
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.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005.

The new HKFRSs mainly affecting the Group are:

HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HK-Int 2	The Appropriate Accounting Policies for Hotel Properties
HK-Int 3	Revenue – Pre-completion Contracts for the Sale of Development Properties
HKAS-Int 21	Income taxes – Recovery of Revalued Non-Depreciable Assets

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March 2005. The Group is assessing the impact of these new HKFRSs and has so far identified that they will not affect the cash flows of the Group.

The changes and the more significant differences between new HKFRSs and current accounting policies that are expected to affect the Group's profit and loss account and balance sheet are as follows:

(i) *Investment properties*

The change in fair value of the investment properties and deferred taxation on the corresponding revaluation surplus or deficit will be recognised in the profit and loss account. Revaluation movement on a portfolio basis has been accounted for in the equity under the current accounting policy and no deferred taxation was provided for thereon.

(ii) *Hotel properties*

Land and buildings will be accounted for separately. Hotel buildings will be stated at cost less accumulated depreciation and impairment, while the underlying freehold land will be accounted for as property, plant and equipment and stated at cost less impairment, the underlying leasehold land will be accounted for as described in note (iii) below. Hotel properties have been stated at valuation without depreciation under the current accounting policy.

1 Principal accounting policies (continued)

(a) Basis of preparation (continued)

(iii) Leasehold land in Hong Kong

Leasehold land in Hong Kong will no longer be accounted for as property, plant and equipment. Instead, it will be accounted for as prepayment of lease and stated at cost and recognised as an expense on a straight-line basis over the lease term. Leasehold land has been stated at cost less impairment, if any, under the current accounting policy.

(iv) Pre-sale of development properties

Stage of completion method will no longer be used to recognise revenue from pre-sale of development properties, instead revenue will be recognised upon completion of those properties.

(v) Share options

The Group will be required to determine the fair value of all share options to employees and recognised as expense in the profit and loss account over the vesting period. This treatment will apply to share options granted after 7th November 2002 and had not yet vested on 1st January 2005. Under the current accounting policy, share options to employees were not recorded in the financial statement.

(vi) Financial instruments

Under the new HKFRSs, financial instruments will be carried at either amortised cost or fair value, depending on their classification. Depending on the classification of the financial instruments, movements in fair value will be either charged to net profit or loss or taken to equity in accordance with the standard. In addition, all derivatives, including those embedded in non-derivatives host contracts will be recognised in the balance sheet at fair value. This will result in a change to the Group's current accounting policies in respect of classification, measurement and recognition of financial instruments.

The Group will be continuing with the assessment of the impact of the new HKFRSs and other significant changes may be identified as a result.

(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 and any related exchange reserve.

All material intra-group transactions and balances have been eliminated on consolidation.

Notes to the Accounts

1 Principal accounting policies (continued)

(c) Subsidiaries

Subsidiaries are companies in which the Group has the power to exercise control governing the financial and operating policies of the companies.

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

(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 or a jointly controlled entity, 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.

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.

1 Principal accounting policies (continued)

(g) Other investments

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

(h) Fixed assets

(i) *Investment properties*

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

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

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

(ii) *Hotel properties*

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

Notes to the Accounts

1 Principal accounting policies (continued)

(h) Fixed assets (continued)

(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.

(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.

(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.

Notes to the Accounts

1 Principal accounting policies (continued)

(m) Employee benefits (continued)

(ii) Pension obligations

The Group contributes to several defined contribution retirement 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 in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse 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.

(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.

1 Principal accounting policies (continued)

(o) Revenue recognition (continued)

(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.

(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.

Notes to the Accounts

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 segments. Segment revenue from external customers is after elimination of inter-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.

	Property sales	Property leasing	Hotel and travel	Other operations	Group
2005 (in HK\$'000)					
Segment revenue	41,995	50,250	569,248	43,804	705,297
Contribution to segment results	(30,756)	45,937	97,138	27,904	140,223
Other income/(charges)	35,316	–	(13,335)	37,313	59,294
Unallocated corporate expenses					(33,446)
Operating profit					166,071
Finance costs					(93,141)
Share of results of					
Jointly controlled entities	200,817	–	–	33	200,850
Associated companies	(2,753)	5,843	–	(222)	2,868
Profit before taxation					276,648
Taxation charge					(50,120)
Profit after taxation					226,528
Minority interests					(24,487)
Profit attributable to shareholders					202,041
2004 (in HK\$'000)					
Segment revenue	167,813	53,155	425,966	78,724	725,658
Contribution to segment results	(3,132)	47,557	42,067	18,119	104,611
Other charges	(20,074)	–	(11,542)	(63,363)	(94,979)
Unallocated corporate expenses					(38,759)
Operating loss					(29,127)
Finance costs					(106,785)
Share of results of					
Jointly controlled entities	(3,189)	–	–	–	(3,189)
Associated companies	(15,972)	5,308	(713)	(172)	(11,549)
Loss before taxation					(150,650)
Taxation credit					2,310
Loss after taxation					(148,340)
Minority interests					6,338
Loss attributable to shareholders					(142,002)

2 Turnover and segment information (continued)

Primary reporting format – business segments (continued)

2005 (in HK\$'000)	Property sales	Property leasing	Hotel and travel	Other operations	Group
Segment assets	1,322,979	2,096,089	3,475,117	160,259	7,054,444
Jointly controlled entities and associated companies	323,557	234,316	–	1,088	558,961
Unallocated assets					422,804
					8,036,209
Segment liabilities	627,222	840,409	1,320,813	39,610	2,828,054
Minority interests and loans					838,059
Unallocated liabilities					96,933
					3,763,046
Capital expenditure	22	–	188	416	626
Depreciation	19	–	926	290	1,235
2004 (in HK\$'000)					
Segment assets	1,170,340	1,975,133	3,301,942	180,919	6,628,334
Jointly controlled entities and associated companies	372,959	188,052	–	10,906	571,917
Unallocated assets					108,281
					7,308,532
Segment liabilities	654,102	883,794	1,356,818	36,134	2,930,848
Minority interests and loans					770,840
Unallocated liabilities					139,264
					3,840,952
Capital expenditure	25	–	154	72	251
Depreciation	40	246	3,243	354	3,883

Notes to the Accounts

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:

2005 (in HK\$'000)	Segment revenue	Operating profit/(loss)	Total assets	Capital expenditure
Hong Kong	626,260	150,009	7,495,016	622
Mainland China	11,127	(1,728)	78,089	4
Canada	67,910	17,790	463,104	–
	705,297	166,071	8,036,209	626

2004 (in HK\$'000)

Hong Kong	643,889	(42,201)	6,796,223	230
Mainland China	22,594	(560)	81,652	21
Canada	59,175	13,634	430,657	–
	725,658	(29,127)	7,308,532	251

3 Other income/(charges)

	2005 HK\$'000	2004 HK\$'000
Write-back of provision/(provision) for diminution in value of properties held for/under development for sale	35,316	(20,074)
Unrealised gains/(losses) on other investments	35,226	(11,963)
Write-back of provision/(provision) for doubtful debts	6,033	(51,400)
Loss on disposal of an associated company	–	(9,129)
Loss on disposal of subsidiaries	(3,946)	–
Impairment loss of goodwill	(10,871)	–
Amortisation of goodwill	(2,464)	(2,413)
	59,294	(94,979)

4 Operating profit/(loss)

	2005 HK\$'000	2004 HK\$'000
Operating profit/(loss) is stated after crediting and charging the following:		
Crediting		
Net rental income (note (a))	45,707	46,039
Interest income	5,186	5,569
Dividends from listed investments	335	593
Gain on disposal of fixed assets	977	–
Net unrealised gains on other investments	35,226	–
Net realised gains on other investments	22,383	11,956
Charging		
Operating lease rental expense for land and buildings	4,994	6,235
Impairment loss of goodwill	10,871	–
Amortisation of goodwill	2,464	2,413
Staff costs including Director's emoluments (note 7)	88,018	78,319
Depreciation	1,235	3,883
Auditors' remuneration	2,842	2,720
Provision for long term investment	1,601	–
Loss on disposal of fixed assets	–	68
Net unrealised losses on other investments	–	11,963

Note:

(a) Net rental income

	2005 HK\$'000	2004 HK\$'000
Gross rental income		
Investment properties	32,173	34,295
Properties held for sale	18,077	18,860
	50,250	53,155
Outgoings	(4,543)	(7,116)
	45,707	46,039

Notes to the Accounts

5 Finance costs

	2005 HK\$'000	2004 HK\$'000
Interest expense		
Long term bank loans	61,323	66,623
Convertible bonds	30,914	30,999
Convertible notes	845	2,218
Loans from minority shareholders of subsidiaries	3,091	3,443
Short term bank loans and overdrafts	3,616	12,136
Other incidental borrowing costs	11,456	6,167
	111,245	121,586
Capitalised as cost of properties under development		
Interest expense	(15,331)	(13,671)
Other incidental borrowing costs	(2,773)	(1,130)
	93,141	106,785

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 is 5.4% (2004: 5.5%) 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:

	2005 HK\$'000	2004 HK\$'000
Fees	538	110
Salaries, housing allowances and benefits in kind (note)	22,248	18,660
	22,786	18,770

Note:

Balance includes HK\$9,000,000 (2004: HK\$5,700,000) 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	
	2005	2004
HK\$ nil – HK\$1,000,000	6	5
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	1	2
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$8,500,001 – HK\$9,000,000	–	1
HK\$10,500,001 – HK\$11,000,000	1	–

Emoluments paid to Independent Non-executive Directors amounted to HK\$278,000 (2004: HK\$110,000) 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 (2004: five) Directors whose emoluments are already reflected in the analysis presented above.

7 Staff costs

	2005	2004
	HK\$'000	HK\$'000
Wages and salaries	86,325	77,017
Retirement benefits costs (note (a))	2,928	2,693
	89,253	79,710
Capitalised under properties under development	(1,235)	(1,391)
	88,018	78,319

Staff costs are stated inclusive of Directors' emoluments.

Notes to the Accounts

7 Staff costs (continued)

Notes:

(a) Retirement benefits costs

	2005	2004
	HK\$'000	HK\$'000
Gross contributions	3,028	2,847
Forfeitures utilised	(100)	(154)
Net contributions	2,928	2,693

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% (2004: 5% and 4.95%) 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 retirement schemes are held separately from those of the Group in independently administered funds.

The Group also contributes to retirement plans for its employees in Mainland China at a percentage of applicable payroll costs in compliance with the requirements of the relevant municipal government in Mainland China.

As at 31st March 2005, no forfeiture (2004: nil) was available to reduce the Group's future contributions to the ORSO Scheme.

7 Staff costs (continued)**(b) Share options**

The Company operates a share option scheme, whereby options may be granted to employees of the Group, including the Executive Directors, to subscribe for shares of the Company. The consideration to be paid on each grant of option is HK\$1.

Details of share options held under the Old Option Scheme and New Option Scheme are as follows:

Grantee	Expiry date	Exercise price	2005 Number	2004 Number
Director	27th March 2005	HK\$0.384	–	1,750,000
Directors	29th March 2015	HK\$0.325	105,000,000	–
Employees	29th March 2015	HK\$0.325	60,000,000	–

During the year, 1,750,000 share options (2004: nil) granted under the Old Option Scheme were exercised and 165,000,000 share options under the New Option Scheme (2004: nil) were granted. No share option (2004: nil) was cancelled or lapsed during the year.

8 Taxation (charge)/credit

	2005 HK\$'000	2004 HK\$'000
Current taxation		
Hong Kong profits tax	(10,604)	(140)
Overprovisions in prior years	140	915
Deferred taxation		
Relating to the origination and reversal of temporary differences	(1,647)	1,819
Resulting from an increase in tax rate	–	1,634
	(12,111)	4,228
Share of taxation attributable to		
Jointly controlled entities	(36,850)	(287)
Associated companies	(1,159)	(1,631)
	(50,120)	2,310

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) 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.

Notes to the Accounts

8 Taxation (charge)/credit (continued)

The taxation on the Group's (profit)/loss before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2005 HK\$'000	2004 HK\$'000
(Profit)/loss before taxation	(276,648)	150,650
Calculated at a taxation rate of 17.5% (2004: 17.5%)	(48,413)	26,364
Overprovisions in prior years	140	918
Effect of different tax rates in other countries	1,199	844
Income not subject to taxation	17,102	7,496
Expenses not deductible for taxation purposes	(9,800)	(19,634)
Tax losses not recognised	(7,658)	(18,537)
Utilisation of previously unrecognised temporary difference	3,981	5,226
Recognition of previously unrecognised tax losses	2,993	1,775
Recognition of previously unrecognised temporary difference	(3,324)	–
Derecognition of deferred tax assets	(5,306)	(3,777)
Increase in opening net deferred tax assets resulting from an increase in tax rate	–	1,464
Others	(1,034)	171
Taxation (charge)/credit	(50,120)	2,310

9 Profit/(loss) attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$36,624,000 (2004: loss of HK\$53,041,000).

10 Dividends

	2005 HK\$'000	2004 HK\$'000
Interim, paid, of HK0.2 cent (2004: Nil) per share	8,222	–
Final, proposed, of HK0.4 cent (2004: Nil) per share	20,304	–
	28,526	–

Note:

At a meeting held on 19th July 2005, the Board has declared a final dividend of HK0.4 cent per share. This proposed dividend is not reflected as a dividend payable in the accounts, but will be reflected as an appropriation of revenue reserve in the year ending 31st March 2006.

11 Earnings/(loss) per share

The calculation of earnings/(loss) per share is based on profit attributable to shareholders of HK\$202,041,000 (2004: loss of HK\$142,002,000) and on the weighted average of 4,215,293,826 (2004: 4,109,301,376) shares in issue during the year.

The calculation of diluted earnings per share is based on HK\$227,339,000 equalling to the profit attributable to shareholders of HK\$202,041,000 plus after tax interest savings of HK\$25,504,000 less increased minority interests' share of the profit of HK\$206,000 and, 4,861,503,872 shares equalling to the weighted average number of 4,215,293,826 shares in issue during the year plus 646,210,046 potential shares deemed to be in issue assuming the convertible bonds had been converted.

No diluted loss per share for the year ended 31st March 2004 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
Group						
Cost or valuation						
At 31st March 2004	1,423,000	3,167,550	10,507	42,326	48,514	4,691,897
Translation differences	–	31,850	–	–	24	31,874
Additions	–	–	–	–	626	626
Disposals	–	–	(2,534)	–	(521)	(3,055)
Cost adjustment	–	–	–	(1,167)	–	(1,167)
Surplus on revaluation	117,000	113,210	–	–	–	230,210
At 31st March 2005	1,540,000	3,312,610	7,973	41,159	48,643	4,950,385
Accumulated depreciation and impairment						
At 31st March 2004	–	–	2,210	–	46,787	48,997
Translation differences	–	–	–	–	22	22
Charge for the year	–	–	201	–	1,034	1,235
Disposals	–	–	(641)	–	(491)	(1,132)
At 31st March 2005	–	–	1,770	–	47,352	49,122
Net book value						
At 31st March 2005	1,540,000	3,312,610	6,203	41,159	1,291	4,901,263
At 31st March 2004	1,423,000	3,167,550	8,297	42,326	1,727	4,642,900

Notes to the Accounts

12 Fixed assets (continued)

- (a) Investment properties comprise long term leasehold land and buildings of HK\$1,540,000,000 (2004: HK\$1,423,000,000) in Hong Kong. They were revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 31st March 2005.
- (b) Hotel properties comprise long term leasehold land and buildings situated in Hong Kong of HK\$1,440,000,000 (2004: HK\$1,400,000,000), medium term leasehold land and buildings in Hong Kong of HK\$1,420,000,000 (2004: HK\$1,350,000,000) and freehold land and buildings situated in Canada of HK\$452,610,000 (2004: HK\$417,550,000). 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 2005 respectively.
- (c) Included in other properties are long term leasehold land and buildings of HK\$2,406,000 (2004: HK\$2,440,000) and medium term leasehold land and buildings of HK\$3,797,000 (2004: HK\$5,857,000), 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\$41,159,000 (2004: HK\$42,326,000) 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\$4,894,357,000 (2004: HK\$4,638,733,000).

13 Subsidiaries

	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	1,229,076	1,229,076
Amounts due by subsidiaries less provisions	2,636,637	2,321,114
	3,865,713	3,550,190

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.

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

14 Jointly controlled entities

	Group	
	2005 HK\$'000	2004 HK\$'000
Share of net liabilities	(108,970)	(94,223)
Advances to jointly controlled entities less provisions	254,379	308,217
	145,409	213,994

The shares in certain jointly controlled entities are pledged to secure loan facilities granted to those entities. Advances to jointly controlled entities amounting to HK\$95,836,000 (2004: HK\$261,027,000) 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.

Set out below is a summary of the financial information of Goldmax International Limited, a significant jointly controlled entity, which is principally engaged in a property development project in Repulse Bay.

	2005 HK\$'000	2004 HK\$'000
Results		
Turnover	939,800	–
Profit/(loss)	344,069	(3,927)
Group's share of profit/(loss)	172,379	(1,967)

	2005 HK\$'000	2004 HK\$'000
Assets and liabilities		
Current assets	90,044	697,714
Current liabilities	(83,153)	(496,164)
Long term liabilities (other than amounts due to the Group)	–	(104,103)
Net assets	6,891	97,447
Group's share of net assets	3,452	48,821

Notes to the Accounts

15 Associated companies

	Group	
	2005 HK\$'000	2004 HK\$'000
Share of net liabilities	(55,400)	(100,814)
Advances to associated companies less provisions	520,102	509,887
Amounts due to associated companies	(51,150)	(51,150)
	413,552	357,923

The shares in certain associated companies are pledged to secure the loan facilities granted to those companies. In 2004, advances to associated companies amounting to HK\$345,700,000 were 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\$902,000 (2004: HK\$8,565,000) 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	
	2005 HK\$'000	2004 HK\$'000
Unlisted share, at cost	1	1
Advance to an investee company	1,600	1,600
	1,601	1,601
Less: Provision	(1,601)	–
	–	1,601

Advance to an investee company was unsecured, interest free and had no fixed terms of repayment.

17 Goodwill

	Group HK\$'000
Cost	
At 31st March 2004 and 2005	24,643
Accumulated amortisation	
At 31st March 2004	7,760
Amortisation charge for the year	2,464
Impairment charge for the year	10,871
At 31st March 2005	21,095
Net book value	
At 31st March 2005	3,548
At 31st March 2004	16,883

18 Mortgage loans receivable

At 31st March 2005, no mortgage loans receivable (2004: HK\$14,518,000) 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 2005, properties amounting to HK\$1,683,263,000 (2004: HK\$1,416,374,000) were pledged to banks to secure certain banking facilities of the Group.

At 31st March 2005, properties that were carried at net realisable values were HK\$714,155,000 (2004: HK\$721,712,000) and properties held for deployment in operating leases were HK\$545,487,000 (2004: HK\$538,212,000).

20 Debtors and prepayments

Debtors and prepayments include trade debtors, utility and other deposits, stakeholders' accounts, interest and other receivables. As at 31st March 2004, there was a housing loan of HK\$1,088,000 granted to a Director, Mr. Kwan Po Lam, Phileas, in March 1995 and the loan was fully repaid in August 2004. The loan was secured by a legal mortgage over the subject property, carried interest at 2% below prime rate per annum and the principal was repaid by quarterly instalments of HK\$17,000 each. The maximum outstanding balance during the year was HK\$1,088,000 (2004: HK\$1,156,000).

Trade debtors amounted to HK\$42,044,000 (2004: HK\$36,789,000), 96% of which (2004: 100%) 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.

Notes to the Accounts

21 Other investments

	Group	
	2005 HK\$'000	2004 HK\$'000
Equity securities		
Listed in Hong Kong	104,838	70,233

22 Bank balances and cash

The balances include restricted bank balances of HK\$28,816,000 (2004: HK\$32,625,000) which are pledged to banks to secure certain banking facilities of the Group or required to be utilised for specific purposes.

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\$18,465,000 (2004: HK\$23,185,000), 93% of which (2004: 100%) were aged under six months.

24 Share capital

Shares of HK\$0.01 each	Number of shares		Amount HK\$'000	
	2005	2004	2005 HK\$'000	2004 HK\$'000
Authorised:				
At 31st March 2004 and 2005	400,000,000,000		4,000,000	
Issued and fully paid:				
At beginning of the year	4,109,249,990	4,112,605,990	41,093	41,126
Exercise of share options (note (a))	1,750,000	–	17	–
Placement of new shares (notes (b) & (c))	965,000,000	–	9,650	–
Repurchase of own shares (note (d))	–	(3,356,000)	–	(33)
At end of the year	5,075,999,990	4,109,249,990	50,760	41,093

24 Share capital (continued)

Notes:

- (a) On 30th December 2004, the Company issued 1,750,000 new shares upon the exercise of options granted to a Director of the Company at HK\$0.384 per share.
- (b) On 16th February 2005, the Company issued 820,000,000 new shares for subscription by independent third parties at HK\$0.38 per share, to raise capital of the Company. Net consideration received was HK\$304.9 million which will be used to repay bank borrowing and pay land premium for the Group's existing residential property projects in Hong Kong. The market price of the shares was HK\$0.41 per share on 2nd February 2005, which is the last trading day prior to the release of the announcement of subscription.
- (c) On 15th March 2005, the Company further issued 145,000,000 new shares for subscription by Grosvenor Asset Management Limited, a substantial shareholder of the Company, at HK\$0.38 per share.
- (d) In 2004, the Company repurchased 3,356,000 of its own shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$866,780. All the shares repurchased were subsequently cancelled. An amount equal to the nominal value of those shares of HK\$33,560 was transferred from the revenue reserve to capital redemption reserve.

Notes to the Accounts

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 2003	533,090	362	43,835	390,357	265,281	11,908	2,670,292	(521,899)	3,393,226
Translation differences	-	-	-	-	869	-	-	16,746	17,615
Repurchase of own shares	-	-	33	-	-	-	-	(867)	(834)
Reclassification	-	-	-	11,908	-	(11,908)	-	-	-
Surplus on revaluation									
Subsidiaries									
Gross	-	-	-	66,246	78,072	-	-	-	144,318
Taxation	-	-	-	-	(356)	-	-	-	(356)
Associated companies	-	-	-	14,520	-	-	-	-	14,520
Loss for the year	-	-	-	-	-	-	-	(142,002)	(142,002)
At 31st March 2004	533,090	362	43,868	483,031	343,866	-	2,670,292	(648,022)	3,426,487
Company and subsidiaries	533,090	362	43,868	442,611	343,866	-	2,670,292	(98,580)	3,935,509
Jointly controlled entities	-	-	-	-	-	-	-	(191,874)	(191,874)
Associated companies	-	-	-	40,420	-	-	-	(357,568)	(317,148)
At 31st March 2004	533,090	362	43,868	483,031	343,866	-	2,670,292	(648,022)	3,426,487
At 31st March 2004	533,090	362	43,868	483,031	343,866	-	2,670,292	(648,022)	3,426,487
Translation differences	-	-	-	-	398	-	-	13,334	13,732
Exercise of share options	651	-	-	-	-	-	-	-	651
Placement of new shares	350,369	-	-	-	-	-	-	-	350,369
Surplus on revaluation									
Subsidiaries									
Gross	-	-	-	117,000	79,247	-	-	-	196,247
Taxation	-	-	-	-	(482)	-	-	-	(482)
Associated companies	-	-	-	41,580	-	-	-	-	41,580
Interim dividend paid	-	-	-	-	-	-	-	(8,222)	(8,222)
Profit for the year	-	-	-	-	-	-	-	202,041	202,041
At 31st March 2005	884,110	362	43,868	641,611	423,029	-	2,670,292	(440,869)	4,222,403
Company and subsidiaries:									
2005 final dividend proposed (note 10)	-	-	-	-	-	-	-	20,304	20,304
Others	884,110	362	43,868	559,611	423,029	-	2,670,292	106,138	4,687,410
Jointly controlled entities	-	-	-	-	-	-	-	(211,452)	(211,452)
Associated companies	-	-	-	82,000	-	-	-	(355,859)	(273,859)
At 31st March 2005	884,110	362	43,868	641,611	423,029	-	2,670,292	(440,869)	4,222,403
Company									
At 31st March 2003	531,939	-	43,835	-	-	-	2,684,451	287,883	3,548,108
Repurchase of own shares	-	-	33	-	-	-	-	(867)	(834)
Loss for the year	-	-	-	-	-	-	-	(53,041)	(53,041)
At 31st March 2004	531,939	-	43,868	-	-	-	2,684,451	233,975	3,494,233
Exercise of share options	651	-	-	-	-	-	-	-	651
Placement of new shares	350,369	-	-	-	-	-	-	-	350,369
Interim dividend paid	-	-	-	-	-	-	-	(8,222)	(8,222)
Profit for the year	-	-	-	-	-	-	-	36,624	36,624
At 31st March 2005	882,959	-	43,868	-	-	-	2,684,451	262,377	3,873,655
Representing:									
2005 final dividend proposed (note 10)	-	-	-	-	-	-	-	20,304	20,304
Others	882,959	-	43,868	-	-	-	2,684,451	242,073	3,853,351
At 31st March 2005	882,959	-	43,868	-	-	-	2,684,451	262,377	3,873,655

25 Reserves (continued)

The investment property revaluation reserve includes an amount of HK\$50,000,000 (2004: 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\$2,990,696,000 (2004: HK\$2,962,294,000) as at 31st March 2005.

26 Convertible notes

On 15th April 2003, Asia Standard Hotel issued convertible notes of the principal amount of HK\$46,000,000, which bore interest at Hong Kong prime rate per annum payable semi-annually in arrears. Each holder of the notes had 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. During the year, Asia Standard Hotel has fully redeemed all the convertible notes without conversion.

27 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 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. Following the completion of the placing of new shares of the Company, the conversion price of the bonds was adjusted from HK\$0.45 per share to HK\$0.44 per share. ASICL may purchase 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 purchased, 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\$34,314,000 (2004: HK\$23,700,000) 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.

Notes to the Accounts

28 Long term loans

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Bank loans, secured				
Repayable within one year	127,673	118,446	1,360	15,652
Repayable between one and two years	278,511	145,220	1,360	2,960
Repayable between two and five years	456,390	751,362	4,080	8,880
Repayable after five years	1,525,860	1,332,634	2,627	5,160
	2,388,434	2,347,662	9,427	32,652
Current portion included in current liabilities	(127,673)	(118,446)	(1,360)	(15,652)
	2,260,761	2,229,216	8,067	17,000

In 2004, the Group refinanced bank loans outstanding of approximately HK\$1,469 million. The terms of repayment at 31st March 2004 in respect of these bank loans had been reclassified according to the new loan agreements. As a result, the amount of liabilities which had been excluded from current liabilities amounted to approximately HK\$65 million.

29 Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Group

Deferred tax liabilities

	Accelerated tax depreciation		Revaluation of properties		Deferred assets		Fair value adjustments on acquisitions		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At beginning of the year	(105,654)	(87,417)	(2,993)	(2,218)	(649)	(878)	(94,702)	(99,957)	(203,998)	(190,470)
(Charged)/credited to profit and loss account	(11,659)	(15,694)	–	–	649	229	(3,350)	5,255	(14,360)	(10,210)
Charged to equity	–	–	(689)	(509)	–	–	–	–	(689)	(509)
Exchange differences	(1,723)	(2,543)	(229)	(266)	–	–	–	–	(1,952)	(2,809)
At end of the year	(119,036)	(105,654)	(3,911)	(2,993)	–	(649)	(98,052)	(94,702)	(220,999)	(203,998)

29 Deferred taxation (continued)

Deferred tax assets

	Decelerated tax depreciation		Provisions		Tax losses		Difference in cost base of properties		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	428	290	620	310	161,598	137,238	43,345	53,762	205,991	191,600
(Charged)/credited to profit and loss account	(22)	138	(435)	310	(5,112)	23,632	18,282	(10,417)	12,713	13,663
Disposal of subsidiaries	-	-	-	-	(7,925)	-	-	-	(7,925)	-
Exchange differences	-	-	-	-	228	728	-	-	228	728
At end of the year	406	428	185	620	148,789	161,598	61,627	43,345	211,007	205,991

Company

Deferred tax assets

	Tax losses	
	2005	2004
	HK\$'000	HK\$'000
At beginning of the year	9,199	-
(Charged)/credited to profit and loss account	(7,562)	9,199
At end of the year	1,637	9,199

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$381 million (2004: HK\$429 million) to carry forward against future taxable income. Except for tax losses of HK\$316 million (2004: HK\$359 million) have no expiry date, the balance will expire at various dates up to and including 2012 (2004: 2011).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets	54,848	55,388	1,637	9,199
Deferred tax liabilities	(64,840)	(53,395)	-	-
	(9,992)	1,993	1,637	9,199

Notes to the Accounts

30 Minority interests and loans

	Group	
	2005 HK\$'000	2004 HK\$'000
Minority interests	736,478	672,350
Loans from minority shareholders of subsidiaries, unsecured	101,581	98,490
	838,059	770,840

Loans from minority shareholders are to finance property projects of subsidiaries and have no specific terms of repayment. Loans of HK\$89,661,000 (2004: HK\$86,570,000) bear interest at 1.5% (2004: 1.5%) above prime rate and the remaining balance is interest free.

31 Capital commitments

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Contracted but not provided for	-	-	-	-
Authorised but not contracted for	-	-	-	-
	-	-	-	-

32 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 2005, the future aggregate minimum rental receipts receivable under non-cancellable operating leases were as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
In respect of land and buildings:		
Within one year	60,397	56,881
In the second to fifth year inclusive	42,888	59,968
After the fifth year	5,203	7,915
	108,488	124,764

32 Operating lease arrangements (continued)

(b) Lessee

At 31st March 2005, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
In respect of land and buildings :		
Within one year	5,443	3,110
In the second to fifth year inclusive	8,298	6,898
After the fifth year	–	–
	13,741	10,008

33 Contingent liabilities

(a) Guarantee

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Guarantees for the banking and loan facilities of:				
Subsidiaries	–	–	1,123,481	1,101,235
Jointly controlled entities	65,000	146,693	65,130	146,693
Associated companies	92,439	97,068	92,448	97,068
Third parties	1,387	1,785	–	–
Guarantee for the convertible bonds issued by a subsidiary	–	–	290,000	290,000
	158,826	245,546	1,571,059	1,634,996

(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. In November 2004, both parties entered into an agreement under which the plaintiff withdrew their claims and agreed to refrain from commencing fresh legal proceedings against the Group on the subject matter.

Notes to the Accounts

34 Notes to consolidated cash flow statement

(a) Reconciliation of profit/(loss) before taxation to net cash generated from operations

	2005 HK\$'000	2004 HK\$'000
Profit/(loss) before taxation	276,648	(150,650)
Share of profits less losses of		
Jointly controlled entities	(200,850)	3,189
Associated companies	(2,868)	11,549
Depreciation	1,235	3,883
Amortisation of goodwill	2,464	2,413
Impairment loss of goodwill	10,871	–
(Gain)/loss on disposal of fixed assets	(977)	68
Net realised and unrealised (gains)/losses on other investments	(57,609)	7
Loss on disposal of an associated company	–	9,129
Loss on disposal of subsidiaries	3,946	–
Provision for long term investment	1,601	–
(Write-back of provision)/provision for diminution in value of		
properties held for/under development for sale	(35,316)	20,074
Dividends from listed investments	(335)	(593)
Interest income	(5,186)	(5,569)
Interest expense	84,458	101,748
Operating profit/(loss) before working capital changes	78,082	(4,752)
Decrease/(increase) in mortgage loans receivable	27,751	(12,839)
(Increase)/decrease in properties held for/under development		
for sale (excluding interest expense capitalised)	(411,768)	111,089
(Increase)/decrease in hotel and restaurant inventories	(75)	295
Decrease/(increase) in debtors and prepayments	42,737	(5,014)
(Decrease)/increase in creditors and accruals	(123,032)	21,349
Net cash (used in)/generated from operations	(386,305)	110,128

34 Notes to consolidated cash flow statement (continued)

(b) Disposal of subsidiaries

	2005	2004
	HK\$'000	HK\$'000
Net assets disposed		
Properties under development for sale	273,017	–
Deferred tax assets	7,925	–
Bank balances	28	–
Creditors and accruals	(37)	–
Bank loan	(130,000)	–
	150,933	–
Less: Loss on disposal of subsidiaries	(3,946)	–
	146,987	–
Satisfied by		
Cash consideration	71,514	–
Reclassification to jointly controlled entities	75,473	–
	146,987	–

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

	2005	2004
	HK\$'000	HK\$'000
Cash consideration	71,514	–
Bank balances disposed	(28)	–
	71,486	–

Notes to the Accounts

34 Notes to consolidated cash flow statement (continued)

(c) Analysis of changes in financing

	Share capital (including premium and redemption reserve) HK\$'000	Revenue reserve HK\$'000	Convertible bonds and notes 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 2003	618,051	(521,899)	290,000	2,511,261	50,000	(33,853)	740,734	3,654,294
Exchange differences	–	16,746	–	17,152	–	–	7,549	41,447
Minority interests' share of loss	–	–	–	–	–	–	(6,338)	(6,338)
Minority interests' share of revaluation reserve	–	–	–	–	–	–	33,307	33,307
Repurchase of own shares	867	(867)	–	–	–	–	–	–
Loss for the year	–	(142,002)	–	–	–	–	–	(142,002)
Net cash from/(used in) financing activities	(867)	–	46,000	(180,751)	1,000	1,228	(4,412)	(137,802)
At 31st March 2004	618,051	(648,022)	336,000	2,347,662	51,000	(32,625)	770,840	3,442,906
Exchange differences	–	13,334	–	11,338	–	–	5,714	30,386
Disposal of subsidiaries	–	–	–	(130,000)	–	–	–	(130,000)
Minority interests' share of profit	–	–	–	–	–	–	24,487	24,487
Minority interests' share of revaluation reserve	–	–	–	–	–	–	33,927	33,927
Profit for the year	–	202,041	–	–	–	–	–	202,041
Net cash from/(used in) financing activities	360,687	(8,222)	(46,000)	159,434	(51,000)	3,809	3,091	421,799
At 31st March 2005	978,738	(440,869)	290,000	2,388,434	–	(28,816)	838,059	4,025,546

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)	Restaurant operation	HK\$2
Hoi Chak Properties Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$2
Honest Engineering Limited (80% owned)	Construction	HK\$100
Hugetop Holdings Limited	Property development	HK\$2
JBC Travel Company Limited (70.04% owned)	Travel agency	HK\$2,500,000
Kelpoint Limited	Property development	HK\$2
Mark Honour Limited (90% owned)	Property development	HK\$100
Master Asia Enterprises Limited	Property development	HK\$10,000
Mega Royal Limited	Property development	HK\$2
Perfect Wave Limited (70.04% owned)	Restaurant operation	HK\$2

Notes to the Accounts

35 Principal subsidiaries, jointly controlled entities and associated companies (continued)

Subsidiaries (continued)

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated
Stone Pole Limited (70.04% owned)	Hotel holding	HK\$10
Tilpifa Company Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$10,000
Tonlok Limited	Property development	HK\$1,000
Trade Hope Limited	Property development	HK\$2
Union Rich Resources Limited (80% owned)	Property development	HK\$2
Vinstar Development Limited (70.04% owned)	Hotel holding	HK\$2
Waliway Limited	Property holding	HK\$100
Way Link Holdings Limited (90% owned)	Property trading	HK\$2
Winfast Engineering Limited	Construction	HK\$2
<i>Incorporated in Bermuda</i>		
Asia Standard Hotel Group Limited (70.04% owned)	Investment holding	HK\$101,042,000
<i>Incorporated in the British Virgin Islands</i>		
Bondax Holdings Limited	Investment holding	US\$1
Enrich Enterprises Ltd (70.04% owned)**	Hotel holding	US\$1
Global Gateway Corp. (70.04% owned)**	Hotel operation	US\$1
Glory Ventures Enterprises Inc. (70.04% owned)**	Hotel holding	US\$1
Greatime Limited (70.04% owned)	Securities Investment	US\$1
Master Venture Limited	Property development	US\$1
<i>Incorporated in the Cayman Islands</i>		
Asia Standard International Capital Limited *	Financing services	US\$2

* Direct subsidiary of the Company

** Operates in Canada

35 Principal subsidiaries, jointly controlled entities and associated companies (continued)**Jointly controlled entities**

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

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest
Goldmax International Limited (incorporated in the British Virgin Islands)	Investment holding	US\$1,000	50.1%
Grosvenor Asia Standard (China) Limited (incorporated in the British Virgin Islands)	Property development in the People's Republic of China (the "PRC")	US\$1,500	50%
Lucky New Investment Limited	Property development	HK\$1	50%
Ocean Champion Development Limited	Property development	HK\$10,000	50%
Paramount Shine Limited	Property development	HK\$2	50%
Sheenity Enterprises Limited	Property development	HK\$10,000	50%
Weststar Enterprises Limited	Property development	HK\$2	50.1%
Wideway Limited	Financing services	HK\$2	50%

Associated companies

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

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest
Gallop Worldwide Limited (incorporated in the British Virgin Islands)	Investment holding	US\$2	50%
Ocean Strong Industrial Limited	Property development	HK\$2	50%
Perfect Pearl Company Limited	Property investment	HK\$11,000	33%
Sheen Finance Limited	Financing services	HK\$2	50%
漁陽房地產開發(深圳)有限公司# (incorporated in the PRC)	Property development	RMB40,000,000	26.32%

Wholly owned Foreign Enterprise operates in the PRC

36 Approval of accounts

The accounts were approved by the Board of Directors on 19th July 2005.