

## 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.

**1 PRINCIPAL ACCOUNTING POLICIES (continued)****(h) Fixed assets (continued)**

## (ii) Hotel properties

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

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

## (iii) Other properties

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

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

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

### (h) Fixed assets (continued)

#### (iii) Other properties (continued)

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.

#### (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.

**1 PRINCIPAL ACCOUNTING POLICIES (continued)****(h) Fixed assets (continued)**

- (vi) Impairment of fixed assets

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

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

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

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

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

**(j) Completed properties held for sale**

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

**(k) Hotel and restaurant inventories**

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

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

### (l) Provisions

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

### (m) Employee benefits

#### (i) Employee leave entitlements

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

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

#### (ii) Pension obligations

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

### (n) Deferred taxation

Deferred taxation is provided 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.

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

### (o) Revenue recognition (continued)

- (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.

- (iv) Hotel, travel agency and management services businesses

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

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

Management fee income is recognised when services are rendered.

- (v) Investment and others

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

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

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

### (p) Foreign currencies

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

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

### (q) Borrowing costs

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

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

### (r) Operating leases

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

### (s) Cash and cash equivalents

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

## 2 TURNOVER AND SEGMENT INFORMATION

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

### Primary reporting format - business segments

The Group is organised into four main business segments, comprising property sales, property leasing, hotel and travel and investments. There is no other significant identifiable separate business segment. Segment revenue from external customers is after elimination of inter-segment revenues. 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	Investments 2003 HK\$'000	Other operations 2003 HK\$'000	Group 2003 HK\$'000
Segment revenue	470,191	60,691	448,217	133,246	101,918	1,214,263
Contribution to segment results	48,158	54,303	66,128	(25,214)	23,234	166,609
Provisions and other charges	(136,048)	(59,010)	(2,413)	(64,994)	(7,307)	(269,772)
Unallocated corporate expenses						(52,836)
Operating loss						(155,999)
Finance costs						(139,139)
Share of results of						
Jointly controlled entities	(33,031)	–	–	(26,842)	–	(59,873)
Associated companies	(108,142)	(7,979)	(1,158)	(32,908)	17	(150,170)
Loss before taxation						(505,181)
Taxation						(3,023)
Loss after taxation						(508,204)
Minority interests						132,849
Loss attributable to shareholders						(375,355)
	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000
Segment revenue	253,950	61,242	424,884	60,244	66,568	866,888
Contribution to segment results	(25,706)	51,710	45,364	23,083	43,939	138,390
Provisions and other charges	(161,544)	–	(6,975)	(8,958)	(734)	(178,211)
Unallocated corporate expenses						(64,153)
Operating loss						(103,974)
Finance costs						(117,336)
Share of results of						
Jointly controlled entities	(67,870)	–	–	(4,143)	–	(72,013)
Associated companies	(94,836)	6,019	–	(7,002)	29	(95,790)
Loss before taxation						(389,113)
Taxation						(2,948)
Loss after taxation						(392,061)
Minority interests						238,011
Loss attributable to shareholders						(154,050)

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

	Properties sales 2003 HK\$'000	Properties leasing 2003 HK\$'000	Hotel and travel 2003 HK\$'000	Investments 2003 HK\$'000	Other operations 2003 HK\$'000	Group 2003 HK\$'000
Segment assets	1,313,823	1,887,619	3,119,716	156,111	238,544	6,715,813
Jointly controlled entities and associated companies	465,045	170,146	11,842	291,629	164	938,826
Unallocated assets						212,294
						<u>7,866,933</u>
Segment liabilities	861,192	720,505	1,342,090	–	66,285	2,990,072
Minority interests and loans						2,294,591
Unallocated liabilities						352,331
						<u>5,636,994</u>
Capital expenditure	8	1,059	764	–	23	1,854
Depreciation	207	3,338	5,283	–	968	9,796
	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000
Segment assets	1,660,354	2,218,987	3,432,725	400,287	250,185	7,962,538
Jointly controlled entities and associated companies	557,645	246,082	–	197,022	3,026	1,003,775
Unallocated assets						212,779
						<u>9,179,092</u>
Segment liabilities	1,100,260	781,594	1,426,882	–	17,494	3,326,230
Minority interests and loans						2,691,660
Unallocated liabilities						391,651
						<u>6,409,541</u>
Capital expenditure	45	650	157,482	–	6	158,183
Depreciation	679	487	1,379	–	4,435	6,980

## 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
<b>Hong Kong</b>	<b>1,141,535</b>	<b>(159,106)</b>	<b>7,135,926</b>	<b>1,840</b>
<b>Mainland China</b>	<b>13,899</b>	<b>(13,192)</b>	<b>350,293</b>	<b>–</b>
<b>Canada</b>	<b>58,829</b>	<b>16,299</b>	<b>380,714</b>	<b>14</b>
	<b>1,214,263</b>	<b>(155,999)</b>	<b>7,866,933</b>	<b>1,854</b>

	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000
Hong Kong	741,221	(118,333)	8,711,585	157,113
Mainland China	58,177	(6,340)	118,749	32
Canada	67,490	20,699	348,758	1,038
	866,888	(103,974)	9,179,092	158,183

## 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>	–
Revaluation deficit on investment properties	<b>(59,010)</b>	–
Unrealised losses on other investments	<b>(64,994)</b>	(35,430)
Gain on deemed disposal of interest in		
a jointly controlled entity	–	26,472
Loss on disposal of interest in the Panyu development	–	(39,230)
Exchange reserve realised upon liquidation of a subsidiary	–	(4,915)
Gain on partial disposal of catering business	–	4,181
Pre-operating loss of Empire Hotel Kowloon	–	(4,041)
Amortisation of goodwill	<b>(4,413)</b>	(2,934)
	<b>(269,772)</b>	(178,211)

**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	1,635
Net rental income (note (a))	52,405	51,710
Interest income		
Debt securities	5,875	8,214
Others	22,701	36,265
Dividends from listed investments	2,130	947
<b>Charging</b>		
Operating lease rental expenses for land and buildings	6,187	5,579
Amortisation of goodwill	4,413	2,934
Staff costs, including Directors' emoluments (note 7)	100,843	100,995
Depreciation	9,796	6,980
Auditors' remuneration	3,458	3,897
Loss on disposal of fixed assets	–	1,128
Net realised losses / (gains) on other investments	22,297	(22,136)
Net unrealised losses on other investments	64,994	35,430

**(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
Convertible notes	<b>3,008</b>	3,000
Loans from minority shareholders of subsidiaries	<b>3,116</b>	3,850
Short term bank loans and overdrafts	<b>18,431</b>	14,913
Other incidental borrowing costs	<b>7,375</b>	13,864
	<b>153,457</b>	205,176
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>139,139</b>	117,336

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 (i)	<b>220</b>	220
Salaries, housing allowances and benefits in kind (ii)	<b>25,176</b>	19,520
	<b>25,396</b>	19,740

- (i) Fees paid by the Company to Independent Non-executive Directors.
- (ii) Other emoluments paid to executive Directors include HK\$12,676,000 (2002: HK\$11,520,000) paid by subsidiaries of Asia Standard International Group Limited ("Asia Standard") and HK\$8,500,000 (2002: HK\$2,000,000) paid by subsidiaries of Asia Standard Hotel Group Limited ("Asia Standard Hotel"), both being the Company's listed subsidiaries.

## 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	2	2
HK\$1,500,001 - HK\$2,000,000	–	1
HK\$2,000,001 - HK\$2,500,000	2	2
HK\$3,000,001 - HK\$3,500,000	–	1
HK\$3,500,001 - HK\$4,000,000	1	–
HK\$4,000,001 - HK\$4,500,000	1	–
HK\$9,500,001 - HK\$10,000,000	–	1
HK\$12,500,001- HK\$13,000,000	1	–

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

- (b) The five highest paid individuals in the Group for the year include five (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	100,352	103,091
Retirement benefits costs (note (i))	3,028	2,995
	103,380	106,086
Capitalised under properties under development	(2,537)	(5,091)
	100,843	100,995

Staff costs are stated inclusive of Directors' emoluments.

### Notes:

- (i) Retirement benefits costs

	2003 HK\$'000	2002 HK\$'000
Gross contributions	3,407	3,479
Forfeitures utilised	(379)	(484)
Net contributions	3,028	2,995

## 7 STAFF COSTS (continued)

### (i) Retirement benefits costs (continued)

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

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 Standard, a listed subsidiary, operate share option schemes whereby options may be granted to employees of the Group, including the executive Directors, to subscribe for shares of the Company and Asia Standard respectively. The consideration to be paid on each grant of option varies between HK\$1 and HK\$10.

Details of share options held are as follows:

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

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	(1,793)	831
	<b>(1,863)</b>	(1,985)
Associated companies		
Hong Kong profits tax	(1,160)	(963)
	<b>(3,023)</b>	(2,948)

Tax losses available at 31st March 2003 to reduce future taxable profits of the subsidiaries to which they relate amounted to approximately HK\$877,000,000 (2002: HK\$864,000,000). 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\$646,403,000 (2002: HK\$6,092,000).

## 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 of HK\$375,355,000 (2002: HK\$154,050,000) and on the weighted average of 149,826,429 (2002: 149,826,429) shares in issue during the year. The comparatives have been restated due to consolidation of 50 shares into 1 share 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 notes 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	–	–	192	1,854
Disposals	–	–	–	–	(5,952)	(5,952)
Cost adjustment	–	(6,726)	–	(618)	–	(7,344)
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>58,193</b>	<b>4,478,790</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	–	6,258	9,796
Disposals	–	–	–	–	(5,952)	(5,952)
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>52,930</b>	<b>54,925</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>5,263</b>	<b>4,423,865</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>2,823,639</b>	2,823,639
Amounts due by subsidiaries less provision	<b>906,589</b>	1,553,029
	<b>3,730,228</b>	4,376,668

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>(173,486)</b>	(138,318)
Goodwill less amortisation	<b>80,932</b>	101,164
Advances to jointly controlled entities less provision	<b>375,072</b>	369,419
Amount due to a jointly controlled entity	<b>(4,422)</b>	(4,422)
	<b>278,096</b>	327,843

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.

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

Detail of the principal jointly controlled entities are set out in note 35.

**15 ASSOCIATED COMPANIES**

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net (liabilities) / assets	<b>(69,795)</b>	94,488
Goodwill less amortisation	<b>82,166</b>	65,484
Advances to associated companies less provision	<b>578,543</b>	537,925
Deposit on acquisition of an associated company	<b>121,000</b>	–
Amounts due to associated companies	<b>(51,184)</b>	(21,965)
	<b>660,730</b>	675,932
Market value of listed shares	<b>12,006</b>	58,000

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.

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>	1,001

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
Acquisition of a subsidiary (note 33 (b))	20,004
Cost adjustment (note)	(4,706)
	<u>44,647</u>
<b>At 31st March 2003</b>	<b>44,647</b>
<b>Accumulated amortisation</b>	
At 31st March 2002	2,934
Charge for the year	4,413
	<u>7,347</u>
<b>At 31st March 2003</b>	<b>7,347</b>
<b>Net book value</b>	
<b>At 31st March 2003</b>	<b>37,300</b>
	<u>26,415</u>
At 31st March 2002	<u>26,415</u>

Note:

On 6th April 2001, the Group acquired the entire share capital of JBC Travel Company Limited ("JBC") at 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\$611,466,000).

## 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	<b>139,239</b>	174,915
Listed overseas	<b>3,997</b>	16,232
Unlisted	<b>8,195</b>	51,879
	<b>151,431</b>	243,026
Debt securities	<b>4,500</b>	157,260
	<b>155,931</b>	400,286

## 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 addition, bank balances of HK\$30,612,000 (2002: HK\$29,704,000) are 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
Authorised:		
At 31st March 2001 and 2002	15,000,000,000	75,000
Decrease due to share consolidation (note (i))	(14,250,000,000)	–
At 31st March 2003	750,000,000	75,000

	Number of shares		Amount	
	2003	2002	2003 HK\$'000	2002 HK\$'000
Issued and fully paid:				
At beginning of the year	7,491,321,498	7,491,321,498	37,457	37,457
Decrease due to share consolidation (note (i))	(7,341,495,069)	–	(22,474)	–
At end of the year	149,826,429	7,491,321,498	14,983	37,457

Note:

Company:

- (i) By ordinary and special resolutions passed on 11th November 2002:
- The Company's issued and unissued shares capital of HK\$0.005 each were consolidated on the basis of 50 shares into 1 share of HK\$0.25 ("consolidated share");
  - The paid up capital and nominal value of all the issued consolidated shares were reduced from HK\$0.25 per issued consolidated share to HK\$0.10 per new share by the cancellation of HK\$0.15 paid up capital on each issued consolidated share;
  - The sum of HK\$22,474,000 arising from the capital reduction on the basis of 7,491,321,498 shares in issue, which were consolidated into 149,826,429 new shares, was credited to the contributed surplus account of the Company; and
  - Each of the 150,173,570 unissued consolidated shares was subdivided into 2.5 new shares; and the authorised share capital was restored from HK\$52,526,000 divided into 525,260,354 new shares to HK\$75,000,000 divided into 750,000,000 new shares by the creation of 224,739,646 new unissued shares.

Subsidiaries:

- During the year, Asia Standard repurchased 42,000 of its own shares on The Stock Exchange of Hong Kong Limited (the "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 cancelled of HK\$420 was transferred from the revenue reserve to capital redemption reserve.
- During the year, Asia Standard Hotel repurchased 110,000 of its own shares on the Stock Exchange at an aggregate consideration of HK\$16,082. The repurchased shares were cancelled.

## 25 RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Revaluation reserve			Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
			Investment properties HK\$'000	Hotel properties HK\$'000	Other properties HK\$'000			
<b>Group</b>								
At 31st March 2001	1,391,348	476,488	100,767	110,024	23,032	980,201	(224,150)	2,857,710
Translation differences	-	-	-	(330)	-	-	165	(165)
Release of goodwill upon deemed disposal of an associated company	-	9,429	-	-	-	-	-	9,429
Exchange reserve released on liquidation of a subsidiary	-	-	-	-	-	-	4,915	4,915
Surplus / (deficit) on revaluation								
Company and subsidiaries	-	-	(35,440)	60,853	(7,634)	-	-	17,779
Associated company	-	-	(3,524)	-	-	-	-	(3,524)
Loss for the year	-	-	-	-	-	-	(154,050)	(154,050)
<b>At 31st March 2002</b>	<b>1,391,348</b>	<b>485,917</b>	<b>61,803</b>	<b>170,547</b>	<b>15,398</b>	<b>980,201</b>	<b>(373,120)</b>	<b>2,732,094</b>
Company and subsidiaries	1,391,348	485,917	48,849	170,547	15,398	980,201	(111,115)	2,981,145
Jointly controlled entities	-	-	-	-	-	-	(117,064)	(117,064)
Associated companies	-	-	12,954	-	-	-	(144,941)	(131,987)
<b>At 31st March 2002</b>	<b>1,391,348</b>	<b>485,917</b>	<b>61,803</b>	<b>170,547</b>	<b>15,398</b>	<b>980,201</b>	<b>(373,120)</b>	<b>2,732,094</b>
At 31st March 2002	1,391,348	485,917	61,803	170,547	15,398	980,201	(373,120)	2,732,094
Translation differences	-	-	-	335	-	-	6,618	6,953
Increase due to share consolidation (Note 24 (ii))	-	-	-	-	-	22,474	-	22,474
Reclassification	-	-	9,999	-	(9,999)	-	-	-
Deficit on revaluation								
Company and subsidiaries	-	-	(117,858)	(94,009)	(5,399)	-	-	(217,266)
Associated company	-	-	(28,198)	-	-	-	-	(28,198)
Deficit on revaluation transfer to profit and loss account								
Company and subsidiaries	-	-	59,010	-	-	-	-	59,010
Associated company	-	-	15,244	-	-	-	-	15,244
Loss for the year	-	-	-	-	-	-	(375,355)	(375,355)
<b>At 31st March 2003</b>	<b>1,391,348</b>	<b>485,917</b>	<b>-</b>	<b>76,873</b>	<b>-</b>	<b>1,002,675</b>	<b>(741,857)</b>	<b>2,214,956</b>
Company and subsidiaries	1,391,348	485,917	-	76,873	-	1,002,675	(268,630)	2,688,183
Jointly controlled entities	-	-	-	-	-	-	(176,937)	(176,937)
Associated companies	-	-	-	-	-	-	(296,290)	(296,290)
<b>At 31st March 2003</b>	<b>1,391,348</b>	<b>485,917</b>	<b>-</b>	<b>76,873</b>	<b>-</b>	<b>1,002,675</b>	<b>(741,857)</b>	<b>2,214,956</b>

At 31st March 2003, the capital reserve included goodwill of HK\$37,721,000 (2002: HK\$37,721,000) which arose from acquisitions prior to 31st March 2001.

**25 RESERVES (continued)**

	Share premium HK\$'000	Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
<b>Company</b>				
At 31st March 2001	1,391,348	2,815,750	78,138	4,285,236
Loss for the year	–	–	(6,092)	(6,092)
At 31st March 2002	1,391,348	2,815,750	72,046	4,279,144
Increase due to share consolidation (note 24 (i))	–	22,474	–	22,474
Loss for the year	–	–	(646,403)	(646,403)
<b>At 31st March 2003</b>	<b>1,391,348</b>	<b>2,838,224</b>	<b>(574,357)</b>	<b>3,655,215</b>

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is also distributable. Accordingly, total distributable reserves of the Company amount to HK\$2,263,867,000 (2002: HK\$2,887,796,000) as at 31st March 2003.

**26 CONVERTIBLE BONDS**

On 7th January 2002, Asia Standard International Capital Limited (“ASICL”), a wholly owned subsidiary of Asia Standard, issued HK\$290,000,000 convertible bonds to Westrata Investment Limited (“Westrata”), a substantial shareholder of Asia Standard. The bonds bear interest at 7% per annum payable semi-annually in arrears and are guaranteed by Asia Standard. 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 Asia Standard at a conversion price of HK\$0.45 per share, subject to adjustment, at any time between 7th January 2002 and 7th January 2007. 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 CONVERTIBLE NOTES

On 16th January 2001, the Company issued HK\$60,000,000 convertible notes which bore interest at 5% per annum payable annually in arrears. Each holder of the notes had the options to convert the notes into fully paid shares of HK\$0.005 each of the Company at (i) HK\$0.088 per share on or before 16th January 2002 and (ii) HK\$0.090 after 16th January 2002, subject to adjustment at any time between 16th January 2001 and 16th January 2003. The company repaid the outstanding principal amount of the convertible notes together with accrued interest on 16th January 2003.

On 16th January 2003, the Company issued HK\$60,000,000 new convertible notes which bear interest at 5% per annum payable annually in arrears. Each holder of these new notes has the option to convert the notes into fully paid shares of HK\$0.10 each of the Company at (a) HK\$1.10 per share from the date of issue of the convertible notes and (b) HK\$1.20 per share after the first anniversary of the date of issue of the convertible notes to the business date last preceding the second anniversary of the date of issue of the convertible notes. The Company shall repay the outstanding principal amount of the convertible notes together with accrued interest on the business date last preceding the second anniversary of the date of issue of the convertible notes. Save for repayment upon maturity, the convertible notes cannot be redeemed.

## 28 LONG TERM LOANS

	Group	
	2003 HK\$'000	2002 HK\$'000
Bank loans, secured		
Repayable within one year	<b>316,085</b>	314,085
Repayable between one and two years	<b>509,317</b>	313,739
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
Current portion included in current liabilities	<b>(316,085)</b>	(314,085)
	<b>2,195,176</b>	2,453,393

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).

**29 MINORITY INTERESTS AND LOANS**

	Group	
	2003 HK\$'000	2002 HK\$'000
Minority interests	<b>2,183,256</b>	2,580,499
Loans from minority shareholders of subsidiaries, unsecured	<b>111,335</b>	111,161
	<b>2,294,591</b>	2,691,660

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.

**30 CAPITAL COMMITMENTS**

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Contracted but not provided for	<b>19,207</b>	21,296	–	–
Authorised but not contracted for	–	–	–	–
	<b>19,207</b>	21,296	–	–

**31 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>56,807</b>	63,925
In the second to fifth year inclusive	<b>48,621</b>	63,304
After the fifth year	<b>10,031</b>	8,997
	<b>115,459</b>	136,226

**31 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

**32 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>102,360</b>	109,000
Jointly controlled entities	<b>211,027</b>	163,869	–	–
Associated companies	<b>269,080</b>	219,720	–	–
Third parties	<b>1,886</b>	32,036	–	–
	<b>481,993</b>	415,625	<b>102,360</b>	109,000

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

	2003 HK\$'000	2002 HK\$'000
Loss before taxation	<b>(505,181)</b>	(389,113)
Share of profits less losses of		
Jointly controlled entities	<b>59,873</b>	72,013
Associated companies	<b>150,170</b>	95,790
Depreciation	<b>9,796</b>	6,980
Amortisation of goodwill	<b>4,413</b>	2,934
Gain on deemed disposal of interest in a jointly controlled entity	–	(26,472)
Loss on disposal of interest in the Panyu development	–	39,230
Exchange reserve realised upon liquidation of a subsidiary	–	4,915
Gain on partial disposal of catering business	–	(4,181)
Loss on disposal of fixed assets	–	1,128
Net realised and unrealised losses on other investments	<b>87,291</b>	13,294
Provision for diminution in value of		
Properties under development / held for sale	<b>136,048</b>	122,314
Other properties	<b>5,307</b>	–
Revaluation deficit on investment properties	<b>59,010</b>	–
Dividends from other investments	<b>(2,676)</b>	(947)
Interest income	<b>(28,576)</b>	(44,479)
Interest expense	<b>132,639</b>	107,937
Operating profit before working capital changes	<b>108,114</b>	1,343
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>	118,098
Decrease / (increase) in hotel and restaurant inventories	<b>791</b>	(306)
Decrease / (increase) in debtors and prepayments	<b>96,550</b>	(12,018)
(Decrease) / increase in creditors and accruals	<b>(16,748)</b>	3,865
Net cash generated from operations	<b>454,784</b>	151,743

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

	2003 HK\$'000	2002 HK\$'000
Net assets acquired		
Fixed assets	–	472
Investment in jointly controlled entities	–	101,164
Investment in associated companies	<b>29,926</b>	65,695
Debtors and prepayments	–	12,718
Bank balances and cash	–	20,664
Bank overdrafts	–	(8,367)
Creditors and accruals	<b>(5,930)</b>	(22,974)
Taxation	–	(100)
	<b>23,996</b>	169,272
Goodwill	<b>20,004</b>	33,493
Consideration satisfied by cash	<b>44,000</b>	202,765

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

	2003 HK\$'000	2002 HK\$'000
Cash consideration paid	<b>44,000</b>	202,765
Bank balances and cash acquired	–	(20,664)
Bank overdrafts acquired	–	8,367
	<b>44,000</b>	190,468

**33 NOTES TO CONSOLIDATED CASHFLOW STATEMENT (continued)****(c) Disposal of subsidiaries**

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of		
Fixed assets	–	2,457
Properties held for / under development for sale	–	523,687
Debtors and prepayments	–	5,666
Bank balances and cash	–	5,566
Creditors and accruals	–	(30,897)
Taxation	–	(10,541)
Long term loans	–	(12,773)
Minority interests	–	(330,697)
	–	152,468
Loss on disposal of interest in the Panyu development	–	(39,230)
Cash consideration received	–	113,238

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	–	113,238
Bank balances and cash disposed of	–	(5,566)
	–	107,672

## 33 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

## (d) Analysis of changes in financing

	Share capital (including premium) HK\$'000	Long term loans HK\$'000	Short term bank loans HK\$'000	Convertible bonds HK\$'000	Convertible notes HK\$'000	Minority interests and loans HK\$'000	Restricted bank balances HK\$'000	Total HK\$'000
At 31st March 2001	1,428,805	2,731,077	165,000	251,290	60,000	3,242,165	(49,718)	7,828,619
Minority interests' share of revaluation reserve	-	-	-	-	-	36,158	-	36,158
Minority interests' share of loss and exchange reserve	-	-	-	-	-	(237,779)	-	(237,779)
Net decrease in interest in subsidiaries	-	-	-	-	-	(4,181)	-	(4,181)
Disposal of a subsidiary	-	(12,773)	-	-	-	(330,697)	-	(343,470)
Exchange differences	-	(2,886)	-	-	-	-	-	(2,886)
Net cash from / (used in) financing activities	-	52,060	68,250	38,710	-	(14,006)	41,425	186,439
At 31st March 2002	1,428,805	2,767,478	233,250	290,000	60,000	2,691,660	(8,293)	7,462,900
Decrease due to the share consolidation (note 24(i))	(22,474)	-	-	-	-	-	-	(22,474)
Minority interests' share of revaluation reserve	-	-	-	-	-	(272,004)	-	(272,004)
Minority interests' share of loss and exchange reserve	-	-	-	-	-	(125,239)	-	(125,239)
Exchange differences	-	12,634	-	-	-	-	-	12,634
Net cash from / (used in) financing activities	-	(268,851)	(101,200)	-	-	174	(25,560)	(395,437)
<b>At 31st March 2003</b>	<b>1,406,331</b>	<b>2,511,261</b>	<b>132,050</b>	<b>290,000</b>	<b>60,000</b>	<b>2,294,591</b>	<b>(33,853)</b>	<b>6,660,380</b>

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

Name	Issued and fully paid ordinary share capital except otherwise stated	Principal activity	Percentage of equity held by the Group %
<i>Incorporated in Bermuda</i>			
Asia Standard Hotel Group Limited	HK\$101,042,000	Investment holding	40.6
Asia Standard International Group Limited	HK\$41,126,000	Investment holding	53.4
<i>Incorporated in the British Virgin Islands</i>			
Asia Orient Holdings (BVI) Limited *	US\$100	Investment holding	100
Bondax Holdings Limited	US\$1	Investment holding	53.4
Enrich Enterprises Ltd #	US\$1	Hotel holding	40.6
Finnex Limited	US\$1	Securities investment	100
Global Gateway Corp. #	US\$1	Hotel operation	40.6
Glory Venture Enterprises Inc. #	US\$1	Hotel holding	40.6
Greatime Limited	US\$1	Securities investment	40.6
Impetus Holdings Limited	US\$1	Investment holding	100
Innovision Gateway Limited	US\$1	Investment holding	100
Jetcom Capital Limited	US\$1	Investment holding	100
Master Venture Limited	US\$1	Property development	53.4
Mega Fusion Limited	US\$1	Investment holding	100
New Day Holdings Ltd.	US\$1	Investment holding	100
Persian Limited	US\$49,050	Investment holding	100
Profitime Limited	US\$1	Investment holding	100
Sunrich Holdings Limited	US\$1	Securities investment	100
Superise Limited	US\$1	Research and development of healthcare food and beverage	100
Telemail Group Inc.	US\$1	Investment holding	100
United Resources Associates Limited	US\$6	Investment holding	83.3

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

Name	Issued and fully paid ordinary share capital except otherwise stated	Principal activity	Percentage of equity held by the Group  %
<i>Incorporated in the Cayman Islands</i>			
Asia Standard International Capital Limited	US\$2	Financing services	53.4
<i>Incorporated in Hong Kong</i>			
Asia Orient Company Limited	US\$26,964,837	Investment holding	100
Good Year Engineering Services Limited	HK\$2	Engineering and maintenance services	100
Hitako Limited	HK\$20	Investment holding	100
Ocean Hand Investments Limited	HK\$2	Investment holding	100
Pan Bright Investment Limited	HK\$20	Investment holding	100
Pan Harbour Investment Limited	HK\$2	Investment holding	100
Pan Inn Investment Limited	HK\$20	Investment holding	100
Pan Kite Investment Limited	HK\$20	Investment holding	100
Pan Pearl Investment Limited	HK\$20	Investment holding	100
Pan Spring Investment Limited	HK\$20	Investment holding	100
Prosperity Land Cleaning Service Limited	HK\$100 and non-voting deferred share capital of HK\$100	Cleaning services	100
Prosperity Land Estate Management Limited	HK\$150 and non-voting deferred share capital of HK\$1,500,000	Property management	100
Union Home Development Limited	HK\$2	Investment holding	100
Asia Standard (Beijing) Company Limited	HK\$2	Investment holding	53.4
Asia Standard Development (Holdings) Limited	HK\$10 and non-voting deferred share capital of HK\$362,892,949	Investment holding	53.4
Asia Standard Development (Real Estate Agencies) Limited	HK\$2	Real estate agency services	53.4
Asia Standard Finance Company Limited	HK\$1,000,000	Financing services	53.4
Asia Standard International Limited	HK\$1,214,916,441	Investment holding	53.4

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

Name	Issued and fully paid ordinary share capital except otherwise stated	Principal activity	Percentage of equity held by the Group %
<i>Incorporated in Hong Kong (continued)</i>			
Asia Standard Management Services Limited	HK\$2	Management services	53.4
Asia Standard Project Management Company Limited	HK\$2	Project management	53.4
Barinet Company Limited	HK\$1,000	Property development	53.4
Crystal Rich Limited	HK\$2	Property development	53.4
Free Ocean Investments Limited	HK\$2	Property development	53.4
Full Union Development Limited	HK\$2	Property development	53.4
Get Rich Enterprises Limited	HK\$2	Property development	42.7
Glory Ocean Limited	HK\$2	Property development	53.4
Goodview Express Holdings Limited	HK\$2	Property trading	53.4
Grace Profit Enterprises Limited	HK\$2	Investment holding	40.6
Hoi Chak Properties Limited	HK\$10 and non-voting deferred share capital of HK\$2	Property investment	53.4
Honest Engineering Limited	HK\$100	Construction	42.7
Hugetop Holdings Limited	HK\$2	Property development	53.4
JBC Travel Company Limited	HK\$2,500,000	Travel agency	40.6
Kelpoint Limited	HK\$2	Property development	53.4
Mark Honour Limited	HK\$10	Property development	48.1
Master Asia Enterprises Limited	HK\$10,000	Property development	53.4
Mega Royal Limited	HK\$2	Property development	53.4
Morning Gay Investments Limited	HK\$100	Property development	53.4
Ocean Victory Investment Limited	HK\$2	Property trading	53.4
Paramount Shine Limited	HK\$2	Property development	53.4
Perfect Wave Limited	HK\$2	Restaurant operation	40.6

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

Name	Issued and fully paid ordinary share capital except otherwise stated	Principal activity	Percentage of equity held by the Group %
<i>Incorporated in Hong Kong (continued)</i>			
Rich Kinghood Limited	HK\$2	Property development	53.4
Stone Pole Limited	HK\$10	Hotel holding	40.6
Tilpifa Company Limited	HK\$10 and non-voting deferred share capital of HK\$10,000	Property investment	53.4
Trade Hope Limited	HK\$2	Property development	53.4
Union Rich Resources Limited	HK\$2	Property development	42.7
Vinstar Development Limited	HK\$2	Hotel holding	40.6
Waliway Limited	HK\$100	Property holding	53.4
Way Link Holdings Limited	HK\$2	Property trading	48.1
Winfast Engineering Limited	HK\$2	Construction	53.4
<i>Incorporated in Liberia</i>			
Bassindale Limited	US\$500	Investment holding	100

\* *Direct subsidiary of the Company*

# *Operates in Canada*

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

Name	Principal activity	Group equity interest
		%
<b>Jointly controlled entities</b>		
(Unless indicated otherwise, they are all incorporated and operated in Hong Kong.)		
Auburntown Limited	Property development	16.0
Bai Hui Real Estate Company Limited	Investment holding	12.6
Capital Pacific Development Limited	Investment holding	26.7
China INFOBANK Limited	Internet content provider	40.0
Cultural Palace Entertainment Company Limited # (incorporated in the People's Republic of China ("PRC"))	Leasing of an entertainment complex	25.0
Express Wind Limited	Investment holding	25.0
Fresh Outlook Property Limited (incorporated in the British Virgin Islands)	Investment holding	50.0
Goldmax International Limited (incorporated in the British Virgin Islands)	Investment holding	26.8
Ocean Champion Development Limited	Property development	26.7
Sheeniy Enterprises Limited	Property development	26.7
Weststar Enterprises Limited	Property development	26.8
Wideway Limited	Financing services	26.7
北京康標科技有限公司 ## (incorporated in the PRC)	Investment and distribution of medical equipment	34.5

# Cooperative Joint Venture operates in the PRC

## Wholly Owned Foreign Enterprise operates in the PRC

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

Name	Principal activity	Group equity interest
		%
<b>Associated companies</b>		
(Unless indicated otherwise, they are all incorporated and operated in Hong Kong.)		
Allwin Assets Limited (incorporated in the British Virgin Islands)	Investment holding	10.7
Bai Hui Group Company Limited	Investment management	18.7
Eastern Tours (China) Limited	Travel agency	20.3
Excel Billion Holdings Limited	Property development	26.7
Gallop Worldwide Limited (incorporated in the British Virgin Islands)	Investment holding	26.7
Home Kent Enterprise Limited	Property development	26.7
Infonet Power Limited	Web-based software developer	50.0
Ocean Strong Industrial Limited	Property development	26.7
Perfect Pearl Company Limited	Property investment	17.6
Q9 Technology Holdings Limited (incorporated in the Cayman Islands)	Investment holding	32.0
Sheen Finance Limited	Financing services	26.7
Super Location Limited	Property development	26.7
Vitasalin Asia Limited	Distribution of health care and beauty products	17.5

### 36 APPROVAL OF ACCOUNTS

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