

# Notes to the Accounts

## 1 Principal accounting policies

### (a) Basis of preparation

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

In the current year, the Group adopted the revised Statement of Standard Accounting Practice ("SSAP") 12 "Income Taxes" issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group's accounting policies and the effect of adopting this revised policy are set out below.

### (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.

# Notes to the Accounts

## 1 Principal accounting policies (continued)

### (e) Associated companies

An associated company is a company, not being a subsidiary or a jointly controlled entity, in which an equity interest is held for the long term and significant influence is exercised in its management. The Group's investments in associated companies are included in the consolidated balance sheet at the Group's share of net assets. The Group continues to share losses incurred by associated companies, which is over and above the carrying amounts of the investments, to the extent that the Group has guaranteed obligations or other commitments of these associated companies.

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

### (f) Goodwill

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

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

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

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

### (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.

## 1 Principal accounting policies (continued)

### (h) Fixed assets

#### (i) Investment properties

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

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

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

#### (ii) Hotel properties

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

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

#### (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.

# Notes to the Accounts

## 1 Principal accounting policies (continued)

### (h) Fixed assets (continued)

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

Depreciation is provided on other properties, using the straight line method, to write off their cost or valuation over their estimated useful lives as follows:

Leasehold land	Unexpired term of leases
Buildings	50 years

Upon revaluation of other properties, the accumulated depreciation at the date of revaluation is eliminated against the cost of the other properties and the resulting net amount is restated to the revalued amount of the other properties. The amount of the adjustment arising on the elimination of accumulated depreciation forms part of the changes in the carrying amount of the other properties as a result of a revaluation which is dealt with on the same basis as changes in valuation of the other properties as mentioned above.

#### (iv) Properties under development for investment

Properties under development for investment are stated at cost and are included in fixed assets. Cost comprises land at cost, construction costs, interest and other direct expenses capitalised. Provision is made when the Directors consider that there is a long term impairment in value. On completion, the properties are transferred to investment or hotel properties respectively.

No depreciation is provided on properties under development for investment.

#### (v) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and provision for significant impairment in value. Depreciation is provided on other fixed assets, using the straight line method, to write off their costs over their estimated useful lives of 4 to 10 years.

Profits or losses on disposal of other fixed assets are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the profit and loss account.

#### (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) Employee benefits

#### (i) Employee leave entitlements

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

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

#### (ii) Pension obligations

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

# Notes to the Accounts

## 1 Principal accounting policies (continued)

### (n) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

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

In prior years, deferred taxation was accounted for at the current taxation rate in respect of 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 was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Opening revenue reserves at 1st April 2003 and 2002 have been increased by HK\$12,724,000 and HK\$11,023,000 respectively and the opening hotel properties revaluation reserves at 1st April 2003 and 2002 have been reduced by HK\$900,000 and HK\$828,000 respectively, which represent the unprovided net deferred tax assets and liabilities respectively. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st March 2003 by HK\$48,383,000 and HK\$38,728,000 respectively. The loss for the year ended 31st March 2003 has been reduced by HK\$1,701,000.

### (o) Revenue recognition

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

- (i) Properties held for / under development for sale  
Revenue from sales of development properties for sale is recognised as set out in note (i) above.
- (ii) Completed properties held for sale  
Revenue from sales of completed properties held for sale is recognised upon completion of the sale and purchase contracts.
- (iii) Investment properties  
Rental income from investment properties is recognised on a straight line basis over the terms of the respective leases.

## **1 Principal accounting policies** (continued)

### **(o) Revenue recognition** (continued)

#### **(iv) Hotel, travel agency and management services businesses**

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

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

Management fee income is recognised when services are rendered.

#### **(v) Investment and others**

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

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

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

### **(p) Foreign currencies**

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

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 reserve.

### **(q) Borrowing costs**

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

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

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

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

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

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

## Notes to the Accounts

### 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. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments. Segment assets consist primarily fixed assets, other non-current assets, hotel inventories, properties, debtors, prepayments and other receivables and investments. Segment liabilities comprise mainly creditors, accruals, bank and other loans.

	Property sales 2004 HK\$'000	Property leasing 2004 HK\$'000	Hotel and travel 2004 HK\$'000	Investments 2004 HK\$'000	Other operations 2004 HK\$'000	Group 2004 HK\$'000
Segment revenue	167,813	53,155	425,966	18,580	101,876	767,390
Contribution to segment results	(3,132)	47,557	42,067	2,689	24,136	113,317
Provisions and other charges	(20,074)	34,990	(11,542)	(25,436)	(62,589)	(84,651)
Unallocated corporate expenses						(56,149)
Operating loss						(27,483)
Finance costs						(117,843)
Share of results of						
Jointly controlled entities	(3,189)	–	–	(42,107)	–	(45,296)
Associated companies	(15,972)	12,977	(713)	(107,606)	(172)	(111,486)
Loss before taxation						(302,108)
Taxation credit						908
Loss after taxation						(301,200)
Minority interests						72,955
Loss attributable to shareholders						(228,245)



## 2 Turnover and segment information (continued)

### Primary reporting format – business segments (continued)

	Property sales 2003 HK\$'000	Property leasing 2003 HK\$'000	Hotel and travel 2003 HK\$'000	Investments 2003 HK\$'000	Other operations 2003 HK\$'000	Group 2003 HK\$'000
Segment revenue	470,191	60,691	448,217	133,246	101,918	1,214,263
Contribution to segment results	48,158	54,303	66,128	(25,214)	28,351	171,726
Provisions and other charges	(136,048)	(59,010)	(2,413)	(64,994)	(12,424)	(274,889)
Unallocated corporate expenses						(52,836)
Operating loss						(155,999)
Finance costs						(139,139)
Share of results of						
Jointly controlled entities	(33,031)	–	–	(26,842)	–	(59,873)
Associated companies	(108,142)	(7,979)	(1,158)	(32,908)	17	(150,170)
Loss before taxation						(505,181)
Taxation credit						746
Loss after taxation						(504,435)
Minority interests						130,781
Loss attributable to shareholders						(373,654)

## Notes to the Accounts

### 2 Turnover and segment information (continued)

Primary reporting format – business segments (continued)

	Property sales 2004 HK\$'000	Property leasing 2004 HK\$'000	Hotel and travel 2004 HK\$'000	Investments 2004 HK\$'000	Other operations 2004 HK\$'000	Group 2004 HK\$'000
Segment assets	1,271,340	1,975,133	3,301,942	92,027	175,959	6,816,401
Jointly controlled entities and associated companies	372,959	188,052	–	147,759	10,906	719,676
Unallocated assets						180,352
						7,716,429
Segment liabilities	654,102	883,794	1,356,818	–	69,522	2,964,236
Minority interests and loans						2,351,923
Unallocated liabilities						309,847
						5,626,006
Capital expenditure	25	–	154	–	79	258
Depreciation	40	246	3,243	–	518	4,047
	2003 HK\$'000	2003 HK\$'000	2003 HK\$'000	2003 HK\$'000	2003 HK\$'000	2003 HK\$'000
Segment assets	1,353,823	1,887,619	3,119,716	156,111	198,544	6,715,813
Jointly controlled entities and associated companies	463,521	169,859	11,842	291,629	164	937,015
Unallocated assets						260,677
						7,913,505
Segment liabilities	861,192	720,505	1,342,090	–	66,285	2,990,072
Minority interests and loans						2,290,611
Unallocated liabilities						391,059
						5,671,742
Capital expenditure	8	1,059	764	–	23	1,854
Depreciation	207	3,338	5,283	–	968	9,796

## 2 Turnover and segment information (continued)

### Secondary reporting format – geographical segments

The activities of the Group are mainly based in Hong Kong. A summary of geographical segments is set out as follows:

	Segment revenue 2004 HK\$'000	Operating profit / (loss) 2004 HK\$'000	Total assets 2004 HK\$'000	Capital expenditure 2004 HK\$'000
Hong Kong	685,621	(40,557)	6,964,852	237
Mainland China	22,594	(560)	320,920	21
Canada	59,175	13,634	430,657	–
	<b>767,390</b>	<b>(27,483)</b>	<b>7,716,429</b>	<b>258</b>
	2003 HK\$'000	2003 HK\$'000	2003 HK\$'000	2003 HK\$'000
Hong Kong	1,141,535	(159,106)	7,182,498	1,840
Mainland China	13,899	(13,192)	350,293	–
Canada	58,829	16,299	380,714	14
	1,214,263	(155,999)	7,913,505	1,854

## 3 Provisions and other charges

	2004 HK\$'000	2003 HK\$'000
Net provision for diminution in value of		
Properties under development / held for sale	(20,074)	(136,048)
Other properties	–	(5,307)
Revaluation surplus / (deficit) on investment properties	34,990	(59,010)
Unrealised losses on other investments	(25,436)	(64,994)
Provision for doubtful debts	(51,400)	(5,117)
Loss on disposal of an associated company	(9,129)	–
Loss on disposal of interest in a listed subsidiary	(8,220)	–
Negative goodwill recognised	1,031	–
Amortisation of goodwill	(6,413)	(4,413)
	<b>(84,651)</b>	<b>(274,889)</b>

## Notes to the Accounts

### 4 Operating loss

	2004 HK\$'000	2003 HK\$'000
Operating loss is stated after crediting and charging the following:		
<b>Crediting</b>		
Forfeited deposits	217	487
Net rental income (note (a))	46,039	52,405
Interest income		
Debt securities	226	5,875
Others	12,878	22,701
Dividends from listed investments	1,207	2,130
Net realised gains / (losses) on other investments	1,482	(22,297)
<b>Charging</b>		
Operating lease rental expenses for land and buildings	6,235	6,187
Amortisation of goodwill	6,413	4,413
Staff costs, including Director's emoluments (note 7)	91,493	100,843
Depreciation	4,047	9,796
Auditors' remuneration	3,343	3,458
Loss on disposal of fixed assets	68	-
Net unrealised losses on other investments	25,436	64,994

#### (a) Net rental income

	2004 HK\$'000	2003 HK\$'000
Gross rental income		
Investment properties	34,295	39,012
Properties held for sale	18,860	21,679
	53,155	60,691
Outgoings	(7,116)	(8,286)
	46,039	52,405

## 5 Finance costs

	2004 HK\$'000	2003 HK\$'000
Interest expense		
Long term bank loans	66,623	90,613
Convertible bonds	30,999	30,914
Convertible notes	5,027	3,008
Loans from minority shareholders of subsidiaries	3,443	3,116
Short term bank loans and overdrafts	19,001	18,431
Other incidental borrowing costs	7,551	7,375
	<b>132,644</b>	153,457
Capitalised as cost of properties under development		
Interest expense	(13,671)	(13,443)
Other incidental borrowing costs	(1,130)	(875)
	<b>117,843</b>	139,139

To the extent funds are borrowed generally and used for the purpose of financing certain properties under development, the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation as part of the costs of these properties under development is 5.5% (2003: 5.9%) 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:

	2004 HK\$'000	2003 HK\$'000
Fees (i)	220	220
Salaries, housing allowances and benefits in kind (ii)	23,660	25,176
	<b>23,880</b>	25,396

- (i) Fees paid by the Company to Independent Non-executive Directors.
- (ii) Other emoluments paid to executive Directors include HK\$12,960,000 (2003: HK\$12,676,000) paid by subsidiaries of Asia Standard International Group Limited ("Asia Standard") and HK\$5,700,000 (2003: HK\$8,500,000) paid by subsidiaries of Asia Standard Hotel Group Limited ("Asia Standard Hotel"), both being the Company's listed subsidiaries.

## Notes to the Accounts

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

The emoluments of individual Directors fell within the following bands:

Emoluments band	Number	
	2004	2003
HK\$nil – HK\$1,000,000	2	2
HK\$2,000,001 – HK\$2,500,000	2	2
HK\$3,000,001 – HK\$3,500,000	2	–
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$12,000,001 – HK\$12,500,000	1	–
HK\$12,500,001 – HK\$13,000,000	–	1

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

- (b) The five highest paid individuals in the Group for the year include five (2003: five) Directors whose emoluments are already reflected in the analysis presented above.

### 7 Staff costs

	2004	2003
	HK\$'000	HK\$'000
Wages and salaries	89,969	100,352
Retirement benefits costs (note (a))	2,915	3,028
	92,884	103,380
Capitalised under properties under development	(1,391)	(2,537)
	91,493	100,843

Staff costs are stated inclusive of Directors' emoluments.

#### Notes:

##### (a) Retirement benefits costs

	2004	2003
	HK\$'000	HK\$'000
Gross contributions	3,069	3,407
Forfeitures utilised	(154)	(379)
Net contributions	2,915	3,028

## 7 Staff costs (continued)

### (a) Retirement benefits costs (continued)

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

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

The Group also participates in the MPF scheme, which is available to all employees not joining the ORSO schemes in Hong Kong and in the CPP organised by the Canadian Government for all employees in Canada. Monthly contributions to the MPF scheme and CPP are made equal to 5% and 4.95% (2003: 5% and 4.95%) respectively, of the employee's relevant income in accordance with the local legislative requirements.

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

As at 31st March 2004, no forfeitures (2003: HK\$31,000) were available to reduce the Group's future contributions to the ORSO schemes.

### (b) Share options

The Company and Asia Standard, a listed subsidiary, operate share option schemes whereby options may be granted to employees of the Group, including the executive Directors, to subscribe for shares of the Company and Asia Standard respectively. The consideration to be paid on each grant of option varies between HK\$1 and HK\$10. The share option scheme of Asia Standard had expired on 22nd January 2002.

Details of share options held under the existing and expired schemes are as follows:

Grantee	Expiry date	Exercise price	2004 Number	2003 Number
<b>Company</b>				
Directors	13th February 2010	HK\$17.33	–	1,200,000
Directors	11th February 2014	HK\$3.3	<b>6,872,000</b>	–
Former Director of Asia Standard	21st January 2004	HK\$17.33	–	300,000
Employees	13th February 2010	HK\$17.33	–	3,750,000
			<b>6,872,000</b>	5,250,000
<b>Asia Standard</b>				
Director	27th March 2005	HK\$0.384	<b>1,750,000</b>	1,750,000

During the year, 6,872,000, 4,950,000 and 300,000 (2003: nil) share options to subscribe for shares of the Company were granted, cancelled and lapsed respectively. No share option was exercised during the year (2003: nil).

## Notes to the Accounts

### 8 Taxation credit

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In the current year, the Hong Kong government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. 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.

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Current taxation		
Hong Kong profits tax	<b>(140)</b>	(70)
Over / (under) provisions in prior years	<b>915</b>	(1,793)
Deferred taxation		
Relating to the origination and reversal of temporary differences	<b>(117)</b>	3,845
Resulting from an increase in tax rate	<b>2,168</b>	–
	<b>2,826</b>	1,982
Share of taxation attributable to		
Jointly controlled entities	<b>(287)</b>	–
Associated companies	<b>(1,631)</b>	(1,236)
	<b>908</b>	746

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

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Loss before taxation	<b>302,108</b>	505,181
Calculated at a taxation rate of 17.5% (2003: 16%)	<b>52,869</b>	80,829
Over/(under) provisions in prior years	<b>918</b>	(1,793)
Effect of different taxation rates in other countries	<b>844</b>	393
Income not subject to taxation	<b>15,188</b>	7,878
Expenses not deductible for taxation purposes	<b>(55,661)</b>	(73,105)
Tax losses not recognised	<b>(18,643)</b>	(15,381)
Utilisation of previously unrecognised temporary differences	<b>5,226</b>	3,191
Recognition of previously unrecognised tax losses	<b>1,775</b>	450
Derecognition of deferred tax assets	<b>(3,777)</b>	–
Increase in opening net deferred tax assets resulting from an increase in tax rate	<b>1,998</b>	–
Others	<b>171</b>	(1,716)
Taxation credit	<b>908</b>	746



## 9 Loss attributable to shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$112,806,000 (2003: HK\$646,403,000).

## 10 Dividend

No dividend was declared or proposed for the year (2003: nil).

## 11 Loss per share

The calculation of loss per share is based on loss attributable to shareholders of HK\$228,245,000 (2003: HK\$373,654,000) and on the weighted average of 153,152,913 (2003: 149,826,429) 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.

## 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 2003	1,281,800	3,010,620	85,707	42,470	58,193	4,478,790
Translation differences	–	44,544	–	–	(16)	44,528
Reclassification	74,954	–	(74,954)	–	–	–
Additions	–	–	–	–	258	258
Disposals	–	–	–	–	(8,083)	(8,083)
Cost adjustment	–	854	–	(144)	–	710
Elimination against cost on revaluation	–	–	(246)	–	–	(246)
Surplus on revaluation	66,246	111,532	–	–	–	177,778
<b>At 31st March 2004</b>	<b>1,423,000</b>	<b>3,167,550</b>	<b>10,507</b>	<b>42,326</b>	<b>50,352</b>	<b>4,693,735</b>
<b>Accumulated depreciation and impairment</b>						
At 31st March 2003	–	–	1,995	–	52,930	54,925
Translation differences	–	–	–	–	(12)	(12)
Charge for the year	–	–	461	–	3,586	4,047
Disposals	–	–	–	–	(8,015)	(8,015)
Elimination against cost on revaluation	–	–	(246)	–	–	(246)
<b>At 31st March 2004</b>	<b>–</b>	<b>–</b>	<b>2,210</b>	<b>–</b>	<b>48,489</b>	<b>50,699</b>
<b>Net book value</b>						
<b>At 31st March 2004</b>	<b>1,423,000</b>	<b>3,167,550</b>	<b>8,297</b>	<b>42,326</b>	<b>1,863</b>	<b>4,643,036</b>
At 31st March 2003	1,281,800	3,010,620	83,712	42,470	5,263	4,423,865

## Notes to the Accounts

### 12 Fixed assets (continued)

- (a) Investment properties comprise long term leasehold land and buildings of HK\$1,423,000,000 (2003: HK\$1,281,800,000) in Hong Kong. They were revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 31st March 2004.
- (b) Hotel properties comprise long term leasehold land and buildings situated in Hong Kong of HK\$1,400,000,000 (2003: HK\$1,350,000,000), medium term leasehold land and buildings in Hong Kong of HK\$1,350,000,000 (2003: HK\$1,290,000,000) and freehold land and buildings situated in Canada of HK\$417,550,000 (2003: HK\$370,620,000). 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 2004 respectively.
- (c) In the current year, the gross floor area ("GFA") for internal use of a long term lease hold property has decreased to less than 15% of that total GFA of the property. Therefore, the portion previously classified as other properties has been reclassified to investment properties. Also included in other properties are long term leasehold land and buildings of HK\$2,440,000 (2003: HK\$2,782,000) and medium term leasehold land and buildings of HK\$5,857,000 (2003: HK\$5,730,000), both of which are stated at cost less accumulated depreciation and impairment. All these properties are located in Hong Kong.
- (d) Properties under development comprise long term leasehold land and buildings of HK\$42,326,000 (2003: HK\$42,470,000) 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\$4,638,733,000 (2003: HK\$4,418,602,000).

### 13 Subsidiaries

	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	<b>2,823,639</b>	2,823,639
Amounts due by subsidiaries less provisions	<b>794,146</b>	906,589
	<b>3,617,785</b>	3,730,228

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

Details of the principal subsidiaries are set out in note 36.

## 14 Jointly controlled entities

	Group	
	2004 HK\$'000	2003 HK\$'000
Share of net liabilities	(130,359)	(175,010)
Goodwill less amortisation and impairment	40,699	80,932
Advances to jointly controlled entities less provisions	357,464	375,072
Amount due to a jointly controlled entity	(4,422)	(4,422)
	<b>263,382</b>	<b>276,572</b>

The shares in certain jointly controlled entities are pledged to secure loan facilities granted to those entities. Advances to jointly controlled entities amounting to HK\$261,027,000 (2003: HK\$265,697,000) are subordinated to the repayment of the loans of those jointly controlled entities.

Advances are made to finance property development projects and working capital of those jointly controlled entities. The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment.

Detail of the principal jointly controlled entities are set out in note 36.

## 15 Associated companies

	Group	
	2004 HK\$'000	2003 HK\$'000
Share of net liabilities	(92,071)	(70,082)
Goodwill less amortisation and impairment	88,237	82,166
Advances to associated companies less provisions	511,293	578,543
Deposit on acquisition of an associated company	–	121,000
Amounts due to associated companies	(51,165)	(51,184)
	<b>456,294</b>	<b>660,443</b>
Market value of listed shares	<b>42,021</b>	12,006

The shares in certain associated companies are pledged to secure the loan facilities granted to those companies.

Advances to associated companies amounting to HK\$345,700,000 (2003: HK\$416,796,000) are subordinated to the repayment of the loans of those companies.

Advances to associated companies are made mainly to finance property development projects. Except for an amount of HK\$8,565,000 (2003: HK\$125,000) 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 36.

## Notes to the Accounts

### 16 Long term investment

	2004 HK\$'000	Group 2003 HK\$'000
Unlisted share, at cost	1	1
Advance to an investee company	1,600	1,600
	<b>1,601</b>	1,601

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

### 17 Goodwill

	Group HK\$'000
<b>Cost</b>	
At 31st March 2003 and 2004	<b>44,647</b>
<b>Accumulated amortisation</b>	
At 31st March 2003	7,347
Charge for the year	6,413
At 31st March 2004	<b>13,760</b>
<b>Net Book value</b>	
At 31st March 2004	<b>30,887</b>
At 31st March 2003	37,300

### 18 Mortgage loans receivable

At 31st March 2004, mortgage loans receivable of HK\$14,518,000 (2003: HK\$16,438,000) in aggregate were pledged as security for the Group's long term loans.

### 19 Properties held for / under development for sale and completed properties held for sale

At 31st March 2004, properties amounting to HK\$1,416,374,000 (2003: HK\$1,478,614,000) were pledged to banks to secure certain banking facilities of the Group.

At 31st March 2004, properties that were carried at net realisable values were HK\$721,712,000 (2003: HK\$830,539,000) and properties held for deployment in operating leases were HK\$538,212,000 (2003: HK\$516,212,000).

## 20 Debtors and prepayments

Debtors and prepayments include trade debtors, utility and other deposits, stakeholders' accounts, interest and other receivables and a housing loan of HK\$1,088,000 (2003: HK\$1,156,000) 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 (2003: 2% below prime rate) per annum and the principal is repayable by quarterly instalments of HK\$17,000 each. The maximum outstanding balance during the year was HK\$1,156,000 (2003: HK\$1,224,000). In 2003, there was also a receivable from a Director, Mr. Poon Jing of HK\$4,605,000 which related to a guarantee provided by Mr. Poon in respect of the net profit before interest and taxation of a subsidiary acquired by the Group from him.

Trade debtors amounted to HK\$37,905,000 (2003: HK\$33,260,000), all of which (2003: 81%) were aged under six months. The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

## 21 Other investments

	Group	
	2004	2003
	HK\$'000	HK\$'000
Equity securities		
Listed in Hong Kong	<b>78,418</b>	139,239
Listed overseas	<b>7,327</b>	3,997
Unlisted	<b>1,688</b>	8,195
	<b>87,433</b>	151,431
Debt securities	<b>4,500</b>	4,500
	<b>91,933</b>	155,931

## 22 Bank balances and cash

The balances include restricted bank balances of HK\$32,625,000 (2003: HK\$33,853,000) 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\$32,493,000 (2003: HK\$30,612,000) are held in trust in respect of buildings managed by the Group on behalf of third parties.

## 23 Creditors and accruals

Creditors and accruals include trade creditors, rental and management fee deposits, interest and other payables, retentions payable of construction costs and various accruals. Trade creditors amounted to HK\$26,012,000 (2003: HK\$30,812,000), all of which (2003: 100%) were aged under six months.

# Notes to the Accounts

## 24 Share capital

	Number of shares	Amount HK\$'000
Shares of HK\$0.1 each		
Authorised:		
At 31st March 2002	15,000,000,000	75,000
Decrease due to share consolidation (note (a))	(14,250,000,000)	–
<b>At 31st March 2003 and 2004</b>	<b>750,000,000</b>	<b>75,000</b>

	Number of shares		Amount	
	2004	2003	2004	2003
			HK\$'000	HK\$'000
Issued and fully paid:				
At beginning of the year	<b>149,826,429</b>	7,491,321,498	<b>14,983</b>	37,457
Decrease due to share consolidation (note (a))	–	(7,341,495,069)	–	(22,474)
Conversion of convertible notes (note (b))	<b>23,666,665</b>	–	<b>2,366</b>	–
<b>At end of the year</b>	<b>173,493,094</b>	149,826,429	<b>17,349</b>	14,983

Note:

Company:

(a) By ordinary and special resolutions passed on 11th November 2002:

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

(b) During the year, holders of HK\$28,400,000 convertible notes of the Company exercised the conversion rights attaching to the notes by converting those notes into shares of the Company at HK\$1.20 per share.

Subsidiary:

During the year, Asia Standard repurchased 3,356,000 (2003: 42,000) of its own shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$866,780 (2003: HK\$10,394). All the shares repurchased were subsequently cancelled. An amount equal to the nominal value of those shares cancelled of HK\$33,560 (2003: HK\$420) was transferred from the revenue reserve to capital redemption reserve.

## 25 Reserves

Group	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			
At 31st March 2002								
As previously reported	1,391,348	485,917	61,803	170,547	15,398	980,201	(373,120)	2,732,094
Change in accounting policy for deferred taxation	-	-	-	(828)	-	-	11,023	10,195
As restated	1,391,348	485,917	61,803	169,719	15,398	980,201	(362,097)	2,742,289
Translation differences	-	-	-	335	-	-	6,618	6,953
Increase due to share consolidation (note 24 (a))	-	-	-	-	-	22,474	-	22,474
Reclassification	-	-	9,999	-	(9,999)	-	-	-
Deficit on revaluation								
Company and subsidiaries								
Gross	-	-	(117,858)	(94,010)	(5,399)	-	-	(217,267)
Taxation	-	-	-	(71)	-	-	-	(71)
Associated companies	-	-	(28,198)	-	-	-	-	(28,198)
Deficit on revaluation transfer to profit and loss account								
Company and subsidiaries	-	-	59,010	-	-	-	-	59,010
Associated companies	-	-	15,244	-	-	-	-	15,244
Loss for the year	-	-	-	-	-	-	(373,654)	(373,654)
At 31st March 2003	1,391,348	485,917	-	75,973	-	1,002,675	(729,133)	2,226,780
Company and subsidiaries	1,391,348	485,917	-	75,973	-	1,002,675	(254,095)	2,701,818
Jointly controlled entities	-	-	-	-	-	-	(178,461)	(178,461)
Associated companies	-	-	-	-	-	-	(296,577)	(296,577)
At 31st March 2003	1,391,348	485,917	-	75,973	-	1,002,675	(729,133)	2,226,780
At 31st March 2003								
As previously reported	1,391,348	485,917	-	76,873	-	1,002,675	(741,857)	2,214,956
Change in accounting policy for deferred taxation	-	-	-	(900)	-	-	12,724	11,824
As restated	1,391,348	485,917	-	75,973	-	1,002,675	(729,133)	2,226,780
Translation differences	-	-	-	499	-	-	9,606	10,105
Conversion of convertible notes	26,033	-	-	-	-	-	-	26,033
Disposal of interest in a listed subsidiary	-	(6,179)	-	(896)	-	-	896	(6,179)
Surplus on revaluation								
Company and subsidiaries								
Gross	-	-	34,990	44,784	-	-	-	79,774
Taxation	-	-	-	(204)	-	-	-	(204)
Associated companies	-	-	7,669	-	-	-	-	7,669
Surplus on revaluation transfer to profit and loss account								
Company and subsidiaries	-	-	(34,990)	-	-	-	-	(34,990)
Associated companies	-	-	(7,669)	-	-	-	-	(7,669)
Loss for the year	-	-	-	-	-	-	(228,245)	(228,245)
At 31st March 2004	<b>1,417,381</b>	<b>479,738</b>	-	<b>120,156</b>	-	<b>1,002,675</b>	<b>(946,876)</b>	<b>2,073,074</b>
Company and subsidiaries	1,417,381	479,738	-	120,156	-	1,002,675	(313,138)	2,706,812
Jointly controlled entities	-	-	-	-	-	-	(224,044)	(224,044)
Associated companies	-	-	-	-	-	-	(409,694)	(409,694)
At 31st March 2004	<b>1,417,381</b>	<b>479,738</b>	-	<b>120,156</b>	-	<b>1,002,675</b>	<b>(946,876)</b>	<b>2,073,074</b>

At 31st March 2004, the capital reserve included goodwill of HK\$37,721,000 (2003: HK\$37,721,000) which arose from acquisitions prior to 31st March 2001.

## Notes to the Accounts

### 25 Reserve (continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
<b>Company</b>				
At 31st March 2002				
As previously reported	1,391,348	2,815,750	72,046	4,279,144
Change in accounting policy for deferred taxation	–	–	291	291
As restated	1,391,348	2,815,750	72,337	4,279,435
Increase due to share consolidation	–	22,474	–	22,474
Loss for the year	–	–	(646,403)	(646,403)
At 31st March 2003	1,391,348	2,838,224	(574,066)	3,655,506
At 31st March 2003				
As previously reported	1,391,348	2,838,224	(574,357)	3,655,215
Change in accounting policy for deferred taxation	–	–	291	291
As restated	1,391,348	2,838,224	(574,066)	3,655,506
Conversion of convertible notes	26,033	–	–	26,033
Loss for the year	–	–	(112,806)	(112,806)
<b>At 31st March 2004</b>	<b>1,417,381</b>	<b>2,838,224</b>	<b>(686,872)</b>	<b>3,568,733</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\$2,151,352,000 (2003: HK\$2,264,158,000) as at 31st March 2004.

### 26 Convertible bonds

On 7th January 2002, Asia Standard International Capital Limited ("ASICL"), a wholly owned subsidiary of Asia Standard, issued HK\$290,000,000 convertible bonds to Westrata Investment Limited ("Westrata"), a substantial shareholder of Asia Standard. The bonds bear interest at 7% per annum payable semi-annually in arrears and are guaranteed by Asia Standard. In March 2003, the bond had been transferred from Westrata to Grosvenor Limited ("Grosvenor"), an indirect subsidiary of Grosvenor Group Limited (formerly known as Grosvenor Group Holdings Limited).

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

Provision of HK\$23,700,000 (2003: HK\$13,057,000) for the premium payable has been made in the accounts so as to provide a constant periodic rate of charge to the profit and loss account over the term of the bonds.



## 27 Convertible notes

On 16th January 2003, 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\$0.10 each of the Company at (a) HK\$1.10 per share from the date of issue of the convertible notes and (b) HK\$1.20 per share after the first anniversary of the date of issue of the convertible notes to the business date last preceding the second anniversary of the date of issue of the convertible notes. The Company shall repay the outstanding principal amount of the convertible notes together with accrued interest on the business date last preceding the second anniversary of the date of issue of the convertible notes. Save for repayment upon maturity, the convertible notes cannot be redeemed. During the year, HK\$28,400,000 (2003: nil) of these convertible notes were converted into fully paid share of the Company at HK\$1.20 per share, with HK\$31,600,000 (2003: HK\$60,000,000) of these convertible notes remain outstanding at 31st March 2004.

On 15th April 2003, Asia Standard Hotel completed a placing of convertible notes of the principal amount of HK\$46,000,000, which bears interest at Hong Kong prime rate per annum payable semi-annually in arrears. Each holder of the notes has the option to convert the notes into fully paid shares of HK\$0.02 each of Asia Standard Hotel at a conversion price of HK\$0.25 per share, subject to adjustment, at any time from the date of issue to the last business date preceding the maturity date of 18 months from the date of issue. Asia Standard Hotel shall redeem the outstanding principal amount of convertible notes not already converted or redeemed with accrued interest on the maturity date.

## 28 Long term loans

	Group	
	2004	2003
	HK\$'000	HK\$'000
Bank loans, secured		
Repayable within one year	<b>118,446</b>	316,085
Repayable between one and two years	<b>145,220</b>	509,317
Repayable between two and five years	<b>751,362</b>	660,233
Repayable after five years	<b>1,332,634</b>	1,025,626
	<b>2,347,662</b>	2,511,261
Current portion included in current liabilities	<b>(118,446)</b>	(316,085)
	<b>2,229,216</b>	2,195,176

Subsequent to the year end, the Group refinanced bank loans outstanding at 31st March 2004 of approximately HK\$1,469 million (2003: HK\$118 million). The terms of repayment at 31st March 2004 in respect of these bank loans have been reclassified according to the new loan agreements. As a result, the amount of liabilities which has been excluded from current liabilities amounts to approximately HK\$65 million (2003: HK\$115 million).

## Notes to the Accounts

### 29 Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 16%).

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

#### Group

##### Deferred tax liabilities

	Accelerated tax depreciation		Revaluation of properties		Deferred assets		Fair value adjustments on acquisitions		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At beginning of the year	<b>(87,404)</b>	(76,387)	<b>(2,218)</b>	(2,041)	<b>(878)</b>	(1,177)	<b>(46,195)</b>	(57,343)	<b>(136,695)</b>	(136,948)
(Charged) / credited to profit and loss account	<b>(15,671)</b>	(10,617)	–	–	<b>229</b>	299	<b>(5,162)</b>	11,148	<b>(20,604)</b>	830
Charged to equity	–	–	<b>(509)</b>	(177)	–	–	–	–	<b>(509)</b>	(177)
Exchange differences	<b>(2,543)</b>	(400)	<b>(266)</b>	–	–	–	–	–	<b>(2,809)</b>	(400)
At end of the year	<b>(105,618)</b>	(87,404)	<b>(2,993)</b>	(2,218)	<b>(649)</b>	(878)	<b>(51,357)</b>	(46,195)	<b>(160,617)</b>	(136,695)

##### Deferred tax assets

	Accelerated accounting depreciation		Provisions		Tax losses		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At beginning of the year	<b>290</b>	83	<b>310</b>	310	<b>145,750</b>	142,542	<b>146,350</b>	142,935
Credited to profit and loss account	<b>138</b>	207	<b>310</b>	–	<b>22,207</b>	2,808	<b>22,655</b>	3,015
Exchange differences	–	–	–	–	<b>728</b>	400	<b>728</b>	400
At end of the year	<b>428</b>	290	<b>620</b>	310	<b>168,685</b>	145,750	<b>169,733</b>	146,350

#### Company

##### Deferred tax assets

	Tax losses	
	2004 HK\$'000	2003 HK\$'000
At beginning of the year	<b>291</b>	291
Charged to profit and loss account	<b>(95)</b>	–
At end of the year	<b>196</b>	291

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group had unrecognised tax losses of HK\$434 million (2003: HK\$346 million) to carry forward against future taxable income. These tax losses of HK\$364 million (2003: HK\$294 million) have no expiry date and the balance will expire at various dates up to and including 2011 (2003: 2010).

## 29 Deferred taxation (continued)

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

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Deferred tax assets	<b>62,517</b>	48,383	<b>196</b>	291
Deferred tax liabilities	<b>(53,401)</b>	(38,728)	–	–
	<b>9,116</b>	9,655	<b>196</b>	291

## 30 Minority interests and loans

	Group	
	2004 HK\$'000	2003 HK\$'000
Minority interests	<b>2,245,000</b>	2,179,276
Loans from minority shareholders of subsidiaries, unsecured	<b>106,923</b>	111,335
	<b>2,351,923</b>	2,290,611

Loans from minority shareholders are to finance property projects of subsidiaries and have no specific terms of repayment. Loans of HK\$86,570,000 (2003: HK\$83,482,000) bear interest at 1.5% (2003: 1.5%) above prime rate and the remaining balance is interest free.

## 31 Capital commitments

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Contracted but not provided for	–	19,207	–	–
Authorised but not contracted for	–	–	–	–
	–	19,207	–	–

## Notes to the Accounts

### 32 Operating lease arrangements

#### (a) Lessor

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

At 31st March 2004, the future aggregate minimum rental receipts receivable under non-cancellable operating leases were as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
In respect of land and buildings		
Within one year	<b>56,795</b>	56,807
In the second to fifth year inclusive	<b>59,968</b>	48,621
After the fifth year	<b>7,915</b>	10,031
	<b>124,678</b>	115,459

#### (b) Lessee

At 31st March 2004, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
In respect of land and buildings		
Within one year	<b>3,110</b>	6,386
In the second to fifth year inclusive	<b>6,898</b>	8,746
After the fifth year	–	864
	<b>10,008</b>	15,996

Subsequent to the year end, a subsidiary has renewed a lease agreement. As a result, the future aggregate minimum lease payments payable within one year and in the second to fifth years inclusive should increase by HK\$2,082,000 and HK\$5,814,000 respectively.

### 33 Contingent liabilities

#### (a) Guarantee

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Guarantees for the banking and loan facilities of:				
Subsidiaries	–	–	135,150	102,360
Jointly controlled entities	146,693	211,027	–	–
Associated companies	97,068	269,080	–	–
Third parties	1,785	1,886	–	–
	<b>245,546</b>	481,993	<b>135,150</b>	102,360

- (b) In May 2003, the Group received a writ in which the plaintiff, a purchaser of a property developed by the Group in 1997, sought to claim damages and rescission of the sale and purchase transaction on the alleged grounds that the said property consideration had been grossly overvalued. Management has engaged legal representatives to vigorously contest the proceeding. The proceeding is still in an early stage and in the opinion of the Directors, based on professional advice, it is unlikely that there will be any significant adverse effect to the overall financial position of the Group.

### 34 Notes to consolidated cash flow statement

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

	2004 HK\$'000	2003 HK\$'000
Loss before taxation	(302,108)	(505,181)
Share of profits less losses of		
Jointly controlled entities	45,296	59,873
Associated companies	111,486	150,170
Depreciation	4,047	9,796
Amortisation of goodwill	6,413	4,413
Loss on disposal of fixed assets	68	–
Loss on disposal of an associated company	9,129	–
Loss on disposal of interest in a listed subsidiary	8,220	–
Net realised and unrealised losses on other investments	23,954	87,291
Net provision for diminution in value of		
Properties under development / held for sale	20,074	136,048
Other properties	–	5,307
Revaluation (surplus) / deficit on investment properties	(34,990)	59,010
Dividends from other investments	(1,207)	(2,676)
Negative goodwill recognised	(1,031)	–
Interest income	(13,104)	(28,576)
Interest expense	111,422	132,639
Operating (loss) / profit before working capital changes	(12,331)	108,114
(Increase) / decrease in mortgage loans receivable	(12,839)	13,209
Decrease in properties held for / under development for sale (excluding interest expense capitalised)	111,089	247,751
Decrease in hotel and restaurant inventories	295	791
(Increase) / decrease in debtors and prepayments	(110,572)	101,667
Increase / (decrease) in creditors and accruals	30,222	(16,748)
Net cash generated from operations	<b>5,864</b>	454,784

## Notes to the Accounts

### 34 Notes to consolidated cash flow statement (continued)

#### (b) Acquisition of subsidiaries

	2004 HK\$'000	2003 HK\$'000
Net assets acquired		
Investment in associated companies	–	29,926
Creditors and accruals	–	(5,930)
	–	23,996
Goodwill	–	20,004
Consideration satisfied by cash	–	44,000

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

	2004 HK\$'000	2003 HK\$'000
Cash consideration paid	–	44,000

#### (c) Analysis of changes in financing

	Share capital (including premium) HK\$'000	Long term loans HK\$'000	Short term bank loans HK\$'000	Convertible bonds HK\$'000	Convertible notes HK\$'000	Minority interests and loans HK\$'000	Restricted bank balances HK\$'000	Total HK\$'000
At 31st March 2002	1,428,805	2,767,478	233,250	290,000	60,000	2,685,717	(8,293)	7,456,957
Minority interests' share of revaluation reserve	–	–	–	–	–	(272,108)	–	(272,108)
Minority interests' share of loss and exchange reserve of subsidiaries	–	–	–	–	–	(123,172)	–	(123,172)
Decrease due to the share consolidation	(22,474)	–	–	–	–	–	–	(22,474)
Exchange differences	–	12,634	–	–	–	–	–	12,634
Net cash from / (used in) financing activities	–	(268,851)	(101,200)	–	–	174	(25,560)	(395,437)
At 31st March 2003	1,406,331	2,511,261	132,050	290,000	60,000	2,290,611	(33,853)	6,656,400
Conversion of notes	28,399	–	–	–	(28,400)	–	–	(1)
Minority interests' share of revaluation reserve	–	–	–	–	–	105,291	–	105,291
Minority interests' share of loss and exchange reserve of subsidiaries	–	–	–	–	–	(58,638)	–	(58,638)
Net decrease of interest in a listed subsidiary	–	–	–	–	–	19,071	–	19,071
Exchange differences	–	17,152	–	–	–	–	–	17,152
Net cash from / (used in) financing activities	–	(180,751)	(9,452)	–	46,000	(4,412)	1,228	(147,387)
At 31st March 2004	<b>1,434,730</b>	<b>2,347,662</b>	<b>122,598</b>	<b>290,000</b>	<b>77,600</b>	<b>2,351,923</b>	<b>(32,625)</b>	<b>6,591,888</b>

### 35 Subsequent event

Certain purchasers of a property developed by a subsidiary of the Group had taken legal action in prior years against the subsidiary for the delay of completion of the property. They have sought to rescind the sale and purchase transactions which occurred in 1997 and 1998 in the total consideration of HK\$53.8 million and claimed damages. On the other hand, the subsidiary had issued a writ to 11 of those purchasers to counter claim damages on grounds that they had acted jointly to disrupt the construction progress of the development. Judgement was given on 30th June 2004 in favour of the purchasers and additional provision attributed to the Group of HK\$16 million has been made as a result of the judgement.

### 36 Principal subsidiaries, jointly controlled entities and associated companies

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

#### Subsidiaries

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

Name	Issued and fully paid ordinary share capital except otherwise stated	Principal activity	Percentage of equity held by the Group %
<i>Incorporated in Bermuda</i>			
Asia Standard Hotel Group Limited	HK\$101,042,000	Investment holding	40.2
Asia Standard International Group Limited	HK\$41,093,000	Investment holding	52.8
<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	52.8
Enrich Enterprises Ltd #	US\$1	Hotel holding	40.2
Finnex Limited	US\$1	Securities investment	100
Global Gateway Corp. #	US\$1	Hotel operation	40.2
Glory Venture Enterprises Inc. #	US\$1	Hotel holding	40.2
Goldrite Investments Limited	US\$1	Investment holding	52.8
Greatime Limited	US\$1	Securities investment	40.2
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	52.8
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
Sunrich Holdings Limited	US\$1	Securities investment	100
Superise Limited	US\$1	Research and development of healthcare food and beverage	100
Telemail Group Inc.	US\$1	Investment holding	100
United Resources Associates Limited	US\$6	Investment holding	83.3

## Notes to the Accounts

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

Subsidiaries (continued)

Name	Issued and fully paid ordinary share capital except otherwise stated	Principal activity	Percentage of equity held by the Group %
<i>Incorporated in the Cayman Islands</i>			
Asia Standard International Capital Limited	US\$2	Financing services	52.8
<i>Incorporated in Hong Kong</i>			
Asia Orient Company Limited	US\$26,964,837	Investment holding	100
Good Year Engineering Services Limited	HK\$2	Engineering and maintenance services	100
Hitako Limited	HK\$20	Investment holding	100
Ocean Hand Investments Limited	HK\$2	Investment holding	100
Pan Bright Investment Limited	HK\$20	Investment holding	100
Pan Harbour Investment Limited	HK\$2	Investment holding	100
Pan Inn Investment Limited	HK\$20	Investment holding	100
Pan Kite Investment Limited	HK\$20	Investment holding	100
Pan Pearl Investment Limited	HK\$20	Investment holding	100
Pan Spring Investment Limited	HK\$20	Investment holding	100
Prosperity Land Cleaning Service Limited	HK\$100 and non-voting deferred share capital of HK\$100	Cleaning services	100
Prosperity Land Estate Management Limited	HK\$150 and non-voting deferred share capital of HK\$1,500,000	Property management	100
Union Home Development Limited	HK\$2	Investment holding	100
Asia Standard (Beijing) Company Limited	HK\$2	Investment holding	52.8
Asia Standard Development (Holdings) Limited	HK\$10 and non-voting deferred share capital of HK\$362,892,949	Investment holding	52.8
Asia Standard Development (Real Estate Agencies) Limited	HK\$2	Real estate agency services	52.8
Asia Standard Finance Company Limited	HK\$1,000,000	Financing services	52.8
Asia Standard International Limited	HK\$1,214,916,441	Investment holding	52.8
Asia Standard Management Services Limited	HK\$2	Management services	52.8
Asia Standard Project Management Company Limited	HK\$2	Project management	52.8
Barinet Company Limited	HK\$1,000	Property development	52.8
Crystal Rich Limited	HK\$2	Property development	52.8
Free Ocean Investments Limited	HK\$2	Property development	52.8
Full Union Development Limited	HK\$2	Property development	52.8



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

#### Subsidiaries (continued)

Name	Issued and fully paid ordinary share capital except otherwise stated	Principal activity	Percentage of equity held by the Group %
<i>Incorporated in Hong Kong (continued)</i>			
Get Rich Enterprises Limited	HK\$2	Property development	42.3
Glory Ocean Limited	HK\$2	Property development	52.8
Goodview Express Holdings Limited	HK\$2	Property trading	52.8
Grace Profit Enterprises Limited	HK\$2	Investment holding	40.2
Hoi Chak Properties Limited	HK\$10 and non-voting deferred share capital of HK\$2	Property investment	52.8
Honest Engineering Limited	HK\$100	Construction	42.3
Hugetop Holdings Limited	HK\$2	Property development	52.8
JBC Travel Company Limited	HK\$2,500,000	Travel agency	40.2
Kelpoint Limited	HK\$2	Property development	52.8
Mark Honour Limited	HK\$10	Property development	47.5
Master Asia Enterprises Limited	HK\$10,000	Property development	52.8
Mega Royal Limited	HK\$2	Property development	52.8
Morning Gay Investments Limited	HK\$100	Property development	52.8
Ocean Victory Investment Limited	HK\$2	Property trading	52.8
Paramount Shine Limited	HK\$2	Property development	52.8
Perfect Wave Limited	HK\$2	Restaurant operation	40.2
Rich Kinghood Limited	HK\$2	Property development	52.8
Stone Pole Limited	HK\$10	Hotel holding	40.2
Tilpifa Company Limited	HK\$10 and non-voting deferred share capital of HK\$10,000	Property investment	52.8
Trade Hope Limited	HK\$2	Property development	52.8
Union Rich Resources Limited	HK\$2	Property development	42.3
Vinstar Development Limited	HK\$2	Hotel holding	40.2
Waliway Limited	HK\$100	Property holding	52.8
Way Link Holdings Limited	HK\$2	Property trading	47.5
Winfast Engineering Limited	HK\$2	Construction	52.8
<i>Incorporated in Liberia</i>			
Bassindale Limited	US\$500	Investment holding	100

\* Direct subsidiary of the Company

# Operates in Canada

## Notes to the Accounts

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

#### Jointly controlled entities

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

Name	Principal activity	Group equity interest	
			%
Auburntown Limited	Property development		15.8
Bai Hui Real Estate Company Limited	Investment holding		12.4
Capital Pacific Development Limited	Investment holding		26.4
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		26.5
Ocean Champion Development Limited	Property development		26.4
Sheenity Enterprises Limited	Property development		26.4
Weststar Enterprises Limited	Property development		26.5
Wideway Limited	Financing services		26.4
北京康標科技有限公司 ## (incorporated in the PRC)	Investment and distribution of medical equipment		34.5

# Cooperative Joint Venture operates in the PRC

## Wholly-owned Foreign Enterprise operates in the PRC

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

#### Associated companies

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

Name	Principal activity	Group equity interest %
Allwin Assets Limited (incorporated in the British Virgin Islands)	Investment holding	10.6
Bai Hui Group Company Limited	Investment management	18.5
Excel Billion Holdings Limited	Property development	26.4
Gallop Worldwide Limited (incorporated in the British Virgin Islands)	Investment holding	26.4
Home Kent Enterprise Limited	Property development	26.4
Ocean Strong Industrial Limited	Property development	26.4
Perfect Pearl Company Limited	Property investment	17.4
Sheen Finance Limited	Financing services	26.4
Super Location Limited	Property development	26.4
Q9 Technology Holdings Limited (incorporated in the Cayman Islands)	Investment holding	32.0
Vitasalin Asia Limited	Distribution of health care and beauty products	17.5
美聲節能科技（珠海）有限公司# (incorporated in the PRC)	Distribution of energy saving devices	20.0
漁陽房地產開發（深圳）有限公司# (incorporated in the PRC)	Property development	13.9

# Wholly-owned Foreign Enterprise operates in the PRC

### 37 Approval of accounts

The accounts were approved by the Board of Directors on 19th July 2004.