

# Notes to the Accounts

## 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 new Statement of Standard Accounting Practice No.34 "Employee benefits" issued by the Hong Kong Society of Accountants. The adoption of this new standard has no material effect on the Group's results or net assets.

### (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. The Group continues to share losses incurred by associated companies, which is over and above the carrying amounts of the investments, to the extent that the Group has guaranteed obligations or other commitments of these associated companies.

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

### (f) Goodwill

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

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

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

**1 PRINCIPAL ACCOUNTING POLICIES (continued)****(f) Goodwill (continued)**

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

**(g) Other investments**

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

**(h) Fixed assets****(i) Investment properties**

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

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

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

**(ii) Hotel properties**

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

## 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.

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

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

### (j) Completed properties held for sale

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

### (k) Hotel and restaurant inventories

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

### (l) Provisions

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

### (m) Employee benefits

#### (i) Employee leave entitlements

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

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

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

### (m) Employee benefits (continued)

- (ii) Pension obligations

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

### (n) Deferred taxation

Deferred taxation is provided 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.

### (o) Revenue recognition

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

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

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

- (ii) Completed properties held for sale

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

- (iii) Investment properties

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

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

### (o) Revenue recognition (continued)

- (iv) Hotel, travel agency and management businesses

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

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

Management fee income is recognised when services are rendered.

- (v) Investment and others

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

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

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

### (p) Foreign currencies

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

### (q) Borrowing costs

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

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



## **1 PRINCIPAL ACCOUNTING POLICIES (continued)**

### **(r) Operating leases**

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

### **(s) Cash and cash equivalents**

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

## **2 TURNOVER AND SEGMENT INFORMATION**

The Group is principally engaged in property development and investment, hotel, travel agency and catering 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 and hotel and travel. There is no other significant identifiable separate business segment. Segment revenue from external customers is after elimination of inter-segment revenue. There is no revenue (2002: HK\$4 million) charged by the property sales segment in respect of construction services provided to the hotel and travel segment which 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 2003 HK\$'000	Property leasing 2003 HK\$'000	Hotel and travel 2003 HK\$'000	Other operations 2003 HK\$'000	Group 2003 HK\$'000
Segment revenue	470,191	60,691	448,217	77,784	1,056,883
Contribution to segment results	48,158	54,303	66,128	4,668	173,257
Provisions and other charges	(136,048)	-	(2,413)	(13,087)	(151,548)
Unallocated corporate expenses					(38,964)
Operating loss					(17,255)
Finance costs					(128,343)
Share of results of					
Jointly controlled entities	(33,031)	-	-	-	(33,031)
Associated companies	(108,142)	7,265	(1,158)	17	(102,018)
Loss before taxation					(280,647)
Taxation					(3,026)
Loss after taxation					(283,673)
Minority interests					551
Loss attributable to shareholders					(283,122)
	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000
Segment revenue	253,950	61,242	424,884	98,792	838,868
Contribution to segment results	(27,936)	51,710	45,364	39,001	108,139
Provisions and 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	(67,870)	-	-	-	(67,870)
Associated companies	(94,836)	6,019	-	29	(88,788)
Loss before taxation					(491,100)
Taxation					(3,416)
Loss after taxation					(494,516)
Minority interests					13,151
Loss attributable to shareholders					(481,365)

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

	Property sales 2003 HK\$'000	Property leasing 2003 HK\$'000	Hotel and travel 2003 HK\$'000	Other operations 2003 HK\$'000	Group 2003 HK\$'000
<b>Segment assets</b>	<b>1,313,823</b>	<b>1,887,619</b>	<b>3,119,716</b>	<b>243,455</b>	<b>6,564,613</b>
<b>Jointly controlled entities and associated companies</b>	<b>465,045</b>	<b>170,146</b>	<b>11,842</b>	<b>164</b>	<b>647,197</b>
<b>Unallocated assets</b>					<b>73,515</b>
					<b>7,285,325</b>
<b>Segment liabilities</b>	<b>861,192</b>	<b>720,505</b>	<b>1,342,090</b>	<b>30,539</b>	<b>2,954,326</b>
<b>Minority interest and loans</b>					<b>748,429</b>
<b>Unallocated liabilities</b>					<b>155,232</b>
					<b>3,857,987</b>
<b>Capital expenditure</b>	<b>8</b>	<b>1,059</b>	<b>764</b>	<b>19</b>	<b>1,850</b>
<b>Depreciation</b>	<b>207</b>	<b>3,338</b>	<b>5,283</b>	<b>823</b>	<b>9,651</b>
	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000
<b>Segment assets</b>	<b>1,660,354</b>	<b>2,218,987</b>	<b>3,432,725</b>	<b>260,929</b>	<b>7,572,995</b>
<b>Jointly controlled entities and associated companies</b>	<b>557,645</b>	<b>246,082</b>	<b>-</b>	<b>3,026</b>	<b>806,753</b>
<b>Unallocated assets</b>					<b>83,707</b>
					<b>8,463,455</b>
<b>Segment liabilities</b>	<b>1,100,260</b>	<b>781,594</b>	<b>1,426,882</b>	<b>17,494</b>	<b>3,326,230</b>
<b>Minority interests and loans</b>					<b>818,432</b>
<b>Unallocated liabilities</b>					<b>175,055</b>
					<b>4,319,717</b>
<b>Capital expenditure</b>	<b>45</b>	<b>650</b>	<b>157,482</b>	<b>6</b>	<b>158,183</b>
<b>Depreciation</b>	<b>679</b>	<b>487</b>	<b>1,379</b>	<b>4,435</b>	<b>6,980</b>

## 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 2003 HK\$'000	Operating profit/(loss) 2003 HK\$'000	Total assets 2003 HK\$'000	Capital expenditure 2003 HK\$'000
Hong Kong	984,155	(20,362)	6,866,856	1,836
Mainland China	13,899	(13,192)	37,755	–
Canada	58,829	16,299	380,714	14
	<b>1,056,883</b>	<b>(17,255)</b>	<b>7,285,325</b>	<b>1,850</b>

	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	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
	<b>838,868</b>	<b>(226,598)</b>	<b>8,463,455</b>	<b>158,183</b>

## 3 PROVISIONS AND OTHER CHARGES

	2003 HK\$'000	2002 HK\$'000
Provision for diminution in value of		
Properties under development / held for sale	<b>(136,048)</b>	(122,314)
Other properties	<b>(5,307)</b>	–
Unrealised losses on other investments	<b>(7,780)</b>	(30,592)
Amortisation of goodwill	<b>(2,413)</b>	(2,934)
Loss on disposal of interest in the Panyu development	–	(124,055)
Pre-operating loss of Empire Hotel Kowloon	–	(4,041)
Gain on partial disposal of catering business	–	4,181
	<b>(151,548)</b>	(279,755)

**4 OPERATING LOSS**

	2003 HK\$'000	2002 HK\$'000
Operating loss is stated after crediting and charging the following:		
<b>Crediting</b>		
Forfeited deposits	487	722
Net rental income (note (a))	52,405	51,710
Interest income		
Debt securities	1,658	2,500
Others	9,006	14,237
Dividends from listed investments	1,530	670
Net realised gains on other investments	4,062	22,136
<b>Charging</b>		
Operating lease rental expense for land and buildings	6,187	5,579
Amortisation of goodwill	2,413	2,934
Staff costs, including Directors' emoluments (note 7)	92,437	94,775
Depreciation	9,651	6,980
Auditors' remuneration	2,864	3,244
Loss on disposal of fixed assets	–	1,128
Net unrealised losses on other investments	7,780	30,592

**(a) Net rental income**

	2003 HK\$'000	2002 HK\$'000
Gross rental income		
Investment properties	39,012	39,873
Properties held for sale	21,679	21,369
	60,691	61,242
Outgoings	(8,286)	(9,532)
	52,405	51,710

**5 FINANCE COSTS**

	2003 HK\$'000	2002 HK\$'000
Interest expense		
Long term bank loans	<b>90,613</b>	147,866
Convertible bonds	<b>30,914</b>	21,683
Loans from minority shareholders of subsidiaries	<b>3,116</b>	3,850
Short term bank loans and overdrafts	<b>11,722</b>	9,856
Other incidental borrowing costs	<b>6,296</b>	12,429
	<b>142,661</b>	195,684
Capitalised as cost of properties under development		
Interest expense	<b>(13,443)</b>	(83,375)
Other incidental borrowing costs	<b>(875)</b>	(4,465)
	<b>128,343</b>	107,844

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 5.9% (2002: 6.2%) 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:

	2003 HK\$'000	2002 HK\$'000
Fees	<b>60</b>	60
Salaries, housing allowances and benefits in kind (note)	<b>21,982</b>	14,644
	<b>22,042</b>	14,704

*Note: Balance includes HK\$8,500,000 (2002: HK\$2,000,000) 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	
	2003	2002
HK\$Nil - HK\$1,000,000	5	4
HK\$1,000,001 - HK\$1,500,000	–	2
HK\$1,500,001 - HK\$2,000,000	–	1
HK\$2,000,001 - HK\$2,500,000	2	2
HK\$3,500,001 - HK\$4,000,000	1	–
HK\$4,000,001 - HK\$4,500,000	1	–
HK\$5,500,001 - HK\$6,000,000	–	1
HK\$8,500,001 - HK\$9,000,000	1	–

Emoluments paid to Independent Non-executive Directors amounted to HK\$60,000 (2002: 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 (2002: five) Directors whose emoluments are already reflected in the analysis presented above.

**7 STAFF COSTS**

	2003 HK\$'000	2002 HK\$'000
Wages and salaries	92,132	96,871
Retirement benefits costs (note (i))	2,842	2,995
	94,974	99,866
Capitalised under properties under development	(2,537)	(5,091)
	92,437	94,775

Staff costs are stated inclusive of Directors' emoluments.

## 7 STAFF COSTS (continued)

### Notes:

- (i) Retirement benefits costs

	2003 HK\$'000	2002 HK\$'000
Gross contributions	3,221	3,479
Forfeitures utilised	(379)	(484)
Net contributions	<b>2,842</b>	2,995

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

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

The Group also participates in the MPF scheme which are available to all employees not joining the ORSO schemes in Hong Kong and in the CPP organised by the Canadian Government for all employees in Canada. Monthly contributions to the MPF scheme and CPP are made equal to 5% and 4.95% (2002: 4.7%), respectively, of the employee's relevant income in accordance with the local legislative requirements.

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

As at 31st March 2003, forfeitures of HK\$31,000 (2002: HK\$270,000) were available to reduce the Group's future contributions to the ORSO Schemes.

- (ii) Share options

The Company and Asia Orient Holdings Limited ("Asia Orient"), the ultimate holding company operate share option schemes whereby options may be granted to employees of the Group, including the executive Directors, to subscribe for shares of the Company and Asia Orient respectively. The consideration to be paid on each grant of option varies between HK\$1 and HK\$10.

Details of share options held are as follows:

Grantee	Expiry date	Exercise price	2003 Number	2002 Number
<b>Company</b>				
Director	27th March 2005	HK\$0.384	<b>1,750,000</b>	1,750,000
<b>Asia Orient</b>				
Directors	13th February 2010	HK\$17.33	<b>1,200,000</b>	1,200,000
Former Director	21st January 2004	HK\$17.33	<b>300,000</b>	300,000
Employees	13th February 2010	HK\$17.33	<b>3,750,000</b>	3,750,000
			<b>5,250,000</b>	5,250,000

No share option was granted, exercised, cancelled nor lapsed during the year (2002: nil).



**8 TAXATION**

Hong Kong profits tax has been provided at the rate of 16% (2002: 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.

	2003 HK\$'000	2002 HK\$'000
Company and subsidiaries		
Hong Kong profits tax	(70)	(493)
Overseas tax	–	(2,323)
(Under) / over provision in prior years	(1,796)	363
	<b>(1,866)</b>	(2,453)
Associated companies		
Hong Kong profits tax	(1,160)	(963)
	<b>(3,026)</b>	(3,416)

Tax losses available at 31st March 2003 to reduce future taxable profits of the subsidiaries to which they relate amounted to approximately HK\$820,000,000 (2002: HK\$741,000,000). 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\$2,100,000 (2002: HK\$2,000,000) as at 31st March 2003. No provision has been made in the accounts for this liability as the property is held for the long term and management has no intention to dispose of the property in the foreseeable future.

**9 LOSS ATTRIBUTABLE TO SHAREHOLDERS**

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$20,580,000 (2002: HK\$156,801,000).

**10 DIVIDEND**

No dividend was declared or proposed for the year (2002: nil).

## 11 LOSS PER SHARE

The calculation of loss per share is based on loss attributable to shareholders HK\$283,122,000 (2002: HK\$481,365,000) and on the weighted average of 4,112,621,639 (2002: 4,112,536,440) 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.

## 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
<b>Group</b>						
<b>Cost or valuation</b>						
At 31st March 2002	1,469,000	3,221,040	136,814	43,088	63,914	4,933,856
Translation differences	-	29,580	-	-	39	29,619
Reclassification	32,422	-	(32,422)	-	-	-
Additions	1,059	603	-	-	188	1,850
Disposals	-	-	-	-	(5,952)	(5,952)
Cost adjustment	-	(6,726)	-	(618)	-	(7,344)
Disposal of subsidiaries	-	-	-	-	(1,827)	(1,827)
Elimination against cost on revaluation	-	-	(3,268)	-	-	(3,268)
Deficit on revaluation	(220,681)	(233,877)	(15,417)	-	-	(469,975)
<b>At 31st March 2003</b>	<b>1,281,800</b>	<b>3,010,620</b>	<b>85,707</b>	<b>42,470</b>	<b>56,362</b>	<b>4,476,959</b>
<b>Accumulated depreciation</b>						
At 31st March 2002	-	-	1,725	-	52,604	54,329
Translation differences	-	-	-	-	20	20
Charge for the year	-	-	3,538	-	6,113	9,651
Disposals	-	-	-	-	(5,952)	(5,952)
Disposal of subsidiaries	-	-	-	-	(1,393)	(1,393)
Elimination against cost on revaluation	-	-	(3,268)	-	-	(3,268)
<b>At 31st March 2003</b>	<b>-</b>	<b>-</b>	<b>1,995</b>	<b>-</b>	<b>51,392</b>	<b>53,387</b>
<b>Net book value</b>						
<b>At 31st March 2003</b>	<b>1,281,800</b>	<b>3,010,620</b>	<b>83,712</b>	<b>42,470</b>	<b>4,970</b>	<b>4,423,572</b>
At 31st March 2002	1,469,000	3,221,040	135,089	43,088	11,310	4,879,527

**12 FIXED ASSETS (continued)**

- (a) Investment properties comprise long term leasehold land and buildings of HK\$1,281,800,000 (2002: HK\$1,469,000,000) in Hong Kong. They were revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 31st March 2003.
- (b) Hotel properties comprise long term leasehold land and buildings situated in Hong Kong of HK\$1,350,000,000 (2002: HK\$1,480,000,000), medium term leasehold land and buildings in Hong Kong of HK\$1,290,000,000 (2002: HK\$1,400,000,000) and freehold land and buildings situated in Canada of HK\$370,620,000 (2002: HK\$341,040,000). 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 2003 respectively.
- (c) Included in other properties is a long term leasehold property stated at valuation of HK\$75,200,000 (2002: HK\$120,998,000). The property was revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 31st March 2003. The carrying amount would have been HK\$70,504,000 (2002: HK\$89,294,000) had it been stated at cost less accumulated depreciation. Also included in other properties are long term leasehold land and buildings of HK\$2,782,000 (2002: HK\$4,634,000) and medium term leasehold land and buildings of HK\$5,730,000 (2002: HK\$9,457,000), both of which are stated at cost less accumulated depreciation and impairment. All these properties are located in Hong Kong.
- (d) Properties under development comprise long term leasehold land and buildings of HK\$42,470,000 (2002: HK\$43,088,000) 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\$4,418,602,000 (2002: HK\$4,868,217,000).

**13 SUBSIDIARIES**

	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	<b>1,229,076</b>	1,229,076
Amounts due by subsidiaries less provision	<b>2,394,189</b>	2,445,612
	<b>3,623,265</b>	3,674,688

The shares in a subsidiary are pledged to secure loan facilities granted to the Group.

Details of the principal subsidiaries are set out in note 35.

**14 JOINTLY CONTROLLED ENTITIES**

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net liabilities	<b>(139,223)</b>	(106,193)
Advances to jointly controlled entities less provision	<b>327,667</b>	321,580
	<b>188,444</b>	215,387

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\$265,697,000 (2002: HK\$230,753,000) 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 35.

**15 ASSOCIATED COMPANIES**

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net (liabilities) / assets	<b>(79,175)</b>	75,796
Goodwill less amortisation	<b>11,974</b>	–
Advances to associated companies less provision	<b>577,138</b>	537,535
Amounts due to associated companies	<b>(51,184)</b>	(21,965)
	<b>458,753</b>	591,366

The shares in certain associated companies are pledged to secure the loan facilities granted to those companies. Advances to associated companies amounting to HK\$416,796,000 (2002: HK\$372,569,000) 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\$125,000 (2002:HK\$3,035,000) 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 35.

**16 LONG TERM INVESTMENT**

	Group	
	2003 HK\$'000	2002 HK\$'000
Unlisted share, at cost	1	1
Advance to an investee company	1,600	1,000
	<b>1,601</b>	<b>1,001</b>

Advance to an investee company is unsecured, interest free and has no fixed terms of repayment. As at 31st March 2002, the balance was included under debtors and has been reclassified to long term investment to conform with the current year's presentation.

**17 GOODWILL**

	Group HK\$'000
<b>Cost</b>	
At 31st March 2002	29,349
Cost adjustment (note)	(4,706)
<b>At 31st March 2003</b>	<b>24,643</b>
<b>Accumulated amortisation</b>	
At 31st March 2002	2,934
Charge for the year	2,413
<b>At 31st March 2003</b>	<b>5,347</b>
<b>Net book value</b>	
<b>At 31st March 2003</b>	<b>19,296</b>
At 31st March 2002	26,415

Note:

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 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. The net profit before interest and taxation of JBC for the year ended 31st March 2003 was HK\$294,000 (2002: HK\$856,000). Accordingly, Mr. Poon Jing is required to pay an amount equal to the shortfall of HK\$4,706,000 (2002: HK\$4,144,000) to the Group. The amount receivable of HK\$4,605,000 is included under debtors at 31st March 2003 (2002: HK\$ 4,144,000) (note 20).

**18 MORTGAGE LOANS RECEIVABLE**

At 31st March 2003, mortgage loans receivable of HK\$16,438,000 (2002: HK\$40,748,000) in aggregate were pledged as security for the Group's long term loans.

**19 PROPERTIES HELD FOR / UNDER DEVELOPMENT FOR SALE AND COMPLETED PROPERTIES HELD FOR SALE**

At 31st March 2003, properties amounting to HK\$1,478,614,000 (2002: HK\$1,343,462,000) were pledged to banks to secure certain banking facilities of the Group.

At 31st March 2003, properties that were carried at net realisable values were HK\$830,539,000 (2002: HK\$842,289,000) and properties held for deployment in operating leases were HK\$516,212,000 (2002: HK\$611,446,000).

**20 DEBTORS AND PREPAYMENTS**

Debtors and prepayments include trade debtors, utility and other deposits, stakeholders' accounts, interest and other receivables, receivable of HK\$4,605,000 (2002: HK\$4,144,000) from a Director, Mr. Poon Jing (note 17) and a housing loan of HK\$1,156,000 (2002: HK\$1,224,000) 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 (2002: 2% below prime rate) per annum and the principal is repayable by quarterly instalments of HK\$17,000 each. The maximum outstanding balance during the year was HK\$1,224,000 (2002: HK\$1,292,000).

Trade debtors amounted to HK\$33,260,000 (2002: HK\$55,953,000) of which 81% (2002: 87%) 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.

**21 OTHER INVESTMENTS**

	Group	
	2003 HK\$'000	2002 HK\$'000
Equity securities		
Listed in Hong Kong	91,589	55,170
Listed overseas	–	79
Unlisted	1,007	2,069
	92,596	57,318
Debt securities	–	49,500
	92,596	106,818

**22 BANK BALANCES AND CASH**

The balances include restricted bank balances of HK\$33,853,000 (2002: HK\$8,293,000) which are pledged to banks to secure certain banking facilities of the Group or required to be utilised for specific purposes. In 2002, bank balances of HK\$29,704,000 were held in trust in respect of buildings managed by the Group on behalf of third parties.

**23 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\$30,812,000 (2002: HK\$48,552,000), all of which (2002: 100%) were aged under six months.

**24 SHARE CAPITAL**

			Number of shares	Amount HK\$'000
Shares of HK\$0.01 each				
Authorised:				
<b>At 31st March 2002 and 2003</b>			<b>400,000,000,000</b>	<b>4,000,000</b>
	Number of shares		Amount	
	2003	2002	2003 HK\$'000	2002 HK\$'000
Issued and fully paid:				
At beginning of the year	4,112,647,990	4,112,168,838	41,126	41,122
Repurchase of own shares (note (i))	(42,000)	-	-	-
Conversion of warrants (note (ii))	-	479,152	-	4
At end of the year	<b>4,112,605,990</b>	4,112,647,990	<b>41,126</b>	41,126

Notes:

Company:

- (i) During the year, the Company repurchased 42,000 of its own shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") at an aggregate consideration of HK\$10,394. All the shares repurchased were subsequently cancelled. An amount equal to the nominal value of those shares of HK\$420 was transferred from the revenue reserve to capital redemption reserve.
- (ii) In the year ended 31st March 2002, a total of 479,152 shares were issued upon the exercise of warrants. The remaining 817,474,756 unexercised warrants lapsed upon expiry on 30th September 2001.

Subsidiary:

- (iii) During the year, Asia Standard Hotel repurchased 110,000 of its own shares on the Stock Exchange. The repurchased shares were cancelled.

## 25 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 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									
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)
At 31st March 2002	533,090	362	43,835	655,150	427,952	30,706	2,670,292	(258,775)	4,102,612
At 31st March 2002									
At 31st March 2002	533,090	362	43,835	655,150	427,952	30,706	2,670,292	(258,775)	4,102,612
Translation differences	-	-	-	-	578	-	-	11,441	12,019
Repurchase of own shares	-	-	-	-	-	-	-	(10)	(10)
Reclassification	-	-	-	8,688	-	(8,688)	-	-	-
Deficit on revaluation									
Subsidiaries	-	-	-	(220,681)	(161,696)	(10,110)	-	-	(392,487)
Associated companies	-	-	-	(52,800)	-	-	-	-	(52,800)
Loss for the year	-	-	-	-	-	-	-	(283,122)	(283,122)
<b>At 31st March 2003</b>	<b>533,090</b>	<b>362</b>	<b>43,835</b>	<b>390,357</b>	<b>266,834</b>	<b>11,908</b>	<b>2,670,292</b>	<b>(530,466)</b>	<b>3,386,212</b>
Company and subsidiaries									
Company and subsidiaries	533,090	362	43,835	364,457	266,834	11,908	2,670,292	509	3,891,287
Jointly controlled entities	-	-	-	-	-	-	-	(186,874)	(186,874)
Associated companies	-	-	-	25,900	-	-	-	(344,101)	(318,201)
<b>At 31st March 2003</b>	<b>533,090</b>	<b>362</b>	<b>43,835</b>	<b>390,357</b>	<b>266,834</b>	<b>11,908</b>	<b>2,670,292</b>	<b>(530,466)</b>	<b>3,386,212</b>
Company									
At 31st March 2001	531,790	-	43,835	-	-	-	2,684,451	465,274	3,725,350
Exercise of warrants	149	-	-	-	-	-	-	-	149
Loss of the year	-	-	-	-	-	-	-	(156,801)	(156,801)
At 31st March 2002	531,939	-	43,835	-	-	-	2,684,451	308,473	3,568,698
Repurchase of own shares	-	-	-	-	-	-	-	(10)	(10)
Loss of the year	-	-	-	-	-	-	-	(20,580)	(20,580)
<b>At 31st March 2003</b>	<b>531,939</b>	<b>-</b>	<b>43,835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,684,451</b>	<b>287,883</b>	<b>3,548,108</b>



## 25 RESERVES (continued)

The investment property revaluation reserve includes an amount of HK\$50,000,000 (2002: 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\$3,016,169,000 (2002: HK\$3,036,759,000) as at 31st March 2003.

## 26 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 ("Westrata"), 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. In March 2003, the bond had been transferred from Westrata to Grosvenor Limited ("Grosvenor"), an indirect subsidiary of Grosvenor Group Holdings Limited.

Grosvenor 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 7th 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.

Provision of HK\$13,057,000 (2002: 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.

**27 LONG TERM LOANS**

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank loans, secured				
Repayable within one year	<b>316,085</b>	314,085	<b>15,000</b>	–
Repayable between one and two years	<b>509,317</b>	313,739	<b>23,800</b>	–
Repayable between two and five years	<b>660,233</b>	935,997	–	–
Repayable after five years	<b>1,025,626</b>	1,203,657	–	–
	<b>2,511,261</b>	2,767,478	<b>38,800</b>	–
Current portion included in current liabilities	<b>(316,085)</b>	(314,085)	<b>(15,000)</b>	–
	<b>2,195,176</b>	2,453,393	<b>23,800</b>	–

Subsequent to the year end, the Group refinanced bank loans outstanding at 31st March 2003 of approximately HK\$118 million (2002: HK\$125 million). The terms of repayment at 31st March 2003 in respect of these bank loans have been reclassified according to the new loan agreements. As a result, the amount of liabilities which has been excluded from current liabilities amounts to approximately HK\$115 million (2002: HK\$15 million).

**28 MINORITY INTERESTS AND LOANS**

	Group	
	2003 HK\$'000	2002 HK\$'000
Minority interests	<b>645,527</b>	715,704
Loans from minority shareholders of subsidiaries, unsecured	<b>102,902</b>	102,728
	<b>748,429</b>	818,432

Loans from minority shareholders are to finance property projects of subsidiaries and have no specific terms of repayment. Loans of HK\$83,482,000 (2002: HK\$80,366,000) bear interest at 1.5% (2002: 1.5%) above prime rate and the remaining balance is interest free.

**29 CAPITAL COMMITMENTS**

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Contracted but not provided for	<b>11,698</b>	21,296	–	–
Authorised but not contracted for	–	–	–	–
	<b>11,698</b>	21,296	–	–

**30 OPERATING LEASE ARRANGEMENTS****(a) Lessor**

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

At 31st March 2003, the future aggregate minimum rental receipts receivable under non-cancellable operating leases were as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
In respect of land and buildings:		
Within one year	<b>57,066</b>	63,925
In the second to fifth year inclusive	<b>48,707</b>	63,304
After the fifth year	<b>10,031</b>	8,997
	<b>115,804</b>	136,226

**30 OPERATING LEASE ARRANGEMENTS (continued)****(b) Lessee**

At 31st March 2003, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
In respect of land and buildings :		
Within one year	<b>6,386</b>	7,660
In the second to fifth year inclusive	<b>8,746</b>	13,120
After the fifth year	<b>864</b>	3,148
	<b>15,996</b>	23,928

**31 CONTINGENT LIABILITIES**

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees for the banking and loan facilities of:				
Subsidiaries	–	–	<b>1,217,819</b>	1,478,804
Jointly controlled entities	<b>211,027</b>	163,869	<b>211,027</b>	163,869
Associated companies	<b>269,080</b>	219,720	<b>269,080</b>	219,720
Third parties	<b>1,886</b>	32,036	–	–
Guarantee for the convertible bonds issued by a subsidiary	–	–	<b>290,000</b>	290,000
	<b>481,993</b>	415,625	<b>1,987,926</b>	2,152,393

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

	2003 HK\$'000	2002 HK\$'000
Loss before taxation	<b>(280,647)</b>	(491,100)
Share of profits less losses of		
Jointly controlled entities	<b>33,031</b>	67,870
Associated companies	<b>102,018</b>	88,788
Depreciation	<b>9,651</b>	6,980
Amortisation of goodwill	<b>2,413</b>	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 disposal of fixed assets	–	1,128
Net realised and unrealised losses on other investments	<b>3,718</b>	8,456
Provision for diminution in value of		
Properties under development / held for sale	<b>136,048</b>	122,314
Other properties	<b>5,307</b>	–
Dividends from listed investments	<b>(1,530)</b>	(670)
Interest income	<b>(10,664)</b>	(16,737)
Interest expense	<b>122,922</b>	99,880
Operating profit before working capital changes	<b>122,267</b>	9,777
Decrease in mortgage loans receivable	<b>18,326</b>	40,761
Decrease in properties held for / under development for sale (excluding interest expense capitalised)	<b>247,751</b>	120,327
Decrease / (increase) in hotel and restaurant inventories	<b>791</b>	(306)
Decrease / (increase) in debtors and prepayments	<b>68,929</b>	(23,081)
(Decrease) / increase in creditors and accruals	<b>(22,277)</b>	2,781
Net cash generated from operations	<b>435,787</b>	150,259

**32 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)****(b) Acquisition of a subsidiary**

	2003 HK\$'000	2002 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
Consideration satisfied by cash	–	36,000

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

	2003 HK\$'000	2002 HK\$'000
Cash consideration paid	–	36,000
Bank balances and cash acquired	–	(20,664)
Bank overdrafts acquired	–	8,367
	–	23,703

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

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of:		
Fixed assets	434	2,457
Properties held for / under development for sale	–	608,512
Debtors and prepayments	7,473	5,737
Bank balances and cash	4,017	6,369
Creditors and accruals	(7,878)	(30,939)
Taxation	83	(10,534)
Long term loans	–	(12,773)
Minority interests	–	(330,697)
	<b>4,129</b>	238,132
Loss on disposal of interest in the Panyu development	–	(124,055)
Loss on disposal of other subsidiaries	–	(60)
Cash consideration received	<b>4,129</b>	114,017

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

	2003 HK\$'000	2002 HK\$'000
Cash consideration received	4,129	114,017
Bank balances and cash disposed of	(4,017)	(6,369)
	<b>112</b>	107,648

**32 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)****(d) Analysis of changes in financing**

	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 2001	617,898	251,290	2,731,077	165,000	(43,000)	1,150,662	4,872,927
Exchange differences	-	-	(2,886)	-	-	-	(2,886)
Minority interests' share of loss	-	-	-	-	-	(13,151)	(13,151)
Minority interest's 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	(40,750)	34,707	(14,159)	70,721
At 31st March 2002	618,051	290,000	2,767,478	124,250	(8,293)	818,432	4,609,918
Exchange differences	-	-	12,634	-	-	2,308	14,942
Minority interests' share of loss	-	-	-	-	-	(551)	(551)
Minority interests' share of revaluation reserve	-	-	-	-	-	(71,934)	(71,934)
Repurchase of own shares	10	-	-	-	-	-	10
Net cash from / (used in) financing activities	(10)	-	(268,851)	(74,250)	(25,560)	174	(368,497)
<b>At 31st March 2003</b>	<b>618,051</b>	<b>290,000</b>	<b>2,511,261</b>	<b>50,000</b>	<b>(33,853)</b>	<b>748,429</b>	<b>4,183,888</b>



### 33 RELATED PARTY TRANSACTIONS

In August 2002, a subsidiary of Asia Standard Hotel disposed of 100% of the entire issued share capital of three subsidiaries which are engaged in property management, cleaning services and providing mechanical and electrical services, to a wholly-owned subsidiary of Asia Orient, the ultimate holding company, at a total consideration of HK\$4,129,000 based on the aggregate net asset value of these subsidiaries.

### 34 SUBSEQUENT EVENTS

- (a) On 15th April 2003, Asia Standard Hotel completed a placing of convertible notes of HK\$46,000,000. The notes bear interest at Hong Kong dollar prime rate per annum payable semi-annually in arrears. Each holder of the notes has the option to convert the notes into fully paid shares of HK\$0.02 each of Asia Standard Hotel at a conversion price of HK\$0.25 per share, subject to adjustment, at any time from the date of issue to the last business date preceding the maturity date of 18 months from the date of issue. Asia Standard Hotel shall redeem the outstanding principal amount of convertible notes not already converted or redeemed with accrued interest on the maturity date.
- (b) In May 2003, the Group received a writ in which the plaintiff, a purchaser of a property developed by the Group in 1997 sought to claim damages and rescission of the sale and purchase transaction on the alleged grounds that the said property consideration had been grossly overvalued. Management has engaged legal representatives to vigorously contest the proceedings. The proceeding is still in an early stage and in the opinion of the Directors, based on professional advice, it is unlikely that there will be any significant adverse effect to the overall financial position of the Group.

### 35 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

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

#### Subsidiaries

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

Name	Principal activity	Issued and fully paid ordinary share capital 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
Crystal Rich Limited	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
Goodview Express Holdings Limited	Property trading	HK\$2
Grace Profit Enterprises Limited (70.04% owned)	Investment holding	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

### 35 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (continued)

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated
<i>Incorporated in Hong Kong (continued)</i>		
JBC Travel Company Limited (70.04% owned)	Travel Agency	HK\$2,500,000
Kelpoint Limited	Property development	HK\$2
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
Ocean Victory Investment Limited	Property trading	HK\$2
Paramount Shine Limited	Property development	HK\$2
Perfect Wave Limited (70.04% owned)	Restaurant operation	HK\$2
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
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
<i>Incorporated in Bermuda</i>		
Asia Standard Hotel Group Limited (70.04% owned)	Investment holding	HK\$101,042,174

### 35 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (continued)

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated
<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
* <i>Direct subsidiary of the Company</i>		
** <i>Operates in Canada</i>		

#### 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%
Ocean Champion Development Limited	Property development	50%
Sheenity Enterprises Limited	Property development	50%
Weststar Enterprises Limited	Property development	50.1%
Wideway Limited	Financing Services	50%

### 35 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%
Eastern Tours (China) Limited	Travel agency services	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%

### 36 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.

### 37 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 22nd July 2003.