

## 1. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of investment, hotel and certain other properties and in accordance with accounting principles generally accepted in Hong Kong.

In the current year, the Group adopted and implemented the following revised or new Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

SSAP 1 (revised)	Presentation of financial statements
SSAP 9 (revised)	Events after the balance sheet date
SSAP 11 (revised)	Foreign currency translation
SSAP 14 (revised)	Leases
SSAP 15 (revised)	Cash flow statements
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

SSAP 1 (revised), SSAP 11 (revised) and SSAP 15 (revised) are applied in advance of their effective dates.

The effects of adopting these SSAPs are set out below:

#### (i) Goodwill

The Group has adopted the transitional provisions as permitted under SSAP 30 not to restate any goodwill taken to reserves prior to 31st March 2001. However, any impairment in respect of such goodwill are recognised as an expense in the period in which impairment has occurred in accordance with the requirements of SSAP 31. Goodwill arising on acquisitions on or after 1st April 2001 is capitalised in the balance sheet as a separate asset and amortised over its estimated useful life (note f).

The effect of this change in accounting policy is to increase the loss for the year ended 31st March 2001, decrease the revenue reserve and increase the capital reserve as at 1st April 2001 by HK\$234,000,000.

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

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (b) Basis of consolidation

The consolidated accounts of the Group include the accounts of the Company and its subsidiaries made up to 31st March and the Group's share of post-acquisition profits less losses, and reserves, of its jointly controlled entities and associated companies.

The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated profit and loss account from the effective dates of acquisition and to the effective dates of disposal respectively.

The profit or loss on disposal of subsidiaries, jointly controlled entities or associated companies is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill / negative goodwill which remains unamortised, and those previously taken to reserves.

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

### (c) Subsidiaries

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

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

### (d) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with other venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. The Group's investments in jointly controlled entities are carried in the consolidated balance sheet at the Group's share of net assets. The Group continues to share losses incurred by jointly controlled entities, which is over and above the carrying amounts of the investments, to the extent that the Group has guaranteed obligations or other commitments of these jointly controlled entities.

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

### (e) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management. The Group's investments in associated companies are included in the consolidated balance sheet at the Group's share of net assets.

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.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (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 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 on or 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.

### (g) Other investments

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

### (h) Fixed assets

#### (i) Investment properties

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

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

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

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (h) Fixed assets (continued)

#### (ii) Hotel properties

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

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

#### (iii) Other properties

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

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

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

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (h) Fixed assets (continued)

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

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.

#### (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.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (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) Deferred taxation

Deferred taxation is provided at the current taxation rate in respect of material timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (n) 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.

- (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.

### (o) 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.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (o) Foreign currencies (continued)

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.

In previous years, profit and loss accounts of subsidiaries, jointly controlled entities and associated companies denominated in foreign currencies were translated at exchange rates ruling at the balance sheet date. This accounting policy has been changed to conform with SSAP 11 (revised) Foreign currency translation and the effect of such change to the accounts for the year is not material.

### (p) 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.

### (q) 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.

### (r) Retirement benefits costs

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.

### (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, amounts repayable on demand from banks and financial institutions within three months from the date of placement, less advances from banks and financial institutions repayable within three months from the date of advance.



## 2. TURNOVER AND SEGMENT INFORMATION

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

### **Primary reporting format - business segments**

The Group is organised into four main business segments, comprising property sales, property leasing, hotel and travel and investments. There is no other significant identifiable separate business segment. Segment revenue from external customers is after elimination of inter-segment revenues. Revenue of HK\$4 million (2001: HK\$88 million) charged by the property sales segment in respect of construction services provided to the hotel and travel segment has been eliminated from segment revenues. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments. Segment assets consist primarily fixed assets, other non-current assets, hotel inventories, properties, debtors, prepayments and other receivables and investments. Segment liabilities comprise mainly creditors, accruals, bank and other loans.

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

	Property sales 2002 HK\$'000	Property leasing 2002 HK\$'000	Hotel and travel 2002 HK\$'000	Investments 2002 HK\$'000	Other operations 2002 HK\$'000	Group 2002 HK\$'000
<b>Segment revenues</b>	<b>253,950</b>	<b>61,242</b>	<b>424,884</b>	<b>60,244</b>	<b>66,568</b>	<b>866,888</b>
<b>Contribution to operating loss</b>	<b>(25,706)</b>	<b>51,710</b>	<b>45,364</b>	<b>23,083</b>	<b>43,939</b>	<b>138,390</b>
<b>Other charges</b>	<b>(161,544)</b>	<b>–</b>	<b>(6,975)</b>	<b>(8,958)</b>	<b>(734)</b>	<b>(178,211)</b>
<b>Unallocated corporate expenses</b>						<b>(64,153)</b>
<b>Operating loss</b>						<b>(103,974)</b>
<b>Finance costs</b>						<b>(117,336)</b>
<b>Share of results of jointly controlled entities and associated companies</b>	<b>(162,706)</b>	<b>6,019</b>	<b>–</b>	<b>(11,145)</b>	<b>29</b>	<b>(167,803)</b>
<b>Loss before taxation</b>						<b>(389,113)</b>
<b>Taxation</b>						<b>(2,948)</b>
<b>Loss after taxation</b>						<b>(392,061)</b>
<b>Minority interests</b>						<b>238,011</b>
<b>Loss attributable to shareholders</b>						<b>(154,050)</b>
	<b>2001 HK\$'000</b>	<b>2001 HK\$'000</b>	<b>2001 HK\$'000</b>	<b>2001 HK\$'000</b>	<b>2001 HK\$'000</b>	<b>2001 HK\$'000</b>
Segment revenues	406,816	39,001	160,457	39,710	102,953	748,937
Contribution to operating loss	(25,630)	28,657	39,871	11,367	81,673	135,938
Other charges	(3,419)	–	–	(298,089)	(144,005)	(445,513)
Unallocated corporate expenses						(69,323)
Operating loss						(378,898)
Finance costs						(151,136)
Share of results of jointly controlled entities and associated companies	(88,767)	1,852	–	(26,174)	(14)	(113,103)
Loss before taxation						(643,137)
Taxation credit						5,956
Loss after taxation						(637,181)
Minority interests						168,978
Loss attributable to shareholders						(468,203)

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

	Property sales 2002 HK\$'000	Property leasing 2002 HK\$'000	Hotel and travel 2002 HK\$'000	Investments 2002 HK\$'000	Other operations 2002 HK\$'000	Group 2002 HK\$'000
<b>Segment assets</b>	1,660,354	2,218,987	3,432,725	400,287	250,185	7,962,538
<b>Jointly controlled entities and associated companies</b>	557,645	246,082	–	197,022	3,026	1,003,775
<b>Unallocated assets</b>						212,779
						<b>9,179,092</b>
<b>Segment liabilities</b>	1,100,260	781,594	1,426,882	–	17,494	3,326,230
<b>Minority interests and loans</b>						2,691,660
<b>Unallocated liabilities</b>						391,651
						<b>6,409,541</b>
<b>Capital expenditure</b>	45	650	157,482	–	6	158,183
<b>Depreciation</b>	679	487	1,379	–	4,435	6,980
	2001 HK\$'000	2001 HK\$'000	2001 HK\$'000	2001 HK\$'000	2001 HK\$'000	2001 HK\$'000
<b>Segment assets</b>	2,320,029	2,364,736	3,085,816	277,046	344,021	8,391,648
<b>Jointly controlled entities and associated companies</b>	726,731	245,349	–	5,377	3,541	980,998
<b>Unallocated assets</b>						326,473
						<b>9,699,119</b>
<b>Segment liabilities</b>	1,155,150	835,654	1,228,990	–	42,202	3,261,996
<b>Minority interests and loans</b>						3,242,165
<b>Unallocated liabilities</b>						299,791
						<b>6,803,952</b>
<b>Capital expenditure</b>	–	8,028	254,773	–	937	263,738
<b>Depreciation</b>	755	2,685	606	–	5,436	9,482

## 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 are set out as follows:

	Segment revenue 2002 HK\$'000	Operating (loss) / profit 2002 HK\$'000	Total assets 2002 HK\$'000	Capital expenditure 2002 HK\$'000
<b>Hong Kong</b>	<b>741,221</b>	<b>(118,333)</b>	<b>8,711,585</b>	<b>157,113</b>
<b>Mainland China</b>	<b>58,177</b>	<b>(6,340)</b>	<b>118,749</b>	<b>32</b>
<b>Canada</b>	<b>67,490</b>	<b>20,699</b>	<b>348,758</b>	<b>1,038</b>
	<b>866,888</b>	<b>(103,974)</b>	<b>9,179,092</b>	<b>158,183</b>

	2001 HK\$'000	2001 HK\$'000	2001 HK\$'000	2001 HK\$'000
Hong Kong	612,138	(166,812)	8,632,142	253,391
Mainland China	62,680	(232,861)	700,787	741
Canada	74,119	20,775	366,190	9,606
	748,937	(378,898)	9,699,119	263,738

## 3. OTHER CHARGES

	2002 HK\$'000	2001 HK\$'000
Gain / (loss) on deemed disposal of interests in		
A jointly controlled entity	<b>26,472</b>	–
Hotel and management services businesses	–	(124,662)
Loss on disposal of interests in the Panyu development	<b>(39,230)</b>	–
Exchange reserve realised upon liquidation of a subsidiary	<b>(4,915)</b>	–
Loss on disposal / dilution of interests in		
Asia Standard International Group Limited (“Asia Standard”)	–	(19,343)
Gain on partial disposal of catering business	<b>4,181</b>	–
Provision for diminution in value of properties under development / held for sale	<b>(122,314)</b>	(65,419)
Unrealised losses on other investments	<b>(35,430)</b>	(64,089)
Pre-operating loss of Empire Hotel Kowloon	<b>(4,041)</b>	–
Impairment of goodwill	–	(234,000)
Amortisation of goodwill (note 11)	<b>(2,934)</b>	–
Written back of provision for diminution in value of properties held for sale	–	62,000
	<b>(178,211)</b>	(445,513)

#### 4. OPERATING LOSS

	2002 HK\$'000	2001 HK\$'000
Operating loss is stated after crediting and charging the following:		
<b>Crediting</b>		
Forfeited deposits	1,635	1,831
Net rental income (note (a))	51,710	28,657
Interest income		
Debt securities	8,214	5,101
Other	36,265	70,457
Dividends from listed investments	947	5
Net realised gains on other investments	22,136	11,362
<b>Charging</b>		
Operating lease rental expense for land and buildings	5,579	6,578
Amortisation of goodwill	2,934	–
Staff costs (note (b))	79,186	72,058
Depreciation	6,980	9,482
Auditors' remuneration	3,897	3,892
Retirement benefits costs (note (c))	2,282	983
Loss on disposal of fixed assets	1,128	7
Net unrealised losses on other investments	35,430	64,089

##### (a) Net rental income

	2002 HK\$'000	2001 HK\$'000
Gross rental income from investment properties	39,873	21,500
Gross rental income from properties held for sale	21,369	17,501
Outgoings	(9,532)	(10,344)
	51,710	28,657

##### (b) Staff costs

	2002 HK\$'000	2001 HK\$'000
Staff costs	84,277	80,128
Capitalised as properties under development	(5,091)	(8,070)
	79,186	72,058

**4. OPERATING LOSS (continued)****(c) Retirement benefits costs**

	2002 HK\$'000	2001 HK\$'000
Gross contributions	2,766	1,310
Forfeitures utilised	(484)	(327)
Net contributions	<u>2,282</u>	<u>983</u>

The Group participates in two types of defined contribution schemes, namely the Mandatory Provident Fund Scheme ("MPF") and Occupational Retirement Scheme Ordinance ("ORSO") Scheme for employees.

The Group participates in several defined contribution schemes under the ORSO which are available to employees joining before 1st December 2000. Under these schemes, contributions of 5% of the employee's monthly salaries are made by the employees and by the Group. The Group's contributions are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The Group also participates in the MPF for all employees not joining the ORSO schemes. Monthly contributions of 5% of the employee's relevant income are made to the MPF scheme in accordance with the legislative requirements and are expensed as incurred. The assets of all retirement schemes are held separately from those of the Group in independently administered funds.

As at 31st March 2002, forfeitures of HK\$270,000 (2001: HK\$41,000) were available to reduce the Group's future contributions to the ORSO schemes.

**5. FINANCE COSTS**

	2002 HK\$'000	2001 HK\$'000
Interest expense		
Long term bank loans	147,866	237,138
Exchangeable bonds	–	8,207
Convertible bonds	21,683	21,686
Convertible notes	3,000	616
Loans from minority shareholders of subsidiaries	3,850	7,134
Short term bank loans and overdrafts	14,913	12,337
Other incidental borrowing costs	<u>13,864</u>	<u>30,834</u>
	<b>205,176</b>	<b>317,952</b>
Capitalised as cost of properties under development		
Interest expense	(83,375)	(158,508)
Other incidental borrowing costs	<u>(4,465)</u>	<u>(8,308)</u>
	<b>117,336</b>	<b>151,136</b>

To the extent funds are borrowed generally and used for the purpose of financing certain properties under development, the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation as part of the costs of these properties under development was 5.1% (2001: 8.4%) 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:

	2002 HK\$'000	2001 HK\$'000
Fees (i)	220	40
Salaries, housing allowances and benefits in kind (ii)	19,520	23,468
	<b>19,740</b>	23,508

(i) Fees paid by the Company to Independent Non-executive Directors.

(ii) Other emoluments paid to executive Directors include HK\$11,520,000 (2001: HK\$12,468,000) paid by subsidiaries of Asia Standard and HK\$2,000,000 (2001: HK\$8,000,000) paid by subsidiaries of Asia Standard Hotel Group Limited ("Asia Standard Hotel"), both being the Company's listed subsidiaries.

The emoluments of individual Directors fell within the following bands:

Emoluments band	Number	
	2002	2001
HK\$Nil – HK\$1,000,000	2	2
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	2	1
HK\$3,000,001 – HK\$3,500,000	1	–
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$4,500,001 – HK\$5,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$7,500,001 – HK\$8,000,000	–	1
HK\$9,500,001 – HK\$10,000,000	1	–

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

- (b) The five highest paid individuals in the Group for the year include five (2001: five) Directors whose emoluments are already reflected in the analysis presented above.

## 7. TAXATION (CHARGE) / CREDIT

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2002 HK\$'000	2001 HK\$'000
Company and subsidiaries		
Hong Kong profits tax	(493)	(589)
Overseas tax	(2,323)	(2,324)
Overprovision in prior years	831	9,110
	<b>(1,985)</b>	6,197
Associated company		
Hong Kong profits tax	(963)	(241)
	<b>(2,948)</b>	5,956

**7. TAXATION (CHARGE) / CREDIT (continued)**

Tax losses available at 31st March 2002 to reduce future taxable profits of the subsidiaries to which they relate amounted to approximately HK\$864,000,000 (2001: HK\$743,000,000). No deferred taxation has been provided as there are no material timing differences which would result in a liability payable or an asset recoverable in the foreseeable future. The surplus on revaluation of investment properties, hotel properties in Hong Kong and other properties does not constitute a timing difference for deferred tax purposes as realisation of the revaluation surplus would not result in a tax liability. Realisation of the surplus on revaluation of the Canadian hotel property would give rise to a taxation liability in Canada, which would amount to approximately HK\$2,000,000 (2001: HK\$4,800,000) as at 31st March 2002. No provision has been made in the accounts for this liability as the property is held for the long term and management has no intention to dispose of the property in the foreseeable future.

**8. LOSS ATTRIBUTABLE TO SHAREHOLDERS**

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$6,092,000 (2001: HK\$789,000).

**9. DIVIDEND**

No dividend was declared or proposed for the year (2001: nil).

**10. LOSS PER SHARE**

The calculation of loss per share is based on loss attributable to shareholders of HK\$154,050,000 (2001: HK\$468,203,000) and on the 7,491,321,498 (2001: 7,491,321,498) shares in issue during the year.

No diluted loss per share is presented as the exercise of subscription rights attached to the share options and the conversion of the convertible notes would not have a dilutive effect on the loss per share.

**11. GOODWILL**

	Group 2002 HK\$'000
Acquisition of a subsidiary, net of adjustment	29,349
Amortisation	(2,934)
	<u>26,415</u>

On 6th April 2001, the Group acquired the entire share capital of JBC Travel Company Limited ("JBC") at a consideration of HK\$36,000,000 from Hong Kong Enterprise International Limited, a company owned by Mr. Poon Jing, a Director of the Company.

Mr. Poon has provided a guarantee to the Group that the net profit before interest and taxation of JBC as stated in the audited accounts of JBC for the year ended 31st March 2002 and 2003 shall not be less than HK\$5,000,000 for each of such respective years. The net profit before interest and taxation of JBC for the year ended 31st March 2002 was HK\$856,000. Accordingly, Mr. Poon is required to pay an amount equal to the shortfall of HK\$4,144,000 to the Group. This amount is included under debtors at 31st March 2002 (note 17).



## 12. FIXED ASSETS

	Investment properties HK\$'000	Hotel properties HK\$'000	Other properties HK\$'000	Properties under development HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
<b>Group</b>						
<b>Cost or valuation</b>						
At 31st March 2001	1,534,707	1,838,027	151,108	1,139,688	66,320	4,729,850
Translation differences	–	(5,227)	–	–	(252)	(5,479)
Acquisition of a subsidiary	–	–	–	–	2,377	2,377
Additions	650	1,038	–	152,936	3,559	158,183
Disposals	–	–	–	–	(1,739)	(1,739)
Disposal of subsidiaries	–	–	–	–	(6,351)	(6,351)
Transfer upon completion	–	1,249,536	–	(1,249,536)	–	–
Surplus / (deficit) on revaluation	(66,357)	137,666	(14,294)	–	–	57,015
<b>At 31st March 2002</b>	<b>1,469,000</b>	<b>3,221,040</b>	<b>136,814</b>	<b>43,088</b>	<b>63,914</b>	<b>4,933,856</b>
<b>Accumulated depreciation</b>						
At 31st March 2001	–	–	1,455	–	48,635	50,090
Translation differences	–	–	–	–	(217)	(217)
Acquisition of a subsidiary	–	–	–	–	1,905	1,905
Charge for the year	–	–	270	–	6,710	6,980
Disposals	–	–	–	–	(535)	(535)
Disposal of subsidiaries	–	–	–	–	(3,894)	(3,894)
<b>At 31st March 2002</b>	<b>–</b>	<b>–</b>	<b>1,725</b>	<b>–</b>	<b>52,604</b>	<b>54,329</b>
<b>Net book value</b>						
<b>At 31st March 2002</b>	<b>1,469,000</b>	<b>3,221,040</b>	<b>135,089</b>	<b>43,088</b>	<b>11,310</b>	<b>4,879,527</b>
At 31st March 2001	1,534,707	1,838,027	149,653	1,139,688	17,685	4,679,760

- (a) Investment properties comprise long term leasehold land and buildings of HK\$1,469,000,000 (2001: HK\$1,534,707,000) in Hong Kong. They were revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 31st March 2002.
- (b) Hotel properties comprise long term leasehold land and buildings situated in Hong Kong of HK\$1,480,000,000 (2001: HK\$1,480,000,000), medium term leasehold land and buildings in Hong Kong of HK\$1,400,000,000 and freehold land and buildings situated in Canada of HK\$341,040,000 (2001: HK\$358,027,000). The hotel properties in Hong Kong and Canada were revalued by Knight Frank and Grant Thornton Management Consultants, independent professional valuers, on an open market value basis as at 31st March 2002 respectively.

**12. FIXED ASSETS (continued)**

- (c) Included in other properties is a long term leasehold property stated at valuation of HK\$120,998,000 (2001: HK\$135,292,000). The property was revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 31st March 2002. The carrying amount would have been HK\$89,294,000 (2001: HK\$90,386,000) had it been stated at cost less accumulated depreciation. Also included in other properties are long term leasehold land and buildings of HK\$4,634,000 (2001: HK\$4,685,000) and medium term leasehold land and buildings of HK\$9,457,000 (2001: HK\$9,676,000), both of which are stated at cost less accumulated depreciation. All these properties are located in Hong Kong.
- (d) Properties under development comprise long term leasehold land and buildings of HK\$43,088,000 (2001: HK\$43,907,000) and medium term leasehold land and buildings of HK\$Nil (2001: HK\$1,095,781,000) 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\$4,868,217,000 (2001: HK\$4,662,075,000).

**13. SUBSIDIARIES**

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	2,823,639	2,823,639
Amounts due by subsidiaries	1,553,029	1,558,585
	<b>4,376,668</b>	4,382,224

Details of the principal subsidiaries are set out in note 31.

**14. JOINTLY CONTROLLED ENTITIES**

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net liabilities	(138,318)	(79,347)
Goodwill	101,164	–
Advances to jointly controlled entities less provision	369,419	380,153
Amount due to a jointly controlled entity	(4,422)	–
	<b>327,843</b>	300,806

The shares in certain jointly controlled entities are pledged to secure loan facilities granted to those entities. The advances to jointly controlled entities amounting to HK\$230,753,000 (2001: HK\$221,534,000) are subordinated to the repayment of the loans of those jointly controlled entities.

Advances to jointly controlled entities are mainly 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 31.

**15. ASSOCIATED COMPANIES**

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	<b>94,488</b>	178,115
Goodwill	<b>65,484</b>	–
Advances to associated companies less provision	<b>537,925</b>	532,325
Amounts due to associated companies	<b>(21,965)</b>	(30,248)
	<b>675,932</b>	680,192
Market value of listed shares	<b>58,000</b>	–

The shares in certain associated companies are pledged to secure the loan facilities granted to those companies. Advances to associated companies amounting to HK\$372,569,000 (2001: HK\$366,322,000) are subordinated to the repayment of the loans of those companies.

Advances to associated companies are made to finance property development projects. Except for an amount of HK\$3,035,000 (2001: HK\$3,578,000) 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 31.

**16. PROPERTIES HELD FOR / UNDER DEVELOPMENT FOR SALE AND COMPLETED PROPERTIES HELD FOR SALE**

At 31st March 2002, properties amounting to HK\$1,343,462,000 (2001: HK\$1,988,023,000) were pledged to banks to secure certain banking facilities of the Group.

At 31st March 2002, properties that are carried at net realisable values were HK\$842,289,000 (2001: HK\$962,819,000), and properties that are held for deployment in operating leases were HK\$611,466,000 (2001: HK\$682,446,000).

## 17. DEBTORS AND PREPAYMENTS

Debtors and prepayments include trade debtors, utility and other deposits, stakeholders' accounts, interest and other receivables, receivable of HK\$4,144,000 (2001: nil) from a Director, Mr. Poon Jing (note 11) and a housing loan of HK\$1,224,000 (2001: HK\$1,292,000) granted to a Director, Mr. Kwan Po Lam, Phileas, in March 1995. The loan is secured by a legal mortgage over the subject property, carries interest at 2% below prime rate (2001: 2% below prime rate) and the principal is repayable by quarterly instalments of HK\$17,000 each. The maximum outstanding balance during the year was HK\$1,292,000 (2001: HK\$1,377,000).

Trade debtors amounted to HK\$55,953,000 (2001: HK\$84,336,000) of which 87% (2001: 97%) 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.

## 18. OTHER INVESTMENTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Equity securities		
Listed in Hong Kong	174,915	68,966
Listed overseas	16,232	32,515
Unlisted	51,880	18,567
	243,027	120,048
Debt securities	157,260	156,998
	400,287	277,046

## 19. BANK BALANCES AND CASH

The balances include restricted bank balances of HK\$8,293,000 (2001: HK\$49,718,000) which are pledged to banks to secure certain banking facilities of the Group or required to be utilised for specific purposes. In addition, bank balances of HK\$29,704,000 (2001: HK\$23,985,000) are held in trust in respect of buildings managed by the Group on behalf of third parties.

## 20. 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\$48,552,000 (2001: HK\$13,294,000), all of which (2001: 98%) were aged under six months.

## 21. SHARE CAPITAL

	Authorised Shares of HK\$0.005 each	
	Number of shares	HK\$'000
At 31st March 2000	10,000,000,000	50,000
Increase during the year (note (i))	5,000,000,000	25,000
<b>At 31st March 2001 and 2002</b>	<b>15,000,000,000</b>	<b>75,000</b>

  

	Issued and fully paid Shares of HK\$0.005 each	
	Number of shares	HK\$'000
At 31st March 2000	4,994,214,332	24,971
Bonus share issue (note (ii))	2,497,107,166	12,486
<b>At 31st March 2001 and 2002</b>	<b>7,491,321,498</b>	<b>37,457</b>

Notes:

### Company

- (i) Pursuant to a Special General Meeting held on 26th September 2000, the authorised share capital of the Company was increased from HK\$50,000,000 to HK\$75,000,000 by the creation of 5,000,000,000 shares of HK\$0.005 each.
- (ii) On the same date, a bonus issue of one bonus share, credited as fully paid, for every two shares was made by way of capitalisation from the share premium account of the Company. These bonus shares rank *pari passu* in all respects with the existing shares.
- (iii) At 31st March 2001 and 2002, the Company had outstanding options granted to certain Directors and employees of the Group to subscribe for 262,500,000 shares of the Company at HK\$0.3466 per share. The share options granted are exercisable at any time on or before 13th February 2010.

### Subsidiaries

- (iv) At 31st March 2001 and 2002, Asia Standard had outstanding options granted under an Executive Share Option Scheme to a Director to subscribe for 1,750,000 shares of Asia Standard at HK\$0.384 per share. The options are exercisable at any time on or before 27th March 2005.
- (v) On 26th September 2000, a bonus issue of warrants was made by Asia Standard Hotel, on the basis of one warrant for every five shares of HK\$0.02 each held. Each warrant entitles its holder to subscribe for fully paid shares of Asia Standard Hotel at an initial subscription price of HK\$0.24 per share, subject to adjustment, from the date of issue of the warrants of 27th September 2000 to 8th October 2001 (both dates inclusive). During the year, a total of 6,248 shares (2001: 5,648 shares) were issued upon the exercise of warrants. The remaining 999,988,104 unexercised warrants lapsed upon expiry on 8th October 2001.

**22. RESERVES**

	Share premium HK\$'000	Capital reserve HK\$'000	Revaluation reserve			Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
			Investment properties HK\$'000	Hotel properties HK\$'000	Other properties HK\$'000			
<b>Group</b>								
At 31st March 2000	1,403,939	267,363	75,510	84,251	41,658	980,201	248,480	3,101,402
Translation differences	-	-	-	(945)	-	-	(4,983)	(5,928)
Release of goodwill upon impairment	-	234,000	-	-	-	-	-	234,000
Issue of bonus shares	(12,591)	-	-	-	-	-	-	(12,591)
Reclassification	-	-	15,093	-	(15,093)	-	-	-
Surplus / (deficit) on revaluation								
Company and subsidiaries	-	-	16,069	47,630	(3,193)	-	-	60,506
Associated companies	-	-	(5,288)	-	-	-	-	(5,288)
Release of reserves upon disposal / deemed disposal of								
Subsidiaries	-	(24,875)	(608)	(20,912)	(340)	-	556	(46,179)
Associated companies	-	-	(9)	-	-	-	-	(9)
Loss for the year	-	-	-	-	-	-	(468,203)	(468,203)
<b>At 31st March 2001</b>	<b>1,391,348</b>	<b>476,488</b>	<b>100,767</b>	<b>110,024</b>	<b>23,032</b>	<b>980,201</b>	<b>(224,150)</b>	<b>2,857,710</b>
Company and subsidiaries	1,391,348	476,488	84,289	110,024	23,032	980,201	(60,644)	3,004,738
Jointly controlled entities	-	-	-	-	-	-	(76,676)	(76,676)
Associated companies	-	-	16,478	-	-	-	(86,830)	(70,352)
	<b>1,391,348</b>	<b>476,488</b>	<b>100,767</b>	<b>110,024</b>	<b>23,032</b>	<b>980,201</b>	<b>(224,150)</b>	<b>2,857,710</b>
<b>Group</b>								
At 31st March 2001								
As previously reported	1,391,348	242,488	100,767	110,024	23,032	980,201	9,850	2,857,710
Prior year adjustment (note 1(a)(i))	-	234,000	-	-	-	-	(234,000)	-
As restated	<b>1,391,348</b>	<b>476,488</b>	<b>100,767</b>	<b>110,024</b>	<b>23,032</b>	<b>980,201</b>	<b>(224,150)</b>	<b>2,857,710</b>
Translation differences	-	-	-	(330)	-	-	165	(165)
Release of goodwill upon deemed disposal of an associated company	-	9,429	-	-	-	-	-	9,429
Exchange reserve released on liquidation of a subsidiary	-	-	-	-	-	-	4,915	4,915
Surplus / (deficit) on revaluation								
Company and subsidiaries	-	-	(35,440)	60,853	(7,634)	-	-	17,779
Associated companies	-	-	(3,524)	-	-	-	-	(3,524)
Loss for the year	-	-	-	-	-	-	(154,050)	(154,050)
<b>At 31st March 2002</b>	<b>1,391,348</b>	<b>485,917</b>	<b>61,803</b>	<b>170,547</b>	<b>15,398</b>	<b>980,201</b>	<b>(373,120)</b>	<b>2,732,094</b>
Company and subsidiaries	1,391,348	485,917	48,849	170,547	15,398	980,201	(111,115)	2,981,145
Jointly controlled entities	-	-	-	-	-	-	(117,064)	(117,064)
Associated companies	-	-	12,954	-	-	-	(144,941)	(131,987)
	<b>1,391,348</b>	<b>485,917</b>	<b>61,803</b>	<b>170,547</b>	<b>15,398</b>	<b>980,201</b>	<b>(373,120)</b>	<b>2,732,094</b>

The investment property revaluation reserve included an amount of HK\$26,706,000 in respect of an investment property which was transferred to property under development for sale in 2001.

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

**22. RESERVES (continued)**

	Share premium HK\$'000	Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
<b>Company</b>				
At 31st March 2000	1,403,939	2,815,750	78,927	4,298,616
Issue of bonus shares	(12,591)	–	–	(12,591)
Loss for the year	–	–	(789)	(789)
At 31st March 2001	1,391,348	2,815,750	78,138	4,285,236
Loss for the year	–	–	(6,092)	(6,092)
<b>At 31st March 2002</b>	<b>1,391,348</b>	<b>2,815,750</b>	<b>72,046</b>	<b>4,279,144</b>

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is also distributable. Accordingly, total distributable reserves of the Company amount to HK\$2,887,796,000 (2001: HK\$2,893,888,000) as at 31st March 2002.

**23. LONG TERM LOANS**

	Group	
	2002 HK\$'000	2001 HK\$'000
Bank loans, secured		
Repayable within one year	<b>314,085</b>	289,024
Repayable between one and two years	<b>313,739</b>	314,268
Repayable between two and five years	<b>935,997</b>	819,556
Repayable after five years	<b>1,203,657</b>	1,308,229
	<b>2,767,478</b>	2,731,077
Current portion included in current liabilities	<b>(314,085)</b>	(289,024)
	<b>2,453,393</b>	2,442,053

Subsequent to the year end, the Group financed a bank loan outstanding at 31st March 2002 of approximately HK\$125 million (2001: HK\$96 million). The terms of repayment at 31st March 2002 in respect of this bank loan has been reclassified according to the new loan agreement. As a result, the amount of liabilities which has been excluded from current liabilities amounts to approximately HK\$15 million (2001: HK\$77 million).

## 24. CONVERTIBLE NOTES

On 16th January 2001, the Company issued HK\$60,000,000 convertible notes which bear interest at 5% per annum payable annually in arrears. Each holder of the notes has the option to convert the notes into fully paid shares of HK\$0.005 each of the Company at (i) HK\$0.088 per share on or before 16th January 2002 and (ii) HK\$0.090 after 16th January 2002, subject to adjustment at any time between 16th January 2001 and 16th January 2003.

The Company shall repay the outstanding principal amount of the convertible notes together with accrued interest on 16th January 2003. Save for repayment on maturity, the convertible notes cannot be redeemed.

## 25. CONVERTIBLE BONDS

On 7th January 2002, Asia Standard International Capital Limited ("ASICL"), a wholly owned subsidiary of Asia Standard, issued HK\$290,000,000 convertible bonds to Westrata Investment Limited, which is a substantial shareholder of Asia Standard. The bonds bear interest at 7% per annum payable semi-annually in arrears and are guaranteed by Asia Standard.

The bondholder has the option to convert the bonds into fully paid shares of HK\$0.01 each of Asia Standard at a conversion price of HK\$0.45 per share, subject to adjustment, at any time between 7th January 2002 and 4th January 2007. ASICL may redeem all or part of the bonds at any time on or after 7th January 2002, subject to certain conditions, together with accrued interest. Unless previously converted or redeemed, the bonds will be redeemed on 7th January 2007 at a redemption price equal to 118.3% of the principal amount together with accrued interest.

Provision of HK\$2,443,000 for the premium payable has been made in the accounts so as to provide a constant periodic rate of charge to the profit and loss account over the term of the bonds.

The balance at 31st March 2001 represented US\$32,500,000 convertible bonds, issued by ASICL, which bore interest at 7% per annum payable annually in arrears. Each bondholder had the option to convert the bonds into fully paid shares of HK\$0.01 each of Asia Standard at a conversion price of HK\$1.08 per share, subject to adjustment, at any time between 29th January 1997 and 15th November 2001. The bonds were fully repaid on 29th November 2001.



## 26. MINORITY INTERESTS AND LOANS

	Group	
	2002 HK\$'000	2001 HK\$'000
Minority interests	2,580,499	3,116,841
Loans from minority shareholders of subsidiaries, unsecured	111,161	125,324
	<b>2,691,660</b>	<b>3,242,165</b>

Loans from minority shareholders are to finance property projects of subsidiaries and have no specific terms of repayment. Loans of HK\$80,366,000 (2001: HK\$76,758,000) bear interest at 1.5% (2001: 1.5%) above prime rate and the remaining balance is interest free. In 2001, loans of HK\$22,420,000 bore interest at 9.3% per annum.

## 27. CAPITAL COMMITMENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Contracted but not provided for	21,296	58,028	–	–
Authorised but not contracted for	–	–	–	–
	<b>21,296</b>	<b>58,028</b>	<b>–</b>	<b>–</b>

## 28. OPERATING LEASE ARRANGEMENTS

### (a) Lessor

The Group leases out certain properties under operating leases which typically run for a period of 1 to 10 years.

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

	Group	
	2002 HK\$'000	2001 HK\$'000
In respect of land and buildings:		
Within one year	63,925	48,726
In the second to fifth year inclusive	63,304	57,826
After the fifth year	8,997	–
	<b>136,226</b>	<b>106,552</b>

**28. OPERATING LEASE ARRANGEMENTS (continued)****(b) Lessee**

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

	Group	
	2002 HK\$'000	2001 HK\$'000
In respect of land and building:		
Within one year	7,660	4,230
In the second to fifth year inclusive	13,120	7,901
After the fifth year	3,148	4,992
	<b>23,928</b>	17,123

**29. CONTINGENT LIABILITIES**

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees for the banking and loan facilities of:				
Subsidiaries	–	–	109,000	–
Jointly controlled entities	163,869	152,610	–	–
Associated companies	219,720	218,558	–	–
Third parties	32,036	29,381	–	–
	<b>415,625</b>	400,549	<b>109,000</b>	–

### 30. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2002 HK\$'000	2001 HK\$'000
Loss before taxation	(389,113)	(643,137)
Share of profits less losses of		
Jointly controlled entities	72,013	31,502
Associated companies	95,790	81,601
Depreciation	6,980	9,482
Amortisation of goodwill	2,934	–
Impairment of goodwill	–	234,000
(Gain) / loss on deemed disposal of interests in		
A jointly controlled entity	(26,472)	–
Hotel and management services businesses	–	124,662
Loss on disposal of interests in the Panyu development	39,230	–
Exchange reserve realised upon liquidation of a subsidiary	4,915	–
Loss on disposal / dilution of interests in Asia Standard	–	19,343
Gain on partial disposal of catering business	(4,181)	–
Loss on disposal of fixed assets	1,128	7
Net realised and unrealised losses on other investments	13,294	52,727
Provision for diminution in value of properties under development / held for sale	122,314	65,419
Written back of provision for diminution in value of properties held for sale	–	(62,000)
Dividends from listed investments	(947)	(5)
Interest income	(44,479)	(75,558)
Interest expense	107,937	128,610
Operating profit / (loss) before working capital changes	1,343	(33,347)
Decrease in mortgage loans receivable	40,761	9,061
Decrease in properties held for / under development for sale (excluding interest expense capitalised)	118,098	132,436
(Increase) / decrease in hotel and restaurant inventories	(306)	715
(Increase) / decrease in debtors and prepayments	(13,019)	43,129
Increase / (decrease) in creditors and accruals	3,865	(100,126)
Net cash generated from operations	150,742	51,868

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

	2002 HK\$'000	2001 HK\$'000
Net assets acquired		
Fixed assets	472	–
Investments in jointly controlled entities	101,164	–
Investments in associated companies	65,695	–
Other investments	–	6,850
Debtors and prepayments	12,718	–
Bank balances and cash	20,664	–
Bank overdrafts	(8,367)	–
Creditors and accruals	(22,974)	–
Taxation	(100)	–
	<u>169,272</u>	6,850
Goodwill	33,493	–
Cash consideration paid	<u>202,765</u>	6,850

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

	2002 HK\$'000	2001 HK\$'000
Cash consideration paid	202,765	6,850
Bank balances and cash acquired	(20,664)	–
Bank overdrafts acquired	8,367	–
	<u>190,468</u>	6,850

The subsidiary acquired during the year utilised HK\$4,265,000 (2001: nil) of the Group's net operating cash flows and received HK\$14,000 (2001: nil) from investing activities.

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

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of		
Fixed assets	2,457	–
Properties held for / under development for sale	523,687	–
Debtors and prepayments	5,666	–
Bank balances and cash	5,566	–
Creditors and accruals	(30,897)	–
Taxation	(10,541)	–
Long term loans	(12,773)	–
Minority interests	(330,697)	–
	<u>152,468</u>	–
Loss on disposal of interest in the Panyu development	(39,230)	–
Cash consideration received	<u>113,238</u>	–

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

	2002 HK\$'000	2001 HK\$'000
Cash consideration received	113,238	–
Bank balances and cash disposed of	(5,566)	–
	<u>107,672</u>	–

**30. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)****(d) Analysis of changes in financing during the year**

	Share capital (including premium) HK\$'000	Long term loans HK\$'000	Short term bank loans HK\$'000	Exchangeable bonds HK\$'000	Convertible bonds HK\$'000	Convertible notes HK\$'000	Minority interests and loans HK\$'000	Restricted bank balances HK\$'000	Total HK\$'000
At 31st March 2000	1,428,910	2,806,969	10,000	78,000	251,290	-	2,848,073	(51,082)	7,372,160
Minority interests' share of revaluation reserve	-	-	-	-	-	-	88,514	-	88,514
Minority interests' share of loss and exchange reserve	-	-	-	-	-	-	(173,427)	-	(173,427)
Dividends paid and payable to minority shareholders of subsidiaries	-	-	-	-	-	-	(10,092)	-	(10,092)
Net decrease in interest in subsidiaries	-	-	-	-	-	-	199,152	-	199,152
Conversion of exchangeable bonds	-	-	-	(7,174)	-	-	-	-	(7,174)
Exchange differences	-	(15,697)	-	-	-	-	-	-	(15,697)
Net cash from / (used in) financing activities	(105)	(60,195)	120,000	(70,826)	-	60,000	289,945	1,364	340,183
At 31st March 2001	1,428,805	2,731,077	130,000	-	251,290	60,000	3,242,165	(49,718)	7,793,619
Minority interests' share of revaluation reserve	-	-	-	-	-	-	36,158	-	36,158
Minority interests' share of loss and exchange reserve	-	-	-	-	-	-	(237,779)	-	(237,779)
Net decrease in interests in subsidiaries	-	-	-	-	-	-	(4,181)	-	(4,181)
Disposal of a subsidiary	-	(12,773)	-	-	-	-	(330,697)	-	(343,470)
Exchange differences	-	(2,886)	-	-	-	-	-	-	(2,886)
Net cash from / (used in) financing activities	-	52,060	70,250	-	38,710	-	(14,006)	41,425	188,439
<b>At 31st March 2002</b>	<b>1,428,805</b>	<b>2,767,478</b>	<b>200,250</b>	<b>-</b>	<b>290,000</b>	<b>60,000</b>	<b>2,691,660</b>	<b>(8,293)</b>	<b>7,429,900</b>

### 31. 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, the subsidiaries, jointly controlled entities and associated companies are indirectly held by the Group and have their principal place of operations in Hong Kong.)

Name	Issued and fully paid ordinary share capital except otherwise stated	Principal activity	Percentage of equity held by the Group %
<i>Incorporated in Bermuda</i>			
Asia Standard Hotel Group Limited	HK\$101,044,000	Investment holding	40.6
Asia Standard International Group Limited	HK\$41,126,000	Investment holding	53.4
<i>Incorporated in the British Virgin Islands</i>			
Asia Orient Holdings (BVI) Limited *	US\$100	Investment holding	100
Bondax Holdings Limited	US\$1	Investment holding	53.4
Enrich Enterprises Ltd #	US\$1	Hotel holding	40.6
Finnex Limited	US\$1	Securities investment	100
Global Gateway Corp. #	US\$1	Hotel operation	40.6
Glory Venture Enterprises Inc. #	US\$1	Hotel holding	40.6
Greatime Limited	US\$1	Securities investment	40.6
Impetus Holdings Limited	US\$1	Investment holding	100
Innovision Gateway Limited	US\$1	Investment holding	100
Jetcom Capital Limited	US\$1	Investment holding	100
Master Venture Limited	US\$1	Property development	53.4
Mega Fusion Limited	US\$1	Investment holding	100
New Day Holdings Ltd.	US\$1	Investment holding	100
Persian Limited	US\$49,050	Investment holding	100
Profitime Limited	US\$1	Investment holding	100
Sunrich Holdings Limited	US\$1	Securities investment	100
Telemail Group Inc.	US\$1	Investment holding	100
United Resources Associates Limited	US\$6	Investment holding	83.3
<i>Incorporated in the Cayman Islands</i>			
Asia Standard International Capital Limited	US\$2	Financing services	53.4

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

Name	Issued and fully paid ordinary share capital except otherwise stated	Principal activity	Percentage of equity held by the Group %
<i>Incorporated in Hong Kong</i>			
Asia Orient Company Limited	US\$26,964,837	Investment holding	100
Asia Standard (Beijing) Company Limited	HK\$2	Investment holding	53.4
Hitako Limited	HK\$20	Investment holding	100
Ocean Hand Investments Limited	HK\$2	Investment holding	100
Pan Bright Investment Limited	HK\$20	Investment holding	100
Pan Harbour Investment Limited	HK\$2	Investment holding	100
Pan Inn Investment Limited	HK\$20	Investment holding	100
Pan Kite Investment Limited	HK\$20	Investment holding	100
Pan Pearl Investment Limited	HK\$20	Investment holding	100
Pan Spring Investment Limited	HK\$20	Investment holding	100
Union Home Development Limited	HK\$2	Investment holding	100
Asia Standard Development (Holdings) Limited	HK\$10 and non-voting deferred share capital of HK\$362,892,949	Investment holding	53.4
Asia Standard Development (Real Estate Agencies) Limited	HK\$2	Real estate agency services	53.4
Asia Standard Finance Company Limited	HK\$1,000,000	Financing services	53.4
Asia Standard International Limited	HK\$1,214,916,441	Investment holding	53.4
Asia Standard Management Services Limited	HK\$2	Management services	53.4
Asia Standard Project Management Company Limited	HK\$2	Project management	53.4
Barinet Company Limited	HK\$1,000	Property development	53.4
Blessea Development Limited	HK\$2	Property development	42.7
Centop Investment Limited	HK\$100	Property development	42.7
Crystal Rich Limited	HK\$2	Property development	53.4
Excellence Ocean Limited	HK\$2	Property development	42.7



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

Name	Issued and fully paid ordinary share capital except otherwise stated	Principal activity	Percentage of equity held by the Group %
Free Ocean Investments Limited	HK\$2	Property development	53.4
Full Union Development Limited	HK\$2	Property development	53.4
Get Rich Enterprises Limited	HK\$2	Property development	42.7
Glory Ocean Limited	HK\$2	Property development	53.4
Good Year Engineering Service Limited	HK\$2	Engineering and maintenance services	40.6
Grace Profit Enterprises Limited	HK\$2	Restaurant operation	40.6
Hoi Chak Properties Limited	HK\$10 and non-voting deferred share capital of HK\$2	Property investment	53.4
Honest Engineering Limited	HK\$100	Construction	42.7
Hugetop Holdings Limited	HK\$2	Property development	53.4
JBC Travel Company Limited	HK\$2,500,000	Travel agency	40.6
Kelpoint Limited	HK\$2	Property development	53.4
Mark Honour Limited	HK\$10	Property development	48.1
Master Asia Enterprises Limited	HK\$10,000	Property development	53.4
Mega Royal Limited	HK\$2	Property development	53.4
Morning Gay Investments Limited	HK\$100	Property development	53.4
Oceanlion Investments Limited	HK\$2	Property development	42.7
Oriental Land Investment Limited	HK\$2	Property development	42.7
Ocean Victory Investment Limited	HK\$2	Property trading	53.4
Oceanic Union Limited	HK\$2	Property development	42.7
Paramount Shine Limited	HK\$2	Property development	53.4
Perfect Wave Limited	HK\$2	Restaurant operation	40.6
Prosperity Land Cleaning Service Limited	HK\$100 and non-voting deferred share capital of HK\$100	Cleaning services	40.6
Prosperity Land Estate Management Limited	HK\$150 and non-voting deferred share capital of HK\$1,500,000	Property management	40.6
Rich Kinghood Limited	HK\$2	Property development	53.4
Stone Pole Limited	HK\$10	Hotel holding	40.6

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

Name	Issued and fully paid ordinary share capital except otherwise stated	Principal activity	Percentage of equity held by the Group %
Tilpifa Company Limited	HK\$10 and non-voting deferred share capital of HK\$10,000	Property investment	53.4
Tonlok Limited	HK\$1,000	Property development	53.4
Trade Hope Limited	HK\$2	Property development	53.4
Union Rich Resources Limited	HK\$2	Property development	42.7
Vinstar Development Limited	HK\$2	Hotel holding	40.6
Waliway Limited	HK\$100	Property holding	53.4
Way Link Holdings Limited	HK\$2	Property trading	48.1
Winfast Engineering Limited	HK\$2	Construction	53.4
Wonder Pacific Limited	HK\$2	Property development	42.7
Yetshing Properties Limited	HK\$20,000	Property development	53.4
<i>Incorporated in Liberia</i>			
Bassindale Limited	US\$500	Investment holding	100
* Direct subsidiary of the Company			
# Operates in Canada			

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

Name	Principal activity	Group equity interest %
<b>Jointly controlled entities</b>		
(Unless indicated otherwise, they are all incorporated and operate in Hong Kong.)		
Auburntown Limited	Property development	16.0
Bai Hui Real Estate Company Limited	Investment holding	12.6
Capital Pacific Development Limited	Investment holding	26.7
China Infonet (Holdings) Limited (incorporated in the Cayman Islands)	Investment holding	40.0
China INFOBANK Limited	Internet content provider	40.0
Cultural Palace Entertainment Company Limited # (incorporated in the People's Republic of China ("PRC"))	Leasing of an entertainment complex	25.0
Express Wind Limited	Investment holding	25.0
Fresh Outlook Property Limited (incorporated in the British Virgin Islands)	Investment holding	50.0
Goldmax International Limited (incorporated in the British Virgin Islands)	Investment holding	26.8
Keishin Limited (incorporated in the British Virgin Islands)	Investment holding	17.8
Ocean Champion Development Limited	Property development	26.7
Sheenity Enterprises Limited	Property development	26.7
Weststar Enterprises Limited	Property development	26.8
# Cooperative joint venture, operates in the PRC		
<b>Associated companies</b>		
(Unless indicated otherwise, they are all incorporated and operate in Hong Kong.)		
Allwin Assets Limited (incorporated in the British Virgin Islands)	Investment holding	10.7
Bai Hui Group Company Limited	Investment management	18.7
Excel Billion Holdings Limited	Property development	26.7
Gallop Worldwide Limited (incorporated in the British Virgin Islands)	Investment holding	26.7
Home Kent Enterprise Limited	Property development	26.7
Infonet Power Limited	Investment holding	50.0
Ocean Strong Industrial Limited	Property development	26.7
Perfect Pearl Company Limited	Property investment	17.6
Sheen Finance Limited	Financing services	26.7
Super Location Limited	Property development	26.7
Q9 Technology Holdings Limited (incorporated in the Cayman Islands)	Investment holding	32.0

### 32. APPROVAL OF ACCOUNTS

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