

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 hotel properties and other investments 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
HK-Int 2	The Appropriate Accounting Policies for Hotel Properties

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) 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 prepayment of lease and stated at cost less accumulated amortisation and the amortisation will be recognised as an expense on a straight-line basis over the lease term. Hotel properties have been stated at valuation without depreciation under the current accounting policy.

(ii) 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.

The principal accounting policies adopted in the preparation of these accounts are as follows:

Notes to the Accounts

1 Principal accounting policies (continued)

(b) Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and all of its subsidiaries made up to 31st March and the Group's share of post-acquisition profits less losses of its associated company.

The results of subsidiaries and associated company acquired or disposed of during the year are dealt with in the consolidated profit and loss account from the effective date of acquisition and up to the effective date of disposal respectively. The profit or loss on disposal of subsidiaries or associated company is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill which remains unamortised and any related exchange reserve.

All significant intra-group transactions and balances have been eliminated.

(c) Subsidiaries

Subsidiaries are companies in which the Group has the power to exercise control governing the financial and operating policies of the companies. In the Company's balance sheet, investments in subsidiaries are carried at or below cost. Provision is made when, the Directors consider that there is long term impairment in value.

(d) Associated company

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 investment in the associated company is included in the consolidated balance sheet at the Group's share of net assets and goodwill (net of accumulated amortisation) on acquisition.

(e) 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 and associated company at the effective date of acquisition.

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

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

1 Principal accounting policies (continued)

(f) Fixed assets and depreciation

(i) Hotel properties

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

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

(ii) Other fixed assets

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

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

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

(g) Inventories

Inventories comprise primarily food, beverages and operating supplies and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Other investments

Other investments represent equity securities and are stated in the balance sheet at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair values are recognised in the profit and loss account. Profits 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.

Notes to the Accounts

1 Principal accounting policies (continued)

(i) 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.

(j) Provisions

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

(k) Finance leases

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

(l) Operating leases

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

(m) Revenue recognition

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

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

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

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

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

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

(n) Foreign currencies

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

1 Principal accounting policies (continued)

(n) Foreign currencies (continued)

The profit and loss accounts of subsidiaries denominated in foreign currencies are translated at the weighted average exchange rates during the year and the balance sheets denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of net investments are dealt with as a movement in reserves.

(o) 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) Retirement benefit obligations

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

(p) Trade debtors

Provision is made against trade debtors to the extent they are considered to be doubtful. Trade debtors in the balance sheet are stated net of such provision.

(q) 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 on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

2 Segment information

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

Primary reporting format – business segments

The Group is organised into three main business segments:

Hotel operation	–	hotel operation in Hong Kong and Canada
Catering services	–	restaurant operation in Hong Kong and Mainland China
Travel agency	–	sale of air tickets and hotel reservation service in Hong Kong

There is no other significant identifiable separate business segment. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments. Segment assets consist primarily of fixed assets, inventories, debtors and prepayments and mainly exclude other investments, deferred tax assets, bank balances and cash. Segment liabilities comprise mainly creditors, accruals and long term liabilities and exclude deferred taxation, taxation payable and bank overdrafts.

Notes to the Accounts

2 Segment information (continued)

Business segments

	Hotel operation HK\$'000	Catering services HK\$'000	Travel agency HK\$'000	Total HK\$'000
Year ended 31st March 2005				
Room rentals	172,025			
Food and beverages	39,710			
Ancillary services	8,271			
Rental income	11,089			
Segment revenue	231,095	20,478	317,675	569,248
Segment results	108,459	1,156	(12,939)	96,676
Unallocated corporate expenses				(14,453)
Operating profit				82,223
Interest income				2,140
Net investment gain				58,601
Finance costs				(37,205)
Profit before taxation				105,759
Taxation				(20,863)
Profit attributable to shareholders				84,896
Year ended 31st March 2004				
Room rentals	108,655			
Food and beverages	36,207			
Ancillary services	7,226			
Rental income	9,460			
Segment revenue	161,548	16,310	248,108	425,966
Segment results	61,801	(5,093)	(12,512)	44,196
Unallocated corporate expenses				(15,220)
Operating profit				28,976
Interest income				3,485
Net investment gain				807
Finance costs				(40,200)
Share of loss of an associated company	–	–	(712)	(712)
Loss before taxation				(7,644)
Taxation				(4,323)
Loss attributable to shareholders				(11,967)

2 Segment information (continued)

Business segments (continued)

	Hotel operation HK\$'000	Catering services HK\$'000	Travel agency HK\$'000	Total HK\$'000
Year ended 31st March 2005				
Segment assets	3,349,420	12,241	25,982	3,387,643
Unallocated corporate assets				196,403
Total assets				3,584,046
Segment liabilities	1,281,883	2,160	13,267	1,297,310
Unallocated corporate liabilities				63,259
Total liabilities				1,360,569
Depreciation	430	231	121	782
Amortisation and impairment of goodwill	–	1,394	13,336	14,730
Capital expenditure	64	44	80	188
Year ended 31st March 2004				
Segment assets	3,196,943	14,559	39,578	3,251,080
Unallocated corporate assets				136,977
Total assets				3,388,057
Segment liabilities	1,287,828	2,219	14,908	1,304,955
Unallocated corporate liabilities				76,660
Total liabilities				1,381,615
Depreciation	442	2,549	98	3,089
Amortisation of goodwill	–	1,394	2,412	3,806
Capital expenditure	12	54	88	154

Notes to the Accounts

2 Segment information (continued)

Secondary reporting format – geographical segments

The Group's business segments operating in various geographical areas are as follows:

Hong Kong	–	all the Group's business segments
Canada	–	hotel and catering
Mainland China	–	catering

Geographical segments

	Turnover HK\$'000	Operating profit/(loss) HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Year ended 31st March 2005				
Hong Kong	493,118	63,595	3,113,222	184
Canada	67,910	17,790	463,104	–
Mainland China	8,220	838	7,720	4
	569,248	82,223	3,584,046	188
Year ended 31st March 2004				
Hong Kong	360,797	16,185	2,952,424	133
Canada	59,175	13,634	430,657	–
Mainland China	5,994	(843)	4,976	21
	425,966	28,976	3,388,057	154

3 Other charges

	2005 HK\$'000	2004 HK\$'000
Loss on disposal of an associated company	–	9,129
Impairment loss of goodwill	10,924	–
Amortisation of goodwill	3,806	3,806
	14,730	12,935

4 Operating profit

	2005 HK\$'000	2004 HK\$'000
Operating profit is stated after crediting and charging the following:		
Crediting		
Operating lease rental income for land and buildings	11,089	9,460
Charging		
Staff costs, including Directors' emoluments (note 5)	68,068	58,265
Operating lease rental expense for land and buildings	4,994	6,235
Depreciation	926	3,243
Renovation of hotel properties	6,821	–
Provision for bad and doubtful debts	923	4,460
Provision for long term investment	1,601	–
Auditors' remuneration	1,237	1,013

5 Staff costs

	2005 HK\$'000	2004 HK\$'000
Wages and salaries	65,474	55,873
Termination benefit	117	276
Retirement benefit costs (note (i))	2,477	2,116
	68,068	58,265

Notes:

(i) **Retirement benefit costs**

Gross contributions	2,477	2,188
Forfeitures utilised	–	(72)
Net contributions	2,477	2,116

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

Notes to the Accounts

5 Staff costs (continued)

(i) Retirement benefit costs (continued)

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% (2004: 5%) or a fixed sum and 4.95% (2004: 4.95%), respectively, of the employee's relevant income in accordance with the local legislative requirements.

The assets of all 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.

The Group's contributions to all these schemes are expensed as incurred. As at 31st March 2005, no forfeitures (2004: Nil) were available to reduce the Group's future contributions to the ORSO schemes.

(ii) Share option schemes

The Company has 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. Consideration to be paid on each grant of option is HK\$1. As at 31st March 2005 and 2004, no option has been granted under this share option scheme.

6 Directors' and senior management's emoluments

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

	2005 HK\$'000	2004 HK\$'000
Fees	257	60
Salaries and other emoluments	8,953	6,152
	9,210	6,212

The emoluments of individual Directors fell within the following bands:

	2005 Number	2004 Number
Emolument bands		
Nil – HK\$1,000,000	6	6
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$4,500,001 – HK\$5,000,000	1	–
	9	8

6 Directors' and senior management's emoluments (continued)

(b) Emoluments paid to independent non-executive Directors amounted to HK\$237,000 (2004: HK\$60,000) during the year. None of the Directors have waived the right to receive their emoluments.

(c) The five highest paid individuals in the Group for the year include four (2004: four) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2004: one) individual during the year, which fell between HK\$1,500,001 and HK\$2,000,000 (2004: between HK\$1,000,001 and HK\$1,500,000), amounted to HK\$2,000,000 (2004: HK\$1,200,000).

7 Interest income

	2005	2004
	HK\$'000	HK\$'000
Interest income		
Bank deposits	156	73
Loans to third parties	1,847	3,412
Others	137	–
	2,140	3,485

8 Net investment gain

	2005	2004
	HK\$'000	HK\$'000
Realised profit on other investments	22,419	12,178
Net unrealised profit/(loss) on other investments	35,847	(11,963)
Dividend income from listed equity securities	335	592
	58,601	807

9 Finance costs

	2005	2004
	HK\$'000	HK\$'000
Interest expense		
Bank loans and overdrafts	34,500	36,066
Convertible notes	845	2,218
Finance lease obligations wholly repayable within five years	28	42
Other incidental borrowing costs	1,832	1,874
	37,205	40,200

Notes to the Accounts

10 Taxation

	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax		
Current taxation	10,603	–
Under provision in prior years	–	30
Deferred taxation	6,957	1,622
Overseas tax		
Deferred taxation	4,266	2,671
Mainland China tax		
Deferred taxation	(963)	–
Taxation charge	20,863	4,323

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the year. No provision for Hong Kong profits tax was made in last year as there were no assessable profits for that year. No provision for overseas and Mainland China taxation has been made as there are no assessable profits for the year (2004: Nil).

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

	2005 HK\$'000	2004 HK\$'000
Profit/(loss) before taxation	105,759	(7,644)
Calculation at a taxation rate of 17.5% (2004: 17.5%)	18,508	(1,338)
Under provision in prior years	–	30
Effect of different taxation rates in other countries	(1,199)	(845)
Income not subject to taxation	(72)	(2,377)
Recognition of previously unrecognised temporary differences	3,324	(40)
Recognition of previously unrecognised tax losses	(2,911)	–
Expenses not deductible for taxation purposes	4,019	3,182
Tax losses not recognised	1,813	6,866
Utilisation of previously unrecognised tax losses	(3,655)	(754)
Other temporary differences	1,036	(171)
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	–	(230)
Taxation charge	20,863	4,323

11 Profit/(loss) attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$619,000 (2004: loss of HK\$4,268,000).

12 Dividend

No interim dividend was declared for the year (2004: Nil). The Directors do not recommend the payment of a final dividend for the year ended 31st March 2005 (2004: Nil).

13 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of HK\$84,896,000 (2004: loss of HK\$11,967,000) and on the weighted average of 5,052,108,681 (2004: 5,052,108,681) shares in issue during the year ended 31st March 2005.

For the year ended 31st March 2005, the calculation of diluted earnings per share is based on profit attributable to shareholders of HK\$84,896,000 plus after tax interest savings of HK\$845,000 and the weighted average number of 5,052,108,681 shares in issue during the year plus 68,019,721 shares deemed to be in issue assuming the convertible notes had been converted.

For the year ended 31st March 2004, no diluted loss per share is presented as the conversion of the convertible notes would not have a dilutive effect on the loss per share.

14 Fixed assets

	Hotel properties HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Group			
Cost or valuation			
At 31st March 2004	3,167,550	28,594	3,196,144
Exchange difference	31,850	24	31,874
Additions	–	188	188
Disposals	–	(626)	(626)
Surplus on revaluation	113,210	–	113,210
At 31st March 2005	3,312,610	28,180	3,340,790
Accumulated depreciation			
At 31st March 2004	–	26,442	26,442
Exchange difference	–	22	22
Charge for the year	–	926	926
Disposals	–	(596)	(596)
At 31st March 2005	–	26,794	26,794
Net book value			
At 31st March 2005	3,312,610	1,386	3,313,996
At 31st March 2004	3,167,550	2,152	3,169,702

(a) Hotel properties comprise a long term leasehold property in Hong Kong of HK\$1,440,000,000 (2004: HK\$1,400,000,000), a medium term leasehold property in Hong Kong of HK\$1,420,000,000 (2004: HK\$1,350,000,000) and a freehold property 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 respectively, independent professional valuers, on an open market value basis as at 31st March 2005.

Notes to the Accounts

14 Fixed assets (continued)

(b) All other fixed assets are stated at cost less accumulated depreciation. The net book value of the fixed assets held by the Group under finance leases amounted to HK\$40,000 (2004: HK\$242,000).

(c) The aggregate net book value of fixed assets pledged as securities for loans of the Group amounts to HK\$3,312,610,000 (2004: HK\$3,167,550,000).

15 Goodwill

	HK\$'000
Cost	
At 31st March 2005 and 31st March 2004	38,581
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Accumulated amortisation and impairment	
At 31st March 2004	10,663
Amortisation charge for the year	3,806
Impairment charge for the year	10,924
At 31st March 2005	25,393
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Net book value	
At 31st March 2005	13,188
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At 31st March 2004	27,918

16 Subsidiaries

	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	1,479,055	1,543,450
Amounts due to subsidiaries	(4,263)	(14,274)
	1,474,792	1,529,176

Details of the principal subsidiaries are set out in note 32.

17 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.

18 Other investments

	Group	
	2005 HK\$'000	2004 HK\$'000
Equity securities, listed in Hong Kong, at fair value	93,137	69,984

19 Debtors and prepayments

(a) An ageing analysis of trade debtors net of provision for doubtful debts, which are included in debtors and prepayments, is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
0 day to 60 days	32,999	28,693
61 days to 120 days	2,039	2,716
More than 120 days	1,684	3,339
	36,722	34,748

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.

(b) Included in debtors and prepayments are loans receivable of HK\$31,000,000 (2004: HK\$45,000,000) which are interest bearing at 1% per month or 2% above prime rate per annum (2004: 2% above prime rate per annum), and repayable within one year.

Notes to the Accounts

20 Bank balances and cash

At 31st March 2004, the balances included restricted bank balances of HK\$6,000,000 which were pledged to a bank to secure the banking facilities.

21 Creditors and accruals

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

	Group	
	2005 HK\$'000	2004 HK\$'000
0 day to 60 days	16,578	17,323
61 days to 120 days	308	3,801
More than 120 days	1,366	1,283
	18,252	22,407

22 Convertible notes

On 15th April 2003, the Company 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 the Company 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, the Company has fully redeemed all the convertible notes without conversion.

23 Share capital

	Number of shares of HK\$0.02 per share	HK\$'000
Authorised:		
At 31st March 2004 and 2005	25,000,000,000	500,000
Issued and fully paid:		
At 31st March 2003, 2004 and 2005	5,052,108,681	101,042

24 Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Hotel properties revaluation reserve HK\$'000	Exchange reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
Group						
At 31st March 2003	299,770	899,333	326,880	2,827	252,372	1,781,182
Translation difference	–	–	1,240	23,921	–	25,161
Surplus on revaluation						
Gross	–	–	111,532	–	–	111,532
Taxation	–	–	(508)	–	–	(508)
Loss attributable to shareholders	–	–	–	–	(11,967)	(11,967)
At 31st March 2004	299,770	899,333	439,144	26,748	240,405	1,905,400
Translation difference	–	–	569	19,049	–	19,618
Surplus on revaluation						
Gross	–	–	113,210	–	–	113,210
Taxation	–	–	(689)	–	–	(689)
Profit attributable to shareholders	–	–	–	–	84,896	84,896
At 31st March 2005	299,770	899,333	552,234	45,797	325,301	2,122,435
		Share premium HK\$'000	Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000	
Company						
At 31st March 2003		299,770	1,088,229	(2,668)	1,385,331	
Loss for the year		–	–	(4,268)	(4,268)	
At 31st March 2004		299,770	1,088,229	(6,936)	1,381,063	
Profit for the year		–	–	619	619	
At 31st March 2005		299,770	1,088,229	(6,317)	1,381,682	

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is also distributable. Accordingly, the total distributable reserves of the Company as at 31st March 2005 amount to HK\$1,081,912,000 (2004: HK\$1,081,293,000).

Notes to the Accounts

25 Long term liabilities

	Group	
	2005 HK\$'000	2004 HK\$'000
Bank loans, secured (note a)		
Repayable within one year	38,858	43,220
Repayable within one to two years	54,335	41,220
Repayable within two to five years	256,125	223,661
Repayable after five years	903,823	952,541
	1,253,141	1,260,642
Obligations under finance leases wholly repayable within five years (note b)	336	406
	1,253,477	1,261,048
Current portion included in current liabilities	(38,963)	(43,311)
	1,214,514	1,217,737

(a) The bank loans are secured by mortgages of the Group's hotel properties (note 14(c)), floating charges over all the assets of certain subsidiaries and corporate guarantees given by the Company.

(b) The Group's finance lease liabilities were repayable as follows:

	Present value		Minimum payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Within one year	104	91	128	121
In the second year	94	99	108	121
In the third to fifth year	138	216	148	239
	336	406	384	481

26 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates.

The movement of the net deferred tax liabilities is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
At the beginning of the year	20,932	14,049
Exchange difference	1,723	2,082
Charged to profit and loss account	10,260	4,293
Charged to equity	689	508
At the end of the year	33,604	20,932

26 Deferred taxation (continued)

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

	Accelerated tax depreciation HK\$'000	Revaluation of hotel properties HK\$'000	Total HK\$'000
Group			
Deferred tax liabilities			
At 31st March 2003	83,293	2,218	85,511
Exchange differences	2,543	266	2,809
Charged to profit and loss account	13,873	–	13,873
Charged to equity	–	508	508
At 31st March 2004	99,709	2,992	102,701
Exchange differences	1,723	229	1,952
Charged to profit and loss account	10,280	–	10,280
Charged to equity	–	689	689
At 31st March 2005	111,712	3,910	115,622

Deferred tax assets	Accelerated accounting depreciation HK\$'000	Tax losses HK\$'000	Provision HK\$'000	Total HK\$'000
At 31st March 2003	290	71,168	4	71,462
Exchange differences	–	727	–	727
Credited to profit and loss account	138	9,007	435	9,580
At 31st March 2004	428	80,902	439	81,769
Exchange differences	–	229	–	229
(Charged)/Credited to profit and loss account	(22)	477	(435)	20
At 31st March 2005	406	81,608	4	82,018

	Tax losses	
	2005 HK\$'000	2004 HK\$'000
Company		
Deferred tax assets		
At the beginning of the year	–	–
Credited to profit and loss account	778	–
At the end of the year	778	–

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current tax assets with current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting, are shown separately on the balance sheet.

Notes to the Accounts

26 Deferred taxation (continued)

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Deferred tax assets	(6,152)	(3,814)	(778)	–
Deferred tax liabilities	39,756	24,746	–	–
	33,604	20,932	(778)	–

Deferred 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 approximately HK\$74 million (2004: HK\$97 million) to carry forward against future taxable income. Unused tax losses of approximately HK\$9 million (2004: HK\$27 million) have no expiry date and the balance will expire at various dates up to and including 2012 (2004: 2011).

27 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	–	–	–	–
	–	–	–	–

28 Operating lease arrangements

(a) Lessor

The Group leases out certain part of its hotel properties under operating leases which typically run for lease terms between 2 and 9 years.

The future aggregate minimum lease receivable under non-cancellable operating leases is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	10,994	10,218
In the second to fifth years inclusive	16,788	24,931
After the fifth year	5,203	7,915
	32,985	43,064

As at 31st March 2005, the Company had no operating lease receivable arrangements (2004: Nil).

(b) Lessee

Future aggregate minimum lease payable under non-cancellable operating leases in respect of land and buildings is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	4,939	4,792
In the second to fifth years inclusive	7,878	12,712
	12,817	17,504

As at 31st March 2005, the Company had no operating lease payable arrangements (2004: Nil).

Notes to the Accounts

29 Contingent liabilities

	Company	
	2005 HK\$'000	2004 HK\$'000
Guarantees by the Company for the loans and banking facilities of subsidiaries	1,261,919	1,264,583

As at 31st March 2005, the Group had no contingent liabilities (2004: Nil).

30 Related party transactions

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

	2005 HK\$'000	2004 HK\$'000
(i) Operating lease rental expense for land and buildings to fellow subsidiaries	(463)	(463)
(ii) Hotel revenue from intermediate holding company and a fellow subsidiary	19	17
(iii) Management service expenses to fellow subsidiaries	(905)	(821)

Notes:

- (i) Rental expense is subject to terms agreed by the parties involved, which is at a monthly fixed fee.
- (ii) Hotel revenue is charged at prices and terms as agreed with the intermediate holding company and a fellow subsidiary.
- (iii) Management service expenses, including cleaning, repair and maintenance, are subject to terms agreed by the parties involved, which are at fixed fees.

31 Notes to consolidated cash flow statement**(a) Reconciliation of profit/(loss) before taxation to net cash generated from operations**

	2005	2004
	HK\$'000	HK\$'000
Profit/(loss) before taxation	105,759	(7,644)
Share of loss of an associated company	–	712
Loss on disposal of an associated company	–	9,129
Depreciation	926	3,243
Interest income	(2,140)	(3,485)
Dividend income	(335)	(592)
Finance costs	37,205	40,200
Realised profit on other investments	(22,419)	(12,178)
Provision for long term investment	1,601	–
Net unrealised (profit)/loss on other investments	(35,847)	11,963
Loss on disposal of fixed assets	30	62
Amortisation and impairment of goodwill	14,730	3,806
Operating profit before working capital changes	99,510	45,216
(Increase)/decrease in inventories	(75)	295
Decrease/(increase) in debtors and prepayments	7,449	(45,968)
Increase in creditors and accruals	3,188	2,526
Net cash generated from operations	110,072	2,069

(b) Analysis of changes in financing during the year

	Share capital, share premium, contributed surplus HK\$'000	Restricted bank balances HK\$'000	Finance lease payable HK\$'000	Convertible notes HK\$'000	Long term bank loans HK\$'000	Total HK\$'000
At 31st March 2003	1,300,145	(6,000)	449	–	1,299,710	2,594,304
Changes in exchange rates	–	–	34	–	17,152	17,186
Net cash (used in)/from financing	–	–	(77)	46,000	(56,220)	(10,297)
At 31st March 2004	1,300,145	(6,000)	406	46,000	1,260,642	2,601,193
Changes in exchange rates	–	–	26	–	11,338	11,364
Net cash from/(used in) financing	–	6,000	(96)	(46,000)	(18,839)	(58,935)
At 31st March 2005	1,300,145	–	336	–	1,253,141	2,553,622

Notes to the Accounts

32 Principal subsidiaries

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

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

Name	Principal activity	Issued and fully paid ordinary share capital/ registered capital
<i>Incorporated in Hong Kong</i>		
Asia Standard Hotel (Holdings) Limited	Investment holding	HK\$2
Grace Profit Enterprises Limited	Investment holding	HK\$2
JBC Travel Company Limited	Travel agency	HK\$2,500,000
Perfect Wave Limited	Catering operation	HK\$2
Stone Pole Limited	Hotel investment and operation	HK\$10
Vinstar Development Limited	Hotel investment and operation	HK\$2
<i>Incorporated in the British Virgin Islands</i>		
Empire Hotel Investment Limited	Investment holding	US\$1
Enrich Enterprise Limited [#]	Hotel investment	US\$1
Global Gateway Corp. [#]	Hotel operation	US\$1
Glory Ventures Enterprises Inc. [#]	Hotel investment	US\$1
Greatime Limited	Securities investment	US\$1
Superite Limited	Securities investment	US\$1
<i>Incorporated in the People's Republic of China</i>		
Shanghai Hong Hua TGIF Restaurant Co. Limited (95% owned) ^{##}	Catering operation	RMB17,384,640

[#] Operates in Canada

^{##} Operates in Mainland China, cooperative joint venture

33 Ultimate holding company

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

34 Approval of accounts

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