

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of hotel properties and other investments 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.

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

(b) 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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(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 or below cost. Provision is made when the Directors consider that there is long term impairment in value.

(d) 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 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.

(e) Fixed assets and 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) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and provision for significant impairment in value and are depreciated using the straight-line method to write off their costs over their estimated useful lives of five years.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Fixed assets and depreciation (continued)

(ii) Other fixed assets (continued)

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group. The carrying amounts of fixed assets are reviewed regularly. Where the estimated recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts.

Profit or loss on disposal of a fixed asset is determined as the difference between the net sales proceed and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(f) 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.

(g) Other investments

Other investments comprise debt and equity 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 and 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) 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.

(i) 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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) 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.

(k) Finance leases

Assets leased under agreements that transfer substantially all the risks and rewards incident to ownership of the relevant assets to the Group are classified as finance leases. At the inception of a finance lease, the fair value of the asset or, if lower, the present value of the minimum lease payments is capitalised as a fixed asset; the corresponding obligations, net of finance charges, is included under long term liabilities. Gross rental 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.

(l) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rental payables, 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 terms of the leases.

(m) Revenue recognition

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

Operating lease rental income is recognised on a straight-line basis over the term of the lease.

Management fee income is recognised when services are rendered.

Revenue from sale of air tickets and hotel reservation service is recognised when customers confirm the booking.

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

(n) 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 ruling at that date. Exchange differences arising in these cases are dealt with in the profit and loss account.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(n) Foreign currencies (continued)

The profit and loss accounts of subsidiaries, 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 differences arising from the translation of net investments in these subsidiaries are dealt with as a movement in reserves.

In previous years, profit and loss accounts of subsidiaries, 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.

2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in hotel, travel agency operations and management services. Turnover represents gross revenue from hotel, travel agency operations, and management services income.

Primary reporting format – business segments

The Group is organised into three main business segments:

Hotel and catering - hotel and restaurant operation in Hong Kong and Canada

Travel agency - sale of air tickets and hotel reservation service

Management services - property management

There is no other significant identifiable separate business segment. 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 of fixed assets, inventories, debtors and prepayments and mainly excludes other investments. Segment liabilities comprise mainly creditors, accruals and long term liabilities.

2. TURNOVER AND SEGMENT INFORMATION (continued)**Business segments**

	Turnover		Segment results	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hotel and catering				
Room rentals	99,904	98,422		
Food and beverages	41,658	38,960		
Ancillary services	9,933	8,019		
Rental income	5,604	3,563		
	157,099	148,964	48,188	49,163
Travel agency	255,608	–	(2,396)	–
Management services	12,177	11,493	282	2,599
	424,884	160,457	46,074	51,762
Unallocated corporate expenses			(8,380)	(13,715)
Operating profit			37,694	38,047
Interest income			788	6,295
Net investment gain			3,390	1,367
Finance costs			(23,409)	(16,811)
Profit before taxation			18,463	28,898
Taxation (charge)/credit			(477)	267
Profit attributable to shareholders			17,986	29,165

	Hotel and catering HK\$'000	Travel agency HK\$'000	Management services HK\$'000	Total HK\$'000
Year ended				
31st March 2002				
Segment assets	3,269,694	46,024	6,157	3,321,875
Other investments				87,228
Unallocated corporate assets				125,923
Total assets				3,535,026
Segment liabilities	1,369,935	20,636	5,940	1,396,511
Unallocated corporate liabilities				30,741
Total liabilities				1,427,252
Depreciation	684	207	335	1,226
Capital expenditure	102,004	203	1,502	103,709
Amortisation of goodwill	116	2,935	–	3,051

2. TURNOVER AND SEGMENT INFORMATION (continued)

	Hotel and catering HK\$'000	Travel agency HK\$'000	Management services HK\$'000	Total HK\$'000
Year ended				
31st March 2001				
Segment assets	3,044,626	–	6,553	3,051,179
Other investments				49,500
Unallocated corporate assets				132,318
Total assets				3,232,997
Segment liabilities	1,200,172	–	13,047	1,213,219
Unallocated corporate liabilities				28,404
Total liabilities				1,241,623
Depreciation	193	–	260	453
Capital expenditure	206,255	–	16	206,271

Secondary reporting format — geographical segments

The Group's business segments operating in Hong Kong and Canada are as follows:

Hong Kong	- all the Group's business segments
Canada	- hotel and catering

Geographical segments

	Turnover HK\$'000	Operating profit HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Year ended				
31st March 2002				
Hong Kong	357,394	16,995	3,186,268	103,371
Canada	67,490	20,699	348,758	1,038
	424,884	37,694	3,535,026	104,409
Year ended				
31st March 2001				
Hong Kong	86,338	17,272	2,866,807	196,687
Canada	74,119	20,775	366,190	9,606
	160,457	38,047	3,232,997	206,293

3. OTHER CHARGES

	2002 HK\$'000	2001 HK\$'000
Pre-opening expenses of Empire Hotel Kowloon	4,041	–
Amortisation of goodwill	3,051	–
	7,092	–

4. OPERATING PROFIT

	2002 HK\$'000	2001 HK\$'000
Operating profit is stated after crediting and charging the following:		
Crediting		
Operating lease rental income for land and buildings	5,604	3,563
Charging		
Staff costs	64,425	55,380
Operating lease rental expense for land and buildings	2,674	2,052
Depreciation	1,414	606
Auditors' remuneration	806	852
Loss on disposal of fixed assets	1,025	–
Retirement benefit costs (note a)	1,437	183
(a) Retirement benefit costs		
Gross contributions	1,844	485
Forfeitures utilised	(407)	(302)
Net contributions	1,437	183

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.

As at 31st March 2002, forfeitures of HK\$96,000 (2001: Nil) were available to reduce the Group's future contributions to the ORSO schemes.

5. INTEREST INCOME

	2002 HK\$'000	2001 HK\$'000
Interest income		
Bank deposits	576	6,295
Loans to third parties	212	–
	788	6,295

6. NET INVESTMENT GAIN

	2002 HK\$'000	2001 HK\$'000
Profit on sale of other investments	22,405	14
Unrealised loss on other investments	(22,185)	–
Dividend income from listed equity securities	670	–
Interest income from unlisted debt securities	2,500	1,353
	3,390	1,367

7. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest expense		
Bank loans and overdrafts	64,650	82,328
Amount due to a fellow subsidiary	–	22,287
Finance lease obligations not wholly repayable within five years	36	34
Other incidental borrowing costs	2,476	6,554
	67,162	111,203
Amount capitalised in cost of hotel property under development	(43,753)	(94,392)
	23,409	16,811

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

	2002 HK\$'000	2001 HK\$'000
Fees	40	40
Salaries and other emoluments	4,184	11,182
	4,224	11,222

The emoluments of individual Directors fell within the following bands:

	2002 HK\$'000	2001 HK\$'000
Emolument bands		
HK\$Nil - HK\$1,000,000	7	8
HK\$1,000,001 - HK\$1,500,000	-	-
HK\$1,500,001 - HK\$2,000,000	1	2
HK\$2,500,001 - HK\$3,000,000	1	2
	9	12

- (ii) Emoluments paid to independent non-executive directors amounted to HK\$40,000 (2001: HK\$40,000) during the year. None of the directors have waived the right to receive their emoluments.
- (iii) The five highest paid individuals in the Group for the year include three (2001: five) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals in 2002, which individually fell below HK\$1,000,000, amounted to HK\$1,399,000 in aggregate.

9. TAXATION (CHARGE) / CREDIT

	2002 HK\$'000	2001 HK\$'000
Current year provision	(462)	(5)
(Under) / over provision in prior years	(15)	272
	(477)	267

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

9. TAXATION (CHARGE) / CREDIT (continued)

Tax losses available at 31st March 2002 to reduce future taxable profits of subsidiaries to which they relate amounted to approximately HK\$436 million (2001: HK\$281 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 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\$2.0 million at 31st March 2002 (2001: HK\$4.8 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.

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$2,064,000 (2001: a profit of HK\$891,000).

11. DIVIDEND

No interim dividend was declared for the year (2001: HK0.2 cent per share, with a scrip option paid). The directors do not recommend the payment of a final dividend for the year ended 31st March 2002 (2001: Nil).

12. EARNINGS PER SHARE

The calculation of earnings per share is based on the consolidated profit attributable to shareholders of HK\$17,986,000 (2001: HK\$29,165,000) and on the weighted average 5,052,215,587 (2001: 4,556,491,572) shares in issue during the year.

13. FIXED ASSETS

Group

	Hotel properties HK\$'000	Hotel property under development HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Cost or valuation				
At 31st March 2001	1,838,027	1,187,850	4,706	3,030,583
Exchange difference	(5,227)	–	(40)	(5,267)
Additions	1,038	99,163	4,208	104,409
Acquisition of subsidiaries	–	–	22,642	22,642
Transfer upon completion	1,287,013	(1,287,013)	–	–
Disposals	–	–	(1,249)	(1,249)
Surplus on revaluation	100,189	–	–	100,189
At 31st March 2002	3,221,040	–	30,267	3,251,307
Accumulated depreciation				
At 31st March 2001	–	–	3,609	3,609
Exchange difference	–	–	(20)	(20)
Acquisition of subsidiaries	–	–	14,642	14,642
Charge for the year	–	–	1,414	1,414
Disposals	–	–	(219)	(219)
At 31st March 2002	–	–	19,426	19,426
Net book value				
At 31st March 2002	3,221,040	–	10,841	3,231,881
At 31st March 2001	1,838,027	1,187,850	1,097	3,026,974

- (a) Hotel properties comprise a long term leasehold property in Hong Kong of HK\$1,480,000,000 (2001: HK\$1,480,000,000), a medium term leasehold property in Hong Kong of HK\$1,400,000,000 and a freehold property 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.
- (b) All other fixed assets are stated at cost less accumulated depreciation. The net book value of the fixed assets held by the Group under finance leases amounted to HK\$347,000 (2001: HK\$285,000).
- (c) The aggregate net book value of fixed assets pledged as securities for loans of the Group amounted to HK\$3,221,040,000 (2001: HK\$3,025,877,000).

14. GOODWILL

	Group 2002 HK\$'000
Acquisition of subsidiaries, net of adjustment	43,287
Amortisation charge	(3,051)
	<u>40,236</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 as at 31st March 2002 (note 26 (vii)).

15. SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	1,491,550	1,446,549
Amounts due to subsidiaries	(3,419)	(327)
	<u>1,488,131</u>	<u>1,446,222</u>

Details of the principal subsidiaries are set out in note 28.

16. OTHER INVESTMENTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Equity securities		
Listed in Hong Kong	36,720	–
Unlisted	1,008	–
	<u>37,728</u>	–
Debt securities	49,500	49,500
	<u>87,228</u>	<u>49,500</u>

17. DEBTORS AND PREPAYMENTS

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

	Group	
	2002 HK\$'000	2001 HK\$'000
0 to 60 days	20,626	5,704
61 to 120 days	1,347	507
More than 120 days	2,940	2,277
	24,913	8,488

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.

Included in debtors and prepayments is an amount of HK\$4,144,000 receivable from a director (note 26 (vii)).

18. BANK BALANCES AND CASH

Included in bank balances is an amount of HK\$29,704,000 (2001: HK\$23,985,000) which is held in trust in respect of buildings managed by the Group on behalf of third parties.

19. CREDITORS AND ACCRUALS

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

	Group	
	2002 HK\$'000	2001 HK\$'000
0 to 60 days	26,431	6,513
61 to 120 days	3,745	3,364
More than 120 days	2,664	127
	32,840	10,004

20. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
Shares of HK\$0.1 each upon incorporation	1,000,000	100
Increase in shares of HK\$0.1 each in 2001	4,999,000,000	499,900
Subdivision of 1 share to 5 shares at HK\$0.02 each	20,000,000,000	–
At 31st March 2001 and 2002	25,000,000,000	500,000

	Number of shares	HK\$'000
Issued and fully paid:		
Issue of shares of HK\$0.1 each upon incorporation	1,000,000	100
Issue of shares of HK\$0.1 each pursuant to a group reorganisation in 2000	699,000,000	69,900
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
At 31st March 2001	5,052,212,433	101,044
Exercise of warrants	6,248	–
At 31st March 2002	5,052,218,681	101,044

On 26th September 2000, a bonus issue of warrants was made 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 the Company 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 were issued upon the exercise of warrants. The remaining 999,988,104 unexercised warrants lapsed upon expiry on 8th October 2001.

21. RESERVES**Group**

	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
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 a group reorganisation in 2000	–	(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)
At 31st March 2001	299,783	899,333	469,018	(12,073)	234,269	1,890,330
Translation difference	–	–	(332)	(1,444)	–	(1,776)
Exercise of warrants	1	–	–	–	–	1
Surplus on revaluation	–	–	100,189	–	–	100,189
Profit for the year attributable to shareholders	–	–	–	–	17,986	17,986
At 31st March 2002	299,784	899,333	568,875	(13,517)	252,255	2,006,730

21. RESERVES (continued)**Company**

	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
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 a group reorganisation in 2000	–	1,098,229	–	–	–	1,098,229
Profit for the year attributable to shareholders	–	–	–	–	891	891
Dividend	–	(10,000)	–	–	–	(10,000)
At 31st March 2001	299,783	1,088,229	–	–	891	1,388,903
Exercise of warrants	1	–	–	–	–	1
Loss for the year attributable to shareholders	–	–	–	–	(2,064)	(2,064)
At 31st March 2002	299,784	1,088,229	–	–	(1,173)	1,386,840

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\$1,087,056,000 (2001: HK\$1,089,120,000).

22. LONG TERM LIABILITIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Bank loans, secured (<i>note a</i>)		
Repayable within one year	40,333	27,934
Repayable within one to two years	64,495	44,680
Repayable within two to five years	479,485	260,040
Repayable after five years	751,340	835,006
	1,335,653	1,167,660
Obligations under finance leases not wholly repayable within five years (<i>note b</i>)	469	392
	1,336,122	1,168,052
Current portion included in current liabilities	(40,405)	(27,976)
	1,295,717	1,140,076

(a) The bank loans are secured by mortgages of the Group's hotel properties (note 13(c)), floating charges over all the assets and properties of certain subsidiaries and corporate guarantees given by the Company.

(b) At 31st March 2002, the Group's finance lease liabilities were repayable as follows:

	Present value		Minimum payment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	72	42	106	72
In the second year	75	46	106	72
In the third to fifth year	243	161	298	216
After the fifth year	79	143	83	156
	469	392	593	516

23. OPERATING LEASE ARRANGEMENTS

(a) Lessor

The Group leases out certain portions of its hotel properties under operating leases which typically run for periods of 3 to 10 years.

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

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	9,722	3,586	–	–
In the second to fifth years inclusive	28,528	14,716	–	–
After the fifth year	8,997	–	–	–
	47,247	18,302	–	–

(b) Lessee

At 31st March 2002, the future aggregate minimum lease payments payable under non-cancellable operating leases in respect of land and buildings were as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	6,849	2,218	–	–
In the second to fifth years inclusive	13,120	438	–	–
After the fifth year	3,148	–	–	–
	23,117	2,656	–	–

24. CAPITAL COMMITMENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
In respect of fixed assets:				
Authorised but not contracted for	–	–	–	–
Contracted but not provided for	–	8,979	–	–
	–	8,979	–	–

25. CONTINGENT LIABILITIES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees for the loans and banking facilities of subsidiaries	–	–	1,335,653	1,134,096

26. RELATED PARTY TRANSACTIONS

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

	2002 HK\$'000	2001 HK\$'000
(i) Operating lease rental expense for land and buildings to fellow subsidiaries	(1,972)	(2,052)
(ii) Hotel revenue from intermediate holding company and a fellow subsidiary	203	772
(iii) Management services income from fellow subsidiaries	2,742	2,875
(iv) Property development cost to a fellow subsidiary	(4,333)	(88,460)
(v) Purchase of subsidiaries from a fellow subsidiary	(23,975)	–
(vi) Purchase of a subsidiary from a related company	(36,000)	–
(vii) Receivable from a director	4,144	–

Notes:

- (i) Rental expense is subject to terms agreed by the parties involved, which is at a monthly fixed fee.
- (ii) Hotel revenue is charged at prices and terms no less than those charged to other third party customers.
- (iii) 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.
- (iv) 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.
- (v) On 6th March 2002, the Group acquired the entire issued share capital of and all shareholder's loans to Perfect Wave Limited and Grace Profit Enterprises Limited at a consideration of HK\$15,900,000 and HK\$8,075,000 respectively, from Asia Standard Catering Limited, a wholly-owned subsidiary of Asia Standard International Group Limited. The acquired companies are engaged in the operation of restaurants in Hong Kong and Shanghai.
- (vi) 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 owned by Mr. Poon Jing, a Director of the Company. Mr. Poon Jing 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.
- (vii) The net profit before interest and taxation of JBC for the year ended 31st March 2002 was HK\$856,000. Accordingly, Mr. Poon Jing is required to pay an amount equal to the shortfall of HK\$4,144,000 to the Group. The amount receivable of HK\$4,144,000 is included under debtors as at 31st March 2002.

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

	2002 HK\$'000	2001 HK\$'000
Profit before taxation	18,463	28,898
Depreciation	1,414	606
Interest income	(3,288)	(7,648)
Dividend income	(670)	–
Finance costs	23,409	16,811
Profit on sale of other investments	(22,405)	(14)
Unrealised loss on other investments	22,185	–
Loss on disposal of fixed assets	1,025	–
Amortisation of goodwill	3,051	–
	<hr/>	
Operating profit before working capital changes	43,184	38,653
(Increase)/decrease in inventories	(303)	5
(Increase)/decrease in debtors and prepayments	(2,068)	4,390
Increase/(decrease) in creditors and accruals	1,008	(1,724)
(Decrease)/increase in amounts due to fellow subsidiaries	(7,633)	11,409
	<hr/>	
Net cash generated from operations	34,188	52,733

(b) Acquisition of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets acquired		
Fixed assets	8,000	–
Inventories	1,406	–
Debtors and prepayments	14,860	–
Bank balances and cash	22,433	–
Creditors and accruals	(25,688)	–
Bank overdrafts	(8,367)	–
Taxation	(100)	–
	<hr/>	
	12,544	–
Goodwill	47,431	–
	<hr/>	
Satisfied by cash	59,975	–

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)**(b) Acquisition of subsidiaries** (continued)

Analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Cash consideration	59,975	–
Bank balances and cash acquired	(22,433)	–
Bank overdrafts	8,367	–
	45,909	–

The subsidiaries acquired during the year utilised HK\$4,056,000 (2001: Nil) of the Group's net operating cash flows and received HK\$15,000 (2001: Nil) from investing activities.

(c) 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 2000	981,904	–	342,451	465	814,180	2,139,000
Net cash from/(used in) financing activities	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
Net cash from/(used in) financing activities	1	–	–	(59)	170,878	170,820
Inception of finance leases	–	–	–	136	–	136
Changes in exchange rates	–	–	–	–	(2,885)	(2,885)
At 31st March 2002	1,300,161	–	–	469	1,335,653	2,636,283

28. PRINCIPAL SUBSIDIARIES

A list of the Group's principal subsidiaries which are in the opinion of the Directors, principally affect the results and/or net assets of the Group, are as follows:

(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 Hotel (Holdings) Limited	Investment holding	HK\$2
Good Year Engineering Service Limited	Engineering and maintenance services	HK\$2
Grace Profit Enterprises Limited	Catering operation	HK\$2
JBC Travel Company Limited	Travel agency	HK\$2,500,000
Perfect Wave Limited	Catering operation	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 and operation	HK\$2
<i>Incorporated in the British Virgin Islands</i>		
Enrich Enterprises Limited *	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
Superite Limited	Securities investment	US\$1
Empire Hotel Investment Limited	Investment holding	US\$1
<i>Incorporated in the People's Republic of China</i>		
Shanghai Hong Hua TGIF Restaurant Co. Limited (95% owned) #	Catering operation	RMB17,384,640
* Operates in Canada		
# Operates in the Mainland China		

29. ULTIMATE HOLDING COMPANY

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

30. APPROVAL OF ACCOUNTS

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