SSAP 11 (revised)	Foreign currency translation
SSAP 14 (revised)	Leases
SSAP 15 (revised)	Cash flow statements
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

SSAP 1 (revised), SSAP 11 (revised) and SSAP 15 (revised) are applied in advance of their effective dates.

The effects of adopting these SSAPs are set out below:

(i) Dividends

In accordance with the revised SSAP 9, dividends proposed after the balance sheet date are no longer recognised as liabilities or assets at the balance sheet date. This change in accounting policy has been applied retrospectively and as a result, the opening revenue reserves of the Group and the Company as at 1st April 2000 have been increased by HK\$12,271,000 and decreased by HK\$2,729,000 respectively.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) Goodwill

The Group has adopted the transitional provisions as permitted under SSAP 30 not to restate any goodwill taken to reserves prior to 31st March 2001. However, any impairment in respect of such goodwill are recognised as an expense in the period in which impairment has occurred in accordance with the requirements of SSAP 31. Goodwill arising on acquisitions on or after 1st April 2001 is capitalised in the balance sheet as a separate asset and amortised over its estimated useful life (note f).

(iii) Certain presentational changes have been made upon implementation of SSAP 1 (revised) and SSAP 15 (revised).

(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.

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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(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, 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.

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.

(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 arising on acquisitions 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.

In previous years, goodwill arising on acquisitions was taken to reserves in the year of acquisition. This change in accounting policy has no effect on the accounts for the year.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(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.

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Fixed assets (continued)

(ii) Hotel properties (continued)

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.

1. 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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Properties held for / under development for sale (continued)

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.

(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) Deferred taxation

Deferred taxation is provided at the current taxation rate in respect of material 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.

(n) 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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(n) Revenue recognition (continued)

(iii) Investment properties

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

(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.

(o) 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 account.

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 reserves.

In previous years, profit and loss accounts of subsidiaries, jointly controlled entities and associated companies denominated in foreign currencies were translated at exchange rates ruling at the balance sheet date. This accounting policy has been changed to conform with SSAP 11 (revised) Foreign currency translation and the effect of such change to the accounts for the year is not material.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(p) 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.

(q) 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.

(r) Retirement benefits costs

The Group contributes to 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.

(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, amounts repayable on demand from banks and financial institutions within three months from the date of placement, less advances from banks and financial institutions repayable within three months from the date of advance.

2. TURNOVER AND SEGMENT INFORMATION

The Group is 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 is organised into three main business segments, comprising property sales, property leasing, hotel and travel. There is no other significant identifiable separate business segments. Segment revenue from external customers is after elimination of inter-segment revenues. Revenue of HK\$4 million (2001: HK\$88 million) charged by the property sales segment in respect of construction services provided to the hotel and travel segment has been eliminated from 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.

2. TURNOVER AND SEGMENT INFORMATION (continued)**Primary reporting format – business segments (continued)**

	Property sales 2002 HK\$'000	Property leasing 2002 HK\$'000	Hotel and travel 2002 HK\$'000	Other operations 2002 HK\$'000	Group 2002 HK\$'000
Segment revenue	253,950	61,242	424,884	98,792	838,868
Contribution to operating loss	(27,936)	51,710	45,364	39,001	108,139
Other charges	(246,369)	–	(6,975)	(26,411)	(279,755)
Unallocated corporate expenses					(54,982)
Operating loss					(226,598)
Finance costs					(107,844)
Share of results of jointly controlled entities and associated companies	(162,706)	6,019	–	29	(156,658)
Loss before taxation					(491,100)
Taxation					(3,416)
Loss after taxation					(494,516)
Minority interests					13,151
Loss attributable to shareholders					(481,365)
	2001 HK\$'000	2001 HK\$'000	2001 HK\$'000	2001 HK\$'000	2001 HK\$'000
Segment revenue	406,816	39,001	160,457	66,248	672,522
Contribution to operating loss	(27,994)	28,657	39,871	44,972	85,506
Other charges	(3,419)	–	–	(163,883)	(167,302)
Unallocated corporate expenses					(62,580)
Operating loss					(144,376)
Finance costs					(135,969)
Share of results of jointly controlled entities and associated companies	(88,767)	1,852	–	(14)	(86,929)
Loss before taxation					(367,274)
Taxation credit					6,424
Loss after taxation					(360,850)
Minority interests					3,196
Loss attributable to shareholders					(357,654)

2. TURNOVER AND SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

	Property sales 2002 HK\$'000	Property leasing 2002 HK\$'000	Hotel and travel 2002 HK\$'000	Other operations 2002 HK\$'000	Group 2002 HK\$'000
Segment assets	1,660,354	2,218,987	3,432,725	260,929	7,572,995
Jointly controlled entities and associated companies	557,645	246,082	–	3,026	806,753
Unallocated assets					83,707
					8,463,455
Segment liabilities	1,100,260	781,594	1,426,882	17,494	3,326,230
Minority interests and loans					818,432
Unallocated liabilities					175,055
					4,319,717
Capital expenditure	45	650	157,482	6	158,183
Depreciation	679	487	1,379	4,435	6,980
	2001 HK\$'000	2001 HK\$'000	2001 HK\$'000	2001 HK\$'000	2001 HK\$'000
Segment assets	2,407,083	2,364,736	3,085,816	315,774	8,173,409
Jointly controlled entities and associated companies	726,731	245,349	–	3,541	975,621
Unallocated assets					104,907
					9,253,937
Segment liabilities	1,155,150	835,654	1,228,990	42,202	3,261,996
Minority interests and loans					1,150,662
Unallocated liabilities					236,851
					4,649,509
Capital expenditure	–	8,028	254,773	937	263,738
Depreciation	755	2,685	606	5,436	9,482

2. 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:

	Segment revenue 2002 HK\$'000	Operating (loss) / profit 2002 HK\$'000	Total assets 2002 HK\$'000	Capital expenditure 2002 HK\$'000
Hong Kong	713,201	(238,727)	8,108,404	157,113
Mainland China	58,177	(8,570)	6,293	32
Canada	67,490	20,699	348,758	1,038
	838,868	(226,598)	8,463,455	158,183

	2001 HK\$'000	2001 HK\$'000	2001 HK\$'000	2001 HK\$'000
Hong Kong	535,723	(163,927)	8,195,394	253,391
Mainland China	62,680	(1,224)	692,353	741
Canada	74,119	20,775	366,190	9,606
	672,522	(144,376)	9,253,937	263,738

3. OTHER CHARGES

	2002 HK\$'000	2001 HK\$'000
Amortisation of goodwill (note 11)	(2,934)	–
Loss on deemed disposal of interests in the hotel and management services businesses	–	(134,300)
Loss on disposal of interests in the Panyu development	(124,055)	–
Provision for diminution in value of properties under development / held for sale	(122,314)	(65,419)
Pre-operating loss of Empire Hotel Kowloon	(4,041)	–
Gain on partial disposal of catering business	4,181	–
Written back of provision for diminution in value of properties held for sale	–	62,000
Unrealised losses on other investments	(30,592)	(29,583)
	(279,755)	(167,302)

4. OPERATING LOSS

	2002 HK\$'000	2001 HK\$'000
Operating loss is stated after crediting and charging the following:		
Crediting		
Forfeited deposits	722	1,831
Net rental income (note (a))	51,710	28,657
Interest income		
Debt securities	2,500	1,353
Other	14,237	37,503
Dividends from listed investments	670	–
Net realised gains on other investments	22,136	–
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Charging		
Operating lease rental expense for land and buildings	5,579	6,578
Amortisation of goodwill	2,934	–
Staff costs (note (b))	79,186	72,058
Depreciation	6,980	9,482
Auditors' remuneration	3,244	3,120
Retirement benefits costs (note (c))	2,282	983
Loss on disposal of fixed assets	1,128	7
Net unrealised losses on other investments	30,592	29,583
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(a) Net rental income

	2002 HK\$'000	2001 HK\$'000
Gross rental income from investment properties	39,873	21,500
Gross rental income from properties held for sale	21,369	17,501
Outgoings	(9,532)	(10,344)
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	51,710	28,657
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4. OPERATING LOSS (continued)**(b) Staff costs**

	2002 HK\$'000	2001 HK\$'000
Staff costs	84,277	80,128
Capitalised as properties under development	(5,091)	(8,070)
	79,186	72,058

(c) Retirement benefits costs

	2002 HK\$'000	2001 HK\$'000
Gross contributions	2,766	1,310
Forfeitures utilised	(484)	(327)
Net contributions	2,282	983

The Group participates in two types of defined contribution schemes, namely the Mandatory Provident Fund Scheme (“MPF”) 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 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 for all employees not joining the ORSO schemes. Monthly contributions of 5% of the employee’s relevant income are made to the MPF scheme 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.

As at 31st March 2002, forfeitures of HK\$270,000 (2001: HK\$41,000) were available to reduce the Group’s future contributions to the OSRO schemes.

5. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest expense		
Long term bank loans	147,866	237,138
Convertible bonds	21,683	21,686
Loans from minority shareholders of subsidiaries	3,850	7,134
Short term bank loans and overdrafts	9,856	10,960
Other incidental borrowing costs	12,429	25,867
	195,684	302,785
Capitalised as cost of properties under development		
Interest expense	(83,375)	(158,508)
Other incidental borrowing costs	(4,465)	(8,308)
	107,844	135,969

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 was 5.1% (2001: 8.4%) per annum.

6. 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:

	2002 HK\$'000	2001 HK\$'000
Fees	60	60
Salaries, housing allowances and benefits in kind (note)	14,644	21,599
	14,704	21,659

Note: Balance includes HK\$2,000,000 (2001: HK\$8,000,000) paid by subsidiaries of Asia Standard Hotel Group Limited ("Asia Standard Hotel"), a separately listed subsidiary of the Group.

6. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

The emoluments of individual Directors fell within the following bands:

Emoluments band	Number	
	2002	2001
HK\$Nil – HK\$1,000,000	4	4
HK\$1,000,001 – HK\$1,500,000	2	1
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	2	1
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$4,500,001 – HK\$5,000,000	–	2
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	–

Emoluments paid to Independent Non-executive Directors amounted to HK\$60,000 (2001: HK\$60,000) during the year. None of the Directors has waived the right to receive their emoluments.

- (b) The five highest paid individuals in the Group for the year include five (2001: five) Directors whose emoluments are already reflected in the analysis presented above.

7. TAXATION (CHARGE) / CREDIT

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) 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.

	2002 HK\$'000	2001 HK\$'000
Company and subsidiaries		
Hong Kong profits tax	(493)	(121)
Overseas tax	(2,323)	(2,324)
Overprovision in prior years	363	9,110
	(2,453)	6,665
Associated company		
Hong Kong profits tax	(963)	(241)
	(3,416)	6,424

7. TAXATION (CHARGE) / CREDIT (continued)

Tax losses available at 31st March 2002 to reduce future taxable profits of the subsidiaries to which they relate amounted to approximately HK\$741,000,000 (2001: HK\$609,000,000). No deferred taxation has been provided as there are no material timing differences which would result in a liability payable or an asset recoverable in the foreseeable future. The surplus on revaluation of investment properties, hotel properties in Hong Kong and other properties 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\$2,000,000 (2001: HK\$4,800,000) as at 31st March 2002. 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.

8. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$156,801,000 (2001: a profit of HK\$16,084,000).

9. DIVIDENDS

No dividend was declared or proposed for the year (2001: nil).

10. LOSS PER SHARE

The calculation of loss per share is based on loss attributable to shareholders of HK\$481,365,000 (2001: HK\$357,654,000) and on the weighted average 4,112,536,440 (2001: 4,099,829,421) ordinary shares in issue during the year.

No diluted loss per share is presented 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.

11. GOODWILL

	Group 2002 HK\$'000
Acquisition of a subsidiary, net of adjustment	29,349
Amortisation	(2,934)
	<u>26,415</u>

On 6th April 2001, the Group acquired the entire share capital of JBC Travel Company Limited ("JBC") at a consideration of HK\$36,000,000 from Hong Kong Enterprise International Limited, a company owned by Mr. Poon Jing, a Director of the Company.

Mr. Poon has provided a guarantee to the Group that the net profit before interest and taxation of JBC as stated in the audited accounts of JBC for the year ended 31st March 2002 and 2003 shall not be less than HK\$5,000,000 for each of such respective years. The net profit before interest and taxation of JBC for the year ended 31st March 2002 was HK\$856,000. Accordingly, Mr. Poon is required to pay an amount equal to the shortfall of HK\$4,144,000 to the Group. This amount is included under debtors at 31st March 2002 (note 17).

12. 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 2001	1,534,707	1,838,027	151,108	1,139,688	66,320	4,729,850
Translation differences	–	(5,227)	–	–	(252)	(5,479)
Acquisition of a subsidiary	–	–	–	–	2,377	2,377
Additions	650	1,038	–	152,936	3,559	158,183
Disposals	–	–	–	–	(1,739)	(1,739)
Disposal of subsidiaries	–	–	–	–	(6,351)	(6,351)
Transfer upon completion	–	1,249,536	–	(1,249,536)	–	–
Surplus / (deficit) on revaluation	(66,357)	137,666	(14,294)	–	–	57,015
At 31st March 2002	1,469,000	3,221,040	136,814	43,088	63,914	4,933,856
Accumulated depreciation						
At 31st March 2001	–	–	1,455	–	48,635	50,090
Translation differences	–	–	–	–	(217)	(217)
Acquisition of a subsidiary	–	–	–	–	1,905	1,905
Charge for the year	–	–	270	–	6,710	6,980
Disposals	–	–	–	–	(535)	(535)
Disposal of subsidiaries	–	–	–	–	(3,894)	(3,894)
At 31st March 2002	–	–	1,725	–	52,604	54,329
Net book value						
At 31st March 2002	1,469,000	3,221,040	135,089	43,088	11,310	4,879,527
At 31st March 2001	1,534,707	1,838,027	149,653	1,139,688	17,685	4,679,760

- (a) Investment properties comprise long term leasehold land and buildings of HK\$1,469,000,000 (2001: HK\$1,534,707,000) in Hong Kong. They were revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 31st March 2002.
- (b) Hotel properties comprise long term leasehold land and buildings situated in Hong Kong of HK\$1,480,000,000 (2001: HK\$1,480,000,000), medium term leasehold land and buildings in Hong Kong of HK\$1,400,000,000 and freehold land and buildings situated in Canada of HK\$341,040,000 (2001: HK\$358,027,000). 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 as at 31st March 2002 respectively.

12. FIXED ASSETS (continued)

- (c) Included in other properties is a long term leasehold property stated at valuation of HK\$120,998,000 (2001: HK\$135,292,000). The property was revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 31st March 2002. The carrying amount would have been HK\$89,294,000 (2001: HK\$90,386,000) had it been stated at cost less accumulated depreciation. Also included in other properties are long term leasehold land and buildings of HK\$4,634,000 (2001: HK\$4,685,000) and medium term leasehold land and buildings of HK\$9,457,000 (2001: HK\$9,676,000), both of which are stated at cost less accumulated depreciation. All these properties are located in Hong Kong.
- (d) Properties under development comprise long term leasehold land and buildings of HK\$43,088,000 (2001: HK\$43,907,000) and medium term leasehold land and buildings of HK\$Nil (2001: HK\$1,095,781,000) in Hong Kong and are stated at cost.
- (e) The aggregate net book value of fixed assets pledged as securities for loans amounts to HK\$4,868,217,000 (2001: HK\$4,662,075,000).

13. SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	1,229,076	1,229,076
Amounts due by subsidiaries less provision	2,445,612	2,337,170
Amounts due to subsidiaries	–	(26,735)
	3,674,688	3,539,511

Details of the principal subsidiaries are set out in note 30.

14. JOINTLY CONTROLLED ENTITIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net liabilities	(106,193)	(38,329)
Advances to jointly controlled entities less provision	321,580	333,764
	215,387	295,435

	Company	
	2002 HK\$'000	2001 HK\$'000
Advances to jointly controlled entities less provision	–	274,828

The shares in certain jointly controlled entities are pledged to secure loan facilities granted to those entities. The advances to jointly controlled entities amounting to HK\$230,753,000 (2001: HK\$221,534,000) are subordinated to the repayment of the loans of those jointly controlled entities.

Advances to jointly controlled entities are made to finance property development projects. The amounts are unsecured, interest free and have no fixed terms of repayment.

Details of the principal jointly controlled entities are set out in note 30.

15. ASSOCIATED COMPANIES

	2002 HK\$'000	Group 2001 HK\$'000
Share of net assets	75,796	178,109
Advances to associated companies less provision	537,535	532,325
Amounts due to associated companies	(21,965)	(30,248)
	591,366	680,186

The shares in certain associated companies are pledged to secure the loan facilities granted to those companies. Advances to associated companies amounting to HK\$372,569,000 (2001: HK\$366,322,000) are subordinated to the repayment of the loans of those companies.

Advances to associated companies are made to finance property development projects. Except for an amount of HK\$3,035,000 (2001: HK\$3,578,000) due from an associated company which is interest bearing at prime rate, the remaining amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment.

Details of the principal associated companies are set out in note 30.

16. PROPERTIES HELD FOR / UNDER DEVELOPMENT FOR SALE AND COMPLETED PROPERTIES HELD FOR SALE

At 31st March 2002, properties amounting to HK\$1,343,462,000 (2001: HK\$1,988,023,000) were pledged to banks to secure certain banking facilities of the Group.

At 31st March 2002, properties that are carried at net realisable values were HK\$842,289,000 (2001: HK\$962,819,000) and properties that are held for deployment in operating leases were HK\$611,446,000 (2001: HK\$682,446,000).

17. DEBTORS AND PREPAYMENTS

Debtors and prepayments include trade debtors, utility and other deposits, stakeholders' accounts, interest and other receivables, receivable of HK\$4,144,000 (2001: nil) from a Director, Mr. Poon Jing (note 11) and a housing loan of HK\$1,224,000 (2001: HK\$1,292,000) granted to a Director, Mr. Kwan Po Lam, Phileas, in March 1995. The loan is secured by a legal mortgage over the subject property, carries interest at 2% below prime rate (2001: 2% below prime rate) and the principal is repayable by quarterly instalments of HK\$17,000 each. The maximum outstanding balance during the year was HK\$1,292,000 (2001: HK\$1,377,000).

Trade debtors amounted to HK\$55,953,000 (2001: HK\$84,336,000) of which 87% (2001: 97%) 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.

18. OTHER INVESTMENTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Equity securities		
Listed in Hong Kong	55,170	27,161
Listed overseas	79	1,140
Unlisted	2,070	–
	57,319	28,301
Debt securities	49,500	49,500
	106,819	77,801

19. BANK BALANCES AND CASH

The balances include restricted bank balances of HK\$8,293,000 (2001: HK\$43,000,000) which are 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\$29,704,000 (2001: HK\$23,985,000) are held in trust in respect of buildings managed by the Group on behalf of third parties.

20. 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\$48,552,000 (2001: HK\$13,294,000), all of which (2001: 98%) were aged under six months.

21. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 31st March 2000	5,000,000,000	2,000,000
Increase during the year (note (i))	5,000,000,000	2,000,000
Increase due to reduction of nominal value (note (iv))	390,000,000,000	–
At 31st March 2001 and 2002	400,000,000,000	4,000,000

21. SHARE CAPITAL (continued)

	Number of shares		Amount	
	2002	2001	2002 HK\$'000	2001 HK\$'000
Issued and fully paid:				
At beginning of the year	4,112,168,838	2,454,115,308	41,122	981,646
Bonus issue (note (ii))	–	1,636,076,872	–	654,431
Conversion of warrants (note (iii))	479,152	84,528	4	31
Reduction of nominal value of issued share (note (iv))	–	–	–	(1,603,743)
Final dividend, scrips, for financial year 2000	–	21,892,130	–	8,757
At end of the year	4,112,647,990	4,112,168,838	41,126	41,122

Notes:

Company:

- (i) Pursuant to a Special General Meeting held on 26th September 2000, the authorised share capital of the Company was increased from HK\$2,000,000,000 to HK\$4,000,000,000 by the creation of 5,000,000,000 shares of HK\$0.4 each.
- (ii) On the same date, a bonus issue of two bonus shares, credited as fully paid, for every three shares was made by way of capitalisation from the share premium account of the Company.
- (iii) On the same date, a bonus issue of warrants was made on the basis of one warrant for every five shares, at an initial subscription price of HK\$0.32 per share, subject to adjustment from the date of issue of the warrants on 27th September 2000 to 30th September 2001 (both dates inclusive). During the year, a total of 479,152 shares (2001: 84,528 shares) were issued upon the exercise of warrants. The remaining 817,474,756 unexercised warrants lapsed upon expiry on 30th September 2001.
- (iv) Pursuant to a resolution passed at a Special General Meeting on 21st November 2000, the nominal value of issued and unissued shares of the Company was reduced from HK\$0.40 each to HK\$0.01 each. In addition, the issued share capital of the Company was reduced by cancellation of HK\$0.39 paid up capital on each issued share, by transferring the credit arising from the reduction in issued share capital to the contributed surplus account of the Company.
- (v) At 31st March 2001 and 2002, the Company had outstanding options granted under an Executive Share Option Scheme to a Director to subscribe for 1,750,000 shares of the Company at HK\$0.384 per share. The options are exercisable at any time on or before 27th March 2005.

Subsidiary:

- (vi) On 26th September 2000, a bonus issue of warrants was made by Asia Standard Hotel, on the basis of one warrant for every five shares of HK\$0.02 each held. Each warrant entitles its holder to subscribe for fully paid shares of Asia Standard Hotel at an initial subscription price of HK\$0.24 per share, subject to adjustment, from the date of issue of the warrants of 27th September 2000 to 8th October 2001 (both dates inclusive). During the year, a total of 6,248 shares (2001: 5,648 shares) were issued upon the exercise of warrants. The remaining 999,988,104 unexercised warrants lapsed upon expiry on 8th October 2001.

22. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve			Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
				Investment properties HK\$'000	Hotel properties HK\$'000	Other properties HK\$'000			
Group									
At 31st March 2000									
As previously reported	1,187,376	362	43,835	679,663	333,088	79,237	1,066,549	585,116	3,975,226
Prior year adjustment (note 1 (a)(i))	-	-	-	-	-	-	-	12,271	12,271
As restated	1,187,376	362	43,835	679,663	333,088	79,237	1,066,549	597,387	3,987,497
Release of reserve upon deemed disposal of interest in a subsidiary	-	-	-	-	(99,926)	-	-	3,096	(96,830)
Translation differences	-	-	-	-	(1,760)	-	-	(8,363)	(10,123)
2000 final dividend paid	-	-	-	-	-	-	-	(12,271)	(12,271)
Issue of bonus shares	(654,431)	-	-	-	-	-	-	-	(654,431)
Exercise of warrants	(4)	-	-	-	-	-	-	-	(4)
Reduction of share capital	-	-	-	-	-	-	1,603,743	-	1,603,743
Reclassification	-	-	-	28,257	-	(28,257)	-	-	-
Surplus/(deficit) on revaluation									
Subsidiaries	-	-	-	30,087	89,172	(5,980)	-	-	113,279
Associated companies	-	-	-	(9,900)	-	-	-	-	(9,900)
Loss for the year	-	-	-	-	-	-	-	(357,654)	(357,654)
At 31st March 2001	532,941	362	43,835	728,107	320,574	45,000	2,670,292	222,195	4,563,306
Company and subsidiaries	532,941	362	43,835	642,807	320,574	45,000	2,670,292	459,321	4,715,132
Jointly controlled entities	-	-	-	-	-	-	-	(85,973)	(85,973)
Associated companies	-	-	-	85,300	-	-	-	(151,153)	(65,853)
	532,941	362	43,835	728,107	320,574	45,000	2,670,292	222,195	4,563,306
At 31st March 2001	532,941	362	43,835	728,107	320,574	45,000	2,670,292	222,195	4,563,306
Translation differences	-	-	-	-	(330)	-	-	395	65
Exercise of warrants	149	-	-	-	-	-	-	-	149
Surplus/(deficit) on revaluation									
Subsidiaries	-	-	-	(66,357)	107,708	(14,294)	-	-	27,057
Associated companies	-	-	-	(6,600)	-	-	-	-	(6,600)
Loss for the year	-	-	-	-	-	-	-	(481,365)	(481,365)
At 31st March 2002	533,090	362	43,835	655,150	427,952	30,706	2,670,292	(258,775)	4,102,612
Company and subsidiaries	533,090	362	43,835	576,450	427,952	30,706	2,670,292	135,972	4,418,659
Jointly controlled entities	-	-	-	-	-	-	-	(153,843)	(153,843)
Associated companies	-	-	-	78,700	-	-	-	(240,904)	(162,204)
	533,090	362	43,835	655,150	427,952	30,706	2,670,292	(258,775)	4,102,612

22. RESERVES (continued)

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve			Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
				Investment properties HK\$'000	Hotel properties HK\$'000	Other properties HK\$'000			
Company									
At 31st March 2000									
As previously reported	1,186,225	-	43,835	-	-	-	1,080,708	464,190	2,774,958
Prior year adjustment (note 1 (a)(i))	-	-	-	-	-	-	-	(2,729)	(2,729)
As restated	1,186,225	-	43,835	-	-	-	1,080,708	461,461	2,772,229
2000 final dividend paid	-	-	-	-	-	-	-	(12,271)	(12,271)
Issue of bonus shares	(654,431)	-	-	-	-	-	-	-	(654,431)
Exercise of warrants	(4)	-	-	-	-	-	-	-	(4)
Reduction of share capital	-	-	-	-	-	-	1,603,743	-	1,603,743
Profit for the year	-	-	-	-	-	-	-	16,084	16,084
At 31st March 2001	531,790	-	43,835	-	-	-	2,684,451	465,274	3,725,350
Exercise of warrants	149	-	-	-	-	-	-	-	149
Loss for the year	-	-	-	-	-	-	-	(156,801)	(156,801)
At 31st March 2002	531,939	-	43,835	-	-	-	2,684,451	308,473	3,568,698

The investment property revaluation reserve includes an amount of HK\$50,000,000 in respect of an investment property which was transferred to property under development for sale in 2001.

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus and the capital redemption reserve are also distributable. Accordingly, total distributable reserves of the Company amount to HK\$3,036,759,000 (2001: HK\$3,193,560,000) as at 31st March 2002.

23. CONVERTIBLE BONDS

On 7th January 2002, Asia Standard International Capital Limited ("ASICL"), a wholly owned subsidiary of the Company, issued HK\$290,000,000 convertible bonds to Westrata Investment Limited, a substantial shareholder of the Company. The bonds bear interest at 7% per annum payable semi-annually in arrears and are guaranteed by the Company.

The bondholder has the option to convert the bonds into fully paid shares of HK\$0.01 each of the Company at a conversion price of HK\$0.45 per share, subject to adjustment, at any time between 7th January 2002 and 4th January 2007. ASICL may redeem 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 will be redeemed on 7th January 2007 at a redemption price equal to 118.3% of the principal amount together with accrued interest.

23. CONVERTIBLE BONDS (continued)

Provision of HK\$2,443,000 for the premium payable has 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.

The balance at 31st March 2001 represented US\$32,500,000 convertible bonds, issued by ASICL, which bore interest at 7% per annum payable annually in arrears. Each bondholder had the option to convert the bonds into fully paid shares of HK\$0.01 each of the Company at a conversion price of HK\$1.08 per share, subject to adjustment, at any time between 29th January 1997 and 15th November 2001. The bonds were fully repaid on 29th November 2001.

24. LONG TERM LOANS

	Group	
	2002 HK\$'000	2001 HK\$'000
Bank loans, secured		
Repayable within one year	314,085	289,024
Repayable between one and two years	313,739	314,268
Repayable between two and five years	935,997	819,556
Repayable after five years	1,203,657	1,308,229
	2,767,478	2,731,077
Current portion included in current liabilities	(314,085)	(289,024)
	2,453,393	2,442,053

Subsequent to the year end, the Group financed a bank loan outstanding at 31st March 2002 of approximately HK\$125 million (2001: HK\$96 million). The terms of repayment at 31st March 2002 in respect of this bank loan has been reclassified according to the new loan agreement. As a result, the amount of liabilities which has been excluded from current liabilities amounts to approximately HK\$15 million (2001: HK\$77 million).

25. MINORITY INTERESTS AND LOANS

	Group	
	2002 HK\$'000	2001 HK\$'000
Minority interests	715,704	1,033,770
Loans from minority shareholders of subsidiaries, unsecured	102,728	116,892
	818,432	1,150,662

Loans from minority shareholders are to finance property projects of subsidiaries and have no specific terms of repayment. Loans of HK\$80,366,000 (2001: HK\$76,758,000) bear interest at 1.5% (2001: 1.5%) above prime rate and the remaining balance is interest free. In 2001, loans of HK\$22,420,000 bore interest at 9.3% per annum.

26. CAPITAL COMMITMENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Contracted but not provided for	21,296	58,028	–	–
Authorised but not contracted for	–	–	–	–
	21,296	58,028	–	–

27. OPERATING LEASE ARRANGEMENTS**(a) Lessor**

The Group leases out certain properties under operating leases which typically run for a period of 1 to 10 years.

At 31st March 2002, the future aggregate minimum rental receipts receivable under non-cancellable operating leases were as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
In respect of land and buildings:		
Within one year	63,925	48,726
In the second to fifth year inclusive	63,304	57,826
After the fifth year	8,997	–
	136,226	106,552

(b) Lessee

At 31st March 2002, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
In respect of land and buildings:		
Within one year	7,660	4,230
In the second to fifth year inclusive	13,120	7,901
After the fifth year	3,148	4,992
	23,928	17,123

28. CONTINGENT LIABILITIES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees for the banking and loan facilities of:				
Subsidiaries	–	–	1,478,804	1,550,477
Jointly controlled entities	163,869	152,610	163,869	152,610
Associated companies	219,720	218,558	219,720	218,558
Third parties	32,036	29,381	–	–
Guarantee for the convertible bonds issued by a subsidiary	–	–	290,000	251,290
	415,625	400,549	2,152,393	2,172,935

29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of loss before taxation to net cash generated from operations**

	2002 HK\$'000	2001 HK\$'000
Loss before taxation	(491,100)	(367,274)
Share of profits less losses of		
Jointly controlled entities	67,870	5,328
Associated companies	88,788	81,601
Depreciation	6,980	9,482
Amortisation of goodwill	2,934	–
Gain on partial disposal of catering business	(4,181)	–
Loss on disposal of interest in the Panyu development	124,055	–
Loss on disposal of other subsidiaries	60	–
Loss on deemed disposal of interest in the hotel and management services businesses	–	134,300
Loss on disposal of fixed assets	1,128	7
Net realised and unrealised losses on other investments	8,456	29,583
Provision for diminution in value of properties under development / held for sale	122,314	65,419
Written back of provision for diminution in value of properties held for sale	–	(62,000)
Dividends from listed investments	(670)	–
Interest income	(16,737)	(38,856)
Interest expense	99,880	118,410
Operating profit / (loss) before working capital changes	9,777	(24,000)
Decrease in mortgage loans receivable	40,761	9,061
Decrease in properties held for / under development for sale (excluding interest expense capitalised)	120,327	134,799
(Increase) / decrease in hotel and restaurant inventories	(306)	715
(Increase) / decrease in debtors and prepayments	(24,081)	120,071
Increase / (decrease) in creditors and accruals	2,781	(98,312)
Net cash generated from operations	149,259	142,334

29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)**(b) Acquisition of a subsidiary**

	2002 HK\$'000	2001 HK\$'000
Net assets acquired		
Fixed assets	472	–
Debtors and prepayments	12,718	–
Bank balances and cash	20,664	–
Bank overdrafts	(8,367)	–
Creditors and accruals	(22,880)	–
Taxation	(100)	–
	2,507	–
Goodwill	33,493	–
	36,000	–
Consideration satisfied by cash	36,000	–

Analysis of net outflow of cash and cash equivalents in connection with the acquisition of a subsidiary:

	2002 HK\$'000	2001 HK\$'000
Cash consideration paid	36,000	–
Bank balances and cash acquired	(20,664)	–
Bank overdrafts acquired	8,367	–
	23,703	–

The subsidiary acquired during the year utilised HK\$4,265,000 (2001: nil) of the Group's net operating cash flows and received HK\$14,000 (2001: nil) from investing activities.

29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)**(c) Disposal of subsidiaries**

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of		
Fixed assets	2,457	–
Properties held for / under development for sale	608,512	–
Debtors and prepayments	5,737	–
Bank balances and cash	6,369	–
Creditors and other accruals	(30,939)	–
Taxation	(10,534)	–
Long term loans	(12,773)	–
Minority interests	(330,697)	–
	<u>238,132</u>	–
Loss on disposal of interest in the Panyu development	(124,055)	–
Loss on disposal of other subsidiaries	(60)	–
	<u>114,017</u>	–

Analysis of net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:

	2002 HK\$'000	2001 HK\$'000
Cash consideration received	114,017	–
Bank balances and cash disposed of	(6,369)	–
	<u>107,648</u>	–

29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)**(d) Analysis of changes in financing during the year**

	Share capital (including premium and redemption reserve) HK\$'000	Convertible bonds HK\$'000	Long term loans HK\$'000	Short term bank loans HK\$'000	Restricted bank balance HK\$'000	Minority interests and loans HK\$'000	Total HK\$'000
At 31st March 2000	2,212,857	251,290	2,806,969	10,000	(43,000)	557,786	5,795,902
Minority interests' share of loss and exchange reserve	-	-	-	-	-	(5,107)	(5,107)
Minority interests' share of revaluation reserve	-	-	-	-	-	41,167	41,167
Dividend paid to minority shareholders of a subsidiary	-	-	-	-	-	(4,455)	(4,455)
Net decrease in interest in a subsidiary	-	-	-	-	-	233,192	233,192
Reduction of share capital	(1,603,743)	-	-	-	-	-	(1,603,743)
Scrip dividend	8,757	-	-	-	-	-	8,757
Exchange differences	-	-	(15,697)	-	-	-	(15,697)
Net cash from / (used in) financing activities	27	-	(60,195)	120,000	-	328,079	387,911
At 31st March 2001	617,898	251,290	2,731,077	130,000	(43,000)	1,150,662	4,837,927
Exchange differences	-	-	(2,886)	-	-	-	(2,886)
Minority interests' share of loss	-	-	-	-	-	(13,151)	(13,151)
Minority interests' share of revaluation reserve	-	-	-	-	-	29,958	29,958
Net decrease in interest in subsidiaries	-	-	-	-	-	(4,181)	(4,181)
Disposal of a subsidiary	-	-	(12,773)	-	-	(330,697)	(343,470)
Net cash from / (used in) financing activities	153	38,710	52,060	(38,750)	34,707	(14,159)	72,721
At 31st March 2002	618,051	290,000	2,767,478	91,250	(8,293)	818,432	4,576,918

30. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

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

Subsidiaries

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

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated
<i>Incorporated in Hong Kong</i>		
Asia Standard (Beijing) Company Limited	Investment holding	HK\$ 2
Asia Standard Development (Holdings) Limited	Investment holding	HK\$10 and non-voting deferred share capital of HK\$362,892,949
Asia Standard Development (Real Estate Agencies) Limited	Real estate agency services	HK\$2
Asia Standard Finance Company Limited	Financing services	HK\$1,000,000
Asia Standard International Limited *	Investment holding	HK\$1,214,916,441
Asia Standard Management Services Limited	Management services	HK\$2
Asia Standard Project Management Company Limited	Project management	HK\$2
Barinet Company Limited	Property development	HK\$1,000
Blessea Development Limited (80% owned)	Property development	HK\$2
Centop Investment Limited (80% owned)	Property development	HK\$100
Crystal Rich Limited	Property development	HK\$2
Excellence Ocean Limited (80% owned)	Property development	HK\$2
Free Ocean Investments Limited	Property development	HK\$2
Full Union Development Limited	Property development	HK\$2
Get Rich Enterprises Limited (80% owned)	Property development	HK\$2
Glory Ocean Limited	Property development	HK\$2
Good Year Engineering Services Limited (70.04% owned)	Engineering and maintenance services	HK\$2
Grace Profit Enterprises Limited (70.04% owned)	Restaurant operation	HK\$2
Hoi Chak Properties Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$2
Honest Engineering Limited (80% owned)	Construction	HK\$100
Hugetop Holdings Limited	Property development	HK\$2
JBC Travel Company Limited (70.04% owned)	Travel Agency	HK\$2,500,000
Kelpoint Limited	Property development	HK\$2

30. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (continued)

Subsidiaries (continued)

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated
<i>Incorporated in Hong Kong</i>		
Mark Honour Limited (90% owned)	Property development	HK\$10
Master Asia Enterprises Limited	Property development	HK\$10,000
Mega Royal Limited	Property development	HK\$2
Morning Gay Investments Limited	Property development	HK\$100
Oceanlion Investments Limited (80% owned)	Property development	HK\$2
Oriental Land Investment Limited (80% owned)	Property development	HK\$2
Ocean Victory Investment Limited	Property trading	HK\$2
Oceanic Union Limited (80% owned)	Property development	HK\$2
Paramount Shine Limited	Property development	HK\$2
Perfect Wave Limited (70.04% owned)	Restaurant operation	HK\$2
Prosperity Land Cleaning Service Limited (70.04% owned)	Cleaning services	HK\$100 and non-voting deferred share capital of HK\$100
Prosperity Land Estate Management Limited (70.04% owned)	Property management	HK\$150 and non-voting deferred share capital of HK\$1,500,000
Rich Kinghood Limited	Property development	HK\$2
Stone Pole Limited (70.04% owned)	Hotel holding	HK\$10
Tilpifa Company Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$10,000
Tonlok Limited	Property development	HK\$1,000
Trade Hope Limited	Property development	HK\$2
Union Rich Resources Limited (80% owned)	Property development	HK\$2
Vinstar Development Limited (70.04% owned)	Hotel Holding	HK\$2
Waliway Limited	Property holding	HK\$100
Way Link Holdings Limited (90% owned)	Property trading	HK\$2
Winfast Engineering Limited	Construction	HK\$2
Wonder Pacific Limited (80% owned)	Property development	HK\$2
Yetshing Properties Limited	Property development	HK\$20,000

30. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (continued)

Subsidiaries (continued)

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated
<i>Incorporated in Bermuda</i>		
Asia Standard Hotel Group Limited (70.04% owned)	Investment holding	HK\$101,044,000
<i>Incorporated in the British Virgin Islands</i>		
Bondax Holdings Limited	Investment holding	US\$1
Enrich Enterprises Ltd (70.04% owned)**	Hotel holding	US\$1
Global Gateway Corp. (70.04% owned)**	Hotel operation	US\$1
Glory Ventures Enterprises Inc. (70.04% owned)**	Hotel holding	US\$1
Greatime Limited (70.04% owned)	Securities Investment	US\$1
Master Venture Limited	Property development	US\$1
<i>Incorporated in the Cayman Islands</i>		
Asia Standard International Capital Limited *	Financing services	US\$2
* Direct subsidiary of the Company		
** Operates in Canada		

Jointly controlled entities

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

Name	Principal activity	Group equity interest
Auburntown Limited	Property development	30%
Bai Hui Real Estate Company Limited	Investment holding	23.5%
Capital Pacific Development Limited	Investment holding	50%
Goldmax International Limited (incorporated in the British Virgin Islands)	Investment holding	50.1%
Keishin Limited (incorporated in the British Virgin Islands)	Investment holding	33.3%
Ocean Champion Development Limited	Property development	50%
Sheenity Enterprises Limited	Property development	50%
Weststar Enterprises Limited	Property development	50.1%

30. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (continued)

Associated companies

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

Name	Principal activity	Group equity interest
Allwin Assets Limited (incorporated in the British Virgin Islands)	Investment holding	20%
Bai Hui Group Company Limited	Investment management	35%
Excel Billion Holdings Limited	Property development	50%
Gallop Worldwide Limited (incorporated in the British Virgin Islands)	Investment holding	50%
Home Kent Enterprise Limited	Property development	50%
Ocean Strong Industrial Limited	Property development	50%
Perfect Pearl Company Limited	Property investment	33%
Sheen Finance Limited	Financing services	50%
Super Location Limited	Property development	50%

31. ULTIMATE HOLDING COMPANY

In the opinion of the Directors, the ultimate holding company is Asia Orient Holdings Limited, a company incorporated in Bermuda and listed in Hong Kong.

32. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 18th July 2002.