



Asia Orient Holdings Limited
Annual Report 2004



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Corporate Information

Directors

Mr. Fung Siu To, Clement *(Chairman)*
Mr. Lim Yin Cheng *(Deputy Chairman)*
Mr. Poon Jing *(Managing Director)*
Mr. Lun Pui Kan
Mr. Kwan Po Lam, Phileas
Mr. Chan Sze Hung
(Independent Non-executive Director)
Mr. Cheung Kwok Wah, Ken
(Independent Non-executive Director)

Audit committee

Mr. Chan Sze Hung
Mr. Cheung Kwok Wah, Ken

Authorised representatives

Mr. Fung Siu To, Clement
Mr. Lun Pui Kan

Company secretary

Ms. Chiu Yuk Ching

Registered office

Canon's Court, 22 Victoria Street, Hamilton HM12,
Bermuda

Principal office in Hong Kong

30th Floor, Asia Orient Tower, Town Place,
33 Lockhart Road, Wanchai, Hong Kong

Telephone 2866 3336
Facsimile 2866 3772
Website <http://www.asiaorient.com.hk>

Principal bankers

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation
Limited
Hang Seng Bank Limited
The Bank of East Asia Limited
Chiyu Banking Corporation Limited
Liu Chong Hing Bank Limited
Bank of Communications
Citic Ka Wah Bank Limited
Industrial and Commercial Bank of China (Asia)
Limited

Legal advisers

Stephenson Harwood & Lo
18th Floor, Edinburgh Tower, The Landmark,
15 Queen's Road Central, Hong Kong

Appleby Spurling Hunter

5511, The Center, 99 Queen's Road Central, Hong Kong

Auditors

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building, Central, Hong Kong

Share registrar in Bermuda

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road, Pembroke,
Bermuda

Hong Kong branch share registrar and transfer office

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre, 183 Queen's Road East,
Hong Kong

Financial Highlights

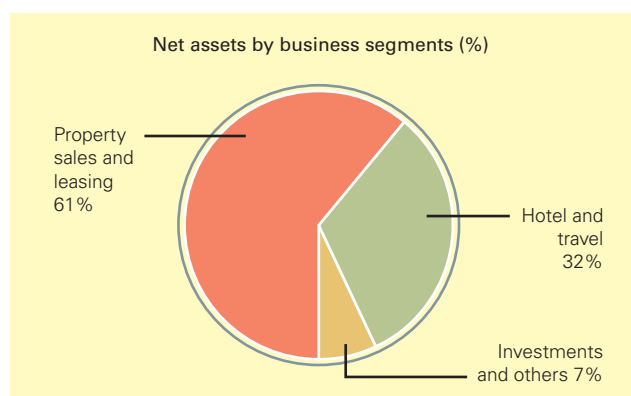
For the year ended 31st March	2004	2003	Change (%)
Group turnover (HK\$ million)	767	1,214	-37
Property sales turnover (HK\$ million)			
The Group	168	470	-64
Share of jointly controlled entities and associated companies	480	73	+558
Total	648	543	+19
Gross rental income (HK\$ million)	53	61	-13
Finance costs (HK\$ million)	118	139	-15
Loss attributable to shareholders (HK\$ million)	228	374	-39
Loss per share (HK\$)	1.49	2.49	-40
Total assets (HK\$ million)	7,716	7,914	-3
Shareholders' funds (HK\$ million)	2,090	2,242	-7
Shareholders' funds per share (HK\$)	12.05	14.96	-19
Net debt (HK\$ million)	2,748	2,818	-2
Net debt to equity (shareholders' funds plus minority interests)	62%	62%	—

Chairman's Statement

I am pleased to present the annual report of the Group for the year ended 31st March 2004 to the shareholders.

Results

Turnover for the year amounted to HK\$767 million, representing a decrease of 37% from last year. Loss attributable to shareholders has reduced to HK\$228 million, compared with HK\$374 million last year.



Review of operations

Property sales and leasing

The Group's shareholding in Asia Standard International Group Limited ("Asia Standard") decreased slightly by 0.6% to 52.8% as at 31st March 2004. Although affected by the SARS outbreak, Asia Standard recorded a loss attributable to shareholders of HK\$142 million, much improved from last year's loss of HK\$277 million.

Asia Standard sold a total of 178,000 sq.ft. of properties against 150,200 sq.ft. last year. Property market showed a strong recovery during the second half of the financial year. Major sales were from the 50% owned luxury apartment No. 8 Shiu Fai Terrace and another 50% owned residential development Bijou Apartments. Total revenue from these two projects amount to HK\$700 million and HK\$213 million respectively. Despite that, turnover on property sales dropped to HK\$168 million compared with HK\$470 million last year, as the turnover of these associated companies projects were excluded from the consolidated financial statement by accounting conventions. Inventory properties were also disposed of,

including the remaining units of Oakridge in Shaukeiwan, and Royalton II in Pokfulam. Another 50.1% owned joint venture luxury development, Grosvenor Place in Repulse Bay was sold in April 2004 for HK\$940 million. The attributable profit of approximately HK\$90 million will be accounted for in the coming financial year.



No. 8
Shiu Fai Terrace





Grosvenor Place,
117 Repulse Bay Road

Rental income attributable to Asia Standard decreased by 10% compared with last year to HK\$65 million, mainly due to the declining rental market during the year.

Occupancies remained high at an average of 86%. We believe the situation will improve upon renewal of these tenancies given the recovering market conditions.

With improving market sentiment, the Group has concluded land premium negotiations for two residential development sites totalling approximately 233,000 sq.ft. gross floor area in Ping Shan and Yau Tong. Construction work will commence shortly and we expect pre-sale to commence towards the end of the coming financial year.

The Group is still pursuing the lease modifications and land premium negotiations for three other development sites totalling approximately 760,000 sq.ft. gross floor area and is also actively negotiating the acquisition of some residential development sites to replenish its land bank.

Hotel

Our hotel operations have experienced the worst operating environment since its commencement in 1994. Following the SARS outbreak at the beginning of the financial year, occupancy dropped drastically to a historic low and by the end of the interim period, turnover had fallen by 26% with a loss of HK\$19 million compared with HK\$9 million profit of the corresponding period last year.

With the SARS behind us and the much effort spent by the government including the signing of CEPA and the support of Mainland China in their Individual Visit Scheme, both leisure and business visitors are returning to Hong Kong. Occupancies of the two hotels in Hong Kong increased from 41% and 51% in the first half of the financial year to 84% and 88% in the second half. The business of Empire Landmark in Vancouver also declined but effect was partially offset by the strengthening of the Canadian dollar. By the end of the financial year, the hotel subsidiary had narrowed the loss for the full year to HK\$12 million.

Chairman's Statement

Investments

The 32% owned associate, Q9 Technology Holdings Limited succeeded in reversing its loss making trend since listing on the GEM board and recorded its first month operating profit in September 2003. Turnover for the year 2003 increased by 126% compared to year 2002. Steady progress have been made in securing orders from OEM manufacturers of mobile phones, desk-top phones and digital set-top boxes. In the first quarter 2004, Q9 signed two additional OEM licensing agreements and reported a 75% increase in turnover over the same period last year, while loss for the same period decreased by 80%. The company is making a good start towards the coming year.



Applications for Q9

The business activities of the Group's other investee companies in the medical and health and energy saving sectors were dampened during this year with the outbreak of SARS. Development progress were lagging behind the original business plan. The Group has made prudent provisions totalling HK\$67 million on impairment in values of these investments.

Financial review

At 31st March 2004, the Group's net asset value was HK\$2.09 billion compared with HK\$2.24 billion at 31st March 2003. During the year, HK\$28.4 million convertible notes of the Company were converted into ordinary shares, increasing the number of issued shares by 15.8%. Net asset value per share decreased from HK\$14.96 at 31st March 2003 to HK\$12.05 at 31st March 2004.

Gearing ratio is 62% (2003: 62%) with a net debt of HK\$2,748 million (2003: HK\$2,818 million) and shareholders' funds plus minority interests of HK\$4,442 million (2003: HK\$4,532 million). Finance costs were reduced by 15% compared with last year as a result of further interest rate drops.

All the Group's borrowings are in Hong Kong dollars except for the mortgage loan of the Vancouver hotel which is denominated in Canadian dollars. This loan is served by the Canadian dollars receipts of the hotel and so the exchange risk exposure is reduced. Over 86% (2003: 82%) of the Group's borrowings were repayable after one year, with repayment schedules spreading over a long period of time to over 10 years.

As at 31st March 2004, properties with an aggregate net book value of HK\$6,055 million (2003: HK\$5,897 million) were pledged to secure banking facilities of the Group. The Group has also provided guarantees to banks and financial institutions on credit facilities to jointly controlled entities, associated companies and third parties of HK\$246 million (2003: HK\$482 million).

Employees and remuneration policies

As at 31st March 2004, the Group employed a total of 635 full time employees, with over 54% working for the hotel subsidiary group and 36% for building management services. Their remuneration packages, which commensurate with their job nature and experience level, include basic salary, annual bonus, retirement and other benefits.

Prospects

The property market eventually hit the bottom in the third quarter 2003 and started to pick up in the fourth quarter. It gained further momentum in first quarter 2004, especially in luxury residential and retail sector. Improving job market, ample liquidity, low mortgage interest rates continue to fuel the demand. The declining new supply of residential property in the coming years suggests that prices should increase over the period. The Group is responding by actively replenishing its land bank holdings through various means and accelerating the progress of its existing projects. China's soaring economic growth create a burgeoning sector seeking higher quality products and accommodation, a reflection of driving for higher living standard. The Group will further move into the PRC market in the very near future.

The addition of more PRC cities to the Individual Visit Scheme boost Hong Kong's retail business and tourism. The measured hotel room supply in the coming several years guarantees a promising return, barring unforeseen circumstances.

By Order of the Board
Fung Siu To, Clement
Chairman

Hong Kong, 19th July 2004

Ten-year Financial Summary

Year ended 31st March	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Results										
Turnover	767	1,214	867	749	1,420	1,074	2,887	1,218	542	1,180
Profit / (loss) attributable to shareholders	(228)	(374)	(154)	(468)	(461)	(44)	453	168	33	34
Assets and liabilities										
Total assets	7,716	7,914	9,179	9,699	9,574	9,952	10,120	10,368	7,819	7,362
Total liabilities	(3,381)	(3,493)	(3,829)	(3,687)	(3,723)	(5,077)	(4,047)	(4,023)	(3,641)	(3,238)
Minority interests	(2,245)	(2,179)	(2,580)	(3,117)	(2,725)	(1,796)	(2,367)	(2,292)	(1,426)	(1,531)
Shareholders' funds	2,090	2,242	2,770	2,895	3,126	3,079	3,706	4,053	2,752	2,593

Notes:

Over the past ten years, the Group has changed some of its accounting policies following changes in the accounting standards in Hong Kong. However, certain prior year figures have not been restated as explained below since the Director consider that this would involve undue delay and expense.

1. The revised Statement of Standard Accounting Practice ("SSAP") 12 "Income taxes" which changed the basis of recognition of deferred tax assets and liabilities was adopted in 2004 with the 2003 figures restated according to the changed standard. The figures prior to 2003 have not been restated.
2. SSAP 24 "Accounting for investment in securities" which requires other investments to be stated at fair value, as well as the then Interpretation No. 9 to revise SSAP 1 which required pre-operating expenses to be expensed rather than to be deferred and amortised, were adopted since 2000 with the 1999 comparative figures restated accordingly. The figures prior to 1999 have not been restated.
3. The 2001 comparatives have been restated as a result of the adoption of SSAP 30 "Business combinations" and SSAP 31 "Impairment of assets" in 2002 whereby goodwill was charged to the profit and loss account in 2001 when impairment had occurred.

Principal Properties

As at 31st March 2004

Properties	Group's interest	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type
I Investment properties				
1 Asia Standard Tower 59-65 Queen's Road Central, Hong Kong.	52.8%	8,000	133,000	Commercial
2 Asia Orient Tower Town Place, 33 Lockhart Road, Wanchai, Hong Kong.	52.8%	7,000	114,000	Commercial
3 Goldmark 502 Hennessy Road, Causeway Bay, Hong Kong.	17.4%	6,000	106,000	Commercial
II Hotel properties				
4 Empire Hotel 33 Hennessy Road, Wanchai, Hong Kong.	40.2%	11,000	184,000 (360 rooms)	Hotel
5 Empire Landmark Hotel 1400 Robson Street, Vancouver B.C., Canada.	40.2%	41,000	420,000 (358 rooms)	Hotel
6 Empire Hotel Kowloon 62 Kimberley Road, Tsimshatsui, Kowloon.	40.2%	11,400	220,000 (315 rooms)	Hotel

Principal Properties

As at 31st March 2004

Properties	Group's interest	Approx. gross floor area (sq. ft.)	Type
III Completed properties held for sale			
Hong Kong			
7 Portion of office floors and shops at 28 Marble Road, North Point, Hong Kong.	42.3%	78,000	Commercial
8 8 Wing Hing Street, Causeway Bay, Hong Kong.	52.8%	108,000	Commercial
9 Bijou Apartments 157 Prince Edward Road, Mongkok, Kowloon.	26.4%	12,000	Commercial
10 Royal Jubilee 88 San Shing Avenue, Sheung Shui, New Territories.	52.8%	12,000	Commercial
11 Grosvenor Place 117 Repulse Bay Road, Hong Kong.	26.5%	60,000	Residential
12 Bayshore Apartments, 244 Aberdeen Main Road, Hong Kong.	47.5%	10,000	Residential
People's Republic of China			
13 Oriental Garden Nos. H212-28 Dong Feng Fang, Luo Hu District, Shenzhen, PRC.	13.9%	154,000	Commercial/ Residential

Properties	Group's interest	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type	Stage and estimated date of completion
IV Properties held for / under development for sale					
Hong Kong					
14 238-242 Aberdeen Main Road, Hong Kong.	52.8%	16,200	150,000	Commercial/ Residential	Foundation (2006)
15 19 Sze Shan Street, Yau Tong, Kowloon.	52.8%	27,000	190,000	Commercial/ Residential	Foundation (2006)
16 Hung Shui Kiu, Yuen Long, New Territories.	42.3%	94,000	533,000	Commercial/ Residential	Planning (2006)
17 Lam Tei, Tuen Mun, New Territories.	52.8%	19,700	79,000	Commercial/ Residential	Planning (2006)
18 Ping Shan, Yuen Long, New Territories.	52.8%	35,400	43,000	Residential	Planning (2005)
19 Sha Ha, Sai Kung, New Territories.	4.0%	508,300	1,118,000	Residential	Planning (2006)

Directors and Senior Management

Directors

FUNG Siu To, Clement

Age 56. Chairman of the Company and its listed subsidiary, Asia Standard International Group Limited ("Asia Standard"). He is also an Executive Director of another listed subsidiary, Asia Standard Hotel Group Limited ("Asia Standard Hotel") and a listed associated company, Q9 Technology Holdings Limited ("Q9"). Mr. Fung is a holder of a Bachelor of Applied Science (Civil Engineering) degree. He joined the Company and its subsidiaries (together the "Group") in 1988 and has over 20 years of experience in project management and construction. He is the brother-in-law of Mr. Poon Jing, Managing Director.

LIM Yin Cheng

Age 59. Deputy Chairman of the Company, Asia Standard and Asia Standard Hotel, Executive Director and Chief Executive Officer of Q9. Mr. Lim is a holder of Bachelor of Science (Chemical Engineering) and Doctor of Philosophy degrees. He has over 25 years of experience in engineering, project management and administration. He joined the Group in 1992. He is the brother-in-law of Mr. Poon Jing, Managing Director.

POON Jing

Age 49. Managing Director of the Company and Asia Standard, Chairman of Asia Standard Hotel. Mr. Poon is an Independent Non-executive Director of GZI Transport Limited. He is the brother-in-law of Mr. Fung Siu To, Clement and Mr. Lim Yin Cheng, the Chairman and Deputy Chairman respectively.

LUN Pui Kan

Age 41. Finance Director of the Company, Asia Standard and Executive Director of Q9. Mr. Lun has over 15 years of experience in accounting and finance. He is a holder of a Bachelor of Science (Engineering) degree and is an associate member of the Hong Kong Society of Accountants and a fellow member of The Association of Chartered Certified Accountants. He joined the Group in 1994.

KWAN Po Lam, Phileas

Age 46. Executive Director of the Company, Asia Standard and Q9. Mr. Kwan is a holder of a Bachelor of Business Administration degree. He joined the Group in 1986 and is responsible for property sales and leasing. He has over 20 years of experience in property sales, leasing and real estate management.

CHAN Sze Hung

Age 51. Independent Non-executive Director of the Company. Mr. Chan graduated from the University of Hong Kong with a degree in law. He joined a legal firm for approximately four years prior to becoming a principal partner of Chan, Lau & Wai. He has over 20 years of experience in the legal profession. He was appointed as an Independent Non-executive Director of the Company in June 1996.

CHEUNG Kwok Wah, Ken

Age 47. Independent Non-executive Director of the Company. Mr. Cheung has over 15 years of experience in the finance field. He was appointed as an Independent Non-executive Director of the Company in June 1996.

Note:

Teddington Holdings Limited, Heston Holdings Limited and Full Speed Investments Limited (of which Mr. Poon Jing and /or Mr. Fung Siu To, Clement and/or Mr. Lun Pui Kan and/or Mr. Kwan Po Lam, Phileas is/are directors) have interests in the share capital of the Company disclosable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Senior management

WONG Shu Pui

Age 49. Director of the Asia Standard Hotel. Mr. Wong has over 25 years of experience in the hotel industry and has held senior positions in a number of international hotels in Hong Kong and joined the Group in 2000.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March 2004.

Principal activities and geographical analyses of operations

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 36 to the accounts.

The activities of the Group are mainly based in Hong Kong. Analyses of the Group's turnover and contribution to operating result by principal activities and by principal markets are set out in note 2 to the accounts.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 23.

The Directors do not recommend the payment of a dividend.

Financial summary

Ten-year financial summary of the results and of the assets and liabilities of the Group is set out on page 8.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$20,000 (2003: nil).

Fixed assets

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

Share capital

Details of the movements in share capital of the Company during the year are set out in note 24 to the accounts.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 25 to the accounts.

Principal properties

Details of the principal properties of the Group are set out on pages 9 to 11.

Directors

The Directors of the Company during the year and at the date of this report were:

Mr. Fung Siu To, Clement
Mr. Lim Yin Cheng
Mr. Poon Jing
Mr. Lun Pui Kan
Mr. Kwan Po Lam, Phileas
Mr. Chan Sze Hung
Mr. Cheung Kwok Wah, Ken

In accordance with Bye-Law 99 of the Company's Bye-Laws, one third of the Directors retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The Managing Director and the Chairman shall not be subject to retirement by rotation.

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Biographical details of directors and senior management

Biographical details of Directors and senior management are set out on page 12.

Directors' interests in contracts

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Arrangements to purchase shares or debentures

Apart from the share option scheme of the Company as disclosed on page 19, and that of its subsidiaries, Asia Standard International Group Limited ("Asia Standard") and Asia Standard Hotel Group Limited ("Asia Standard Hotel"), at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 31st March 2004, the interests and short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Hong Kong Securities and Futures Ordinance (the "SFO") which (a) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock

Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(I) Long positions in shares

(a) The Company

Director	Number of shares held			Percentage of	
	Personal interest	Corporate interest	Family interest	Total	shares in issue %
Poon Jing	31,714,396	38,011,695	1,396,520	71,122,611	40.99
Fung Siu To, Clement	3,949,400	–	–	3,949,400	2.28

(b) Subsidiaries

Director	Subsidiary	Number of shares held			Percentage of shares in issue
		Personal interest	Corporate interest	Total	
Poon Jing	Asia Standard	4,445,650	2,170,469,712*	2,174,915,362*	52.93
Poon Jing	Asia Standard Hotel	248,937	3,699,148,774*	3,699,397,711*	73.22
Poon Jing and Fung Siu To, Clement	Centop Investment Limited	–	20	20	20
Fung Siu To, Clement	Mark Honour Limited	1	–	1	10

* By virtue of his controlling interest in the Company, Mr. Poon Jing is deemed to be interested in the shares of Asia Standard and Asia Standard Hotel held by the Company's subsidiaries.

In addition, by virtue of his interest in the Company, Mr. Poon Jing is deemed to be interested in the shares of all the Company's subsidiaries.

(II) Long positions in underlying shares

Interest in share options

(a) The Company

On 26th March 2004, options to subscribe for 300,000 shares of the Company at exercise price of HK\$17.33 per share granted to each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Kwan Po Lam, Phileas and Lun Pui Kan, Directors of the Company, were cancelled. On 12th February 2004, options to subscribe for 1,718,000 shares of the Company were granted to each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Kwan Po Lam, Phileas and Lun Pui Kan at exercise price of HK\$3.3 per share. These options are exercisable from 12th February 2004 to 11th February 2014. During the year, no option granted to the Directors of the Company was exercised or lapsed. Each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Kwan Po Lam, Phileas and Lun Pui Kan had options to subscribe for 300,000 and 1,718,000 shares of the Company at 1st April 2003 and 31st March 2004 respectively.

The options granted are not recognised in the financial statements until they are exercised. The Directors consider that it is not appropriate

to state the value of the share options granted during the year on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

(b) Subsidiary - Asia Standard

Options to subscribe for 1,750,000 shares of Asia Standard were granted to Mr. Lun Pui Kan on 27th February 1995. The options are exercisable from 27th March 1995 to 27th March 2005 at exercise price of HK\$0.384 per share. No option was exercised, cancelled or lapsed during the year. As at 1st April 2003 and 31st March 2004, Mr. Lun Pui Kan held options to subscribe for 1,750,000 shares of Asia Standard.

(c) Associated company - Q9Technology Holdings Limited

As at 31st March 2004, details of the share options granted to Directors under the share option schemes are as follows:

Name of Director	Exercise Period*	Outstanding as at 1st April 2003 and 31st March 2004	
		Pre-IPO Share Option Scheme	Share Option Scheme adopted on 7th May 2001
Lim Yin Cheng	See note 1	84,480,000	
Fung Siu To, Clement	See note 2	2,560,000	
Lun Pui Kan	See note 2	1,920,000	
	18th May 2001 to 17th May 2011		3,000,000
Kwan Po Lam, Phileas	18th May 2001 to 17th May 2011		1,000,000

Note: Options under the Pre-IPO Share Option Scheme were granted on 5th May 2001 at exercise price of HK\$0.36 per share and options under the Share Option Scheme adopted on 7th May 2001 were granted on 18th May 2001 at exercise price of HK\$0.45 per share.

Report of the Directors

No option pursuant to the Pre-IPO Share Option Scheme and Share Option Scheme adopted on 7th May 2001 had been granted to the Directors and no option granted to Directors had been exercised, cancelled or lapsed during the year. The option may be exercised at any time within the option period provided that the options have been vested.

* The exercise period is, unless otherwise stated in that column, from 5th May 2001, the date of grant of the options (subject to such options having vested, details of which are set out below), to 4th May 2011, ten years from the date of grant. The vesting dates of the options and the percentage of options vested or vesting on such dates are set out below.

Date of vesting of the options (that is, the date when the options become/became exercisable)	Percentage of options vested / vesting on such dates	
	(Note 1)	(Note 2)
a. 18th November 2001	10%	10%
b. 18th May 2002	10%	20%
c. 18th November 2002	10%	20%
d. 18th May 2003	20%	20%
e. 18th November 2003	20%	20%
f. 18th May 2004	20%	10%
g. 18th November 2004	10%	—

Save as disclosed above, as at 31st March 2004, none of the Directors or Chief Executives (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Substantial shareholders and other persons' interests and short positions in shares and underlying shares

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31st March 2004, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

(a) Long positions in shares of the company

Name	Number of shares held	Percentage (%)
Poon Jing (notes 1 and 2)	71,122,611	40.99
Teddington Holdings Limited ("Teddington")	15,856,581	9.14
Heston Holdings Limited ("Heston")	13,209,717	7.61
Full Speed Investments Limited ("Full Speed")	8,945,397	5.16
Lau Luen Hung, Thomas (note 3)	13,428,180	7.73
Tjia Boen Sien (note 4)	9,749,999	5.62
Cheung Chung Kiu (note 5)	10,364,746	5.97
Palin Holdings Limited (note 5)	10,364,746	5.97
Chongqing Industrial Limited (note 5)	10,364,746	5.97
Yugang International Limited (note 5)	10,364,746	5.97
Yugang International (BVI) Limited (note 5)	10,364,746	5.97
Regulator Holdings Limited (note 5)	7,000,000	4.03 (note 6)
Qualipak International Holdings Limited (note 5)	7,000,000	4.03 (note 6)
Qualipak Development Limited (note 5)	7,000,000	4.03 (note 6)
Worthwell Investments Limited (note 5)	7,000,000	4.03 (note 6)

Notes:

1. Mr. Poon Jing, his family interest and the companies wholly owned by him namely Teddington, Heston and Full Speed together hold 71,122,611 shares.
2. The interest of Mr. Poon Jing in the Company duplicate the interest of Teddington, Heston and Full Speed.
3. Mr. Lau Luen Hung has personal interest in 5,928,180 shares of the Company and has controlling interest of 50% in Swarkin Assets Ltd. ("Swarkin") which holds 7,500,000 shares of the Company. By virtue of the SFO, Mr. Lau is deemed to be interested in 7,500,000 shares held by Swarkin.
4. Mr. Tjia Boen Sien has personal interest in 583,333 shares and corporate interest in 9,166,666 shares. He also has controlling interest of 50% in Swarkin. By virtue of the SFO, Mr. Tjia is deemed to be interested in the shares held by Swarkin and Mr. Tjia's interest of the Company duplicate the interest of Swarkin.
5. Mr. Cheung Chung Kiu is deemed to be interested in the shares of the Company by virtue of his indirect shareholding in Bookman Properties Limited which owns 3,364,746 shares in the Company and Worthwell Investments Limited which owns 7,000,000 shares in the Company. Bookman Properties Limited is a wholly-owned subsidiary of Ferrex Holdings Limited. Ferrex Holdings Limited is a wholly-owned subsidiary of Yugang International (BVI) Limited. Worthwell Investments Limited was a wholly owned subsidiary of Qualipak Development Limited. Qualipak Development Limited is a wholly-owned subsidiary of Qualipak International Holdings Limited which is controlled (59.71%) by Regulator Holdings Limited. Regulator Holdings Limited is a wholly owned subsidiary of Yugang International (BVI) Limited, which is, in turn, a wholly-owned subsidiary of Yugang International Limited. Chongqing Industrial Limited owns 37.79% of the issued share capital of Yugang International Limited. Chongqing Industrial Limited is controlled by a discretionary trust. Mr. Cheung Chung Kiu is the founder of the said discretionary trust and Palin Holdings Limited, which is controlled by Mr. Cheung Chung Kiu, is the trustee of the said discretionary trust.
6. The aggregated holding of shares together with the underlying shares of interest in the convertible notes disclosed herein below is more than 5% of the issued share capital of the Company.

Report of the Directors

(b) Long positions in underlying shares of the company Convertible notes

Substantial shareholder	Underlying shares interest of convertible notes
Cheung Chung Kiu (note 1)	9,666,666
Palin Holdings Limited (note 1)	9,666,666
Chongqing Industrial Limited (note 1)	9,666,666
Yugang International Limited (note 1)	9,666,666
Yugang International (BVI) Limited (note 1)	9,666,666
Regulator Holdings Limited (note 1)	9,666,666
Qualipak International Holdings Limited (note 1)	9,666,666
Qualipak Development Limited (note 1)	9,666,666
Worthwell Investments Limited (note 1)	9,666,666
The Cross-Harbour (Holdings) Limited (note 2)	12,500,000
Wingspan Limited (note 2)	12,500,000
Gold Faith Investments Limited (note 2)	12,500,000

The convertible notes can be converted into shares of the Company at conversion price of HK\$1.10 per share for the period from 15th January 2003 to 14th January 2004 and HK\$1.20 for the period from 15th January 2004 to 14th January 2005.

During the year, HK\$28,400,000 convertible notes were converted into 23,666,665 shares of the Company at HK\$1.20 per share.

Notes : -

1. Mr. Cheung Chung Kiu is deemed to be interested in the underlying shares of the Company by virtue of his indirect shareholding in Worthwell Investments Limited which owns 9,666,666 underlying shares in the Company. Worthwell Investments Limited was a wholly owned subsidiary of Qualipak Development Limited. Qualipak Development Limited is a wholly-owned subsidiary of Qualipak International Holdings Limited which is controlled (59.71%) by Regulator Holdings Limited. Regulator Holdings Limited is a wholly owned subsidiary of Yugang International (BVI) Limited, which is, in turn, a wholly-owned subsidiary of Yugang International Limited. Chongqing Industrial Limited owns 37.79% of the issued share capital of Yugang International Limited. Chongqing Industrial Limited is controlled by a discretionary trust. Mr. Cheung Chung Kiu is the founder of the said discretionary trust and Palin Holdings Limited, which is controlled by Mr. Cheung Chung Kiu, is the trustee of the said discretionary trust.
2. The Cross-Harbour (Holdings) Limited has controlling interest (100%) in Gold Faith Investments Limited through a wholly-owned subsidiary Wingspan Limited. The Cross-Harbour (Holdings) Limited and Wingspan Limited are deemed to be interested in and duplicate the interest in the 12,500,000 underlying shares held by Gold Faith Investments Limited.

Save as disclosed above, as at 31st March 2004, the Directors are not aware of any other persons who had interests or short position in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under Section 336 of the SFO.

Share option schemes

Company

1. Share Option Scheme adopted on 28th August 1996 ("Old Option Scheme")

The Old Option Scheme was adopted on 28th August 1996 whereby options may be granted to employees of the Company and its subsidiaries including the Executive Directors, to subscribe for shares of the Company. On 11th November 2002, the Old Option Scheme was resolved by the shareholders of the Company to be cancelled. Options to subscribe for 300,000 and 4,950,000 shares of the Company at exercise price of HK\$17.33 per share granted under the Old Option Scheme had been lapsed and cancelled on 21st January and 26th March 2004 respectively.

2. Share Option Scheme adopted on 11th November 2002 ("New Option Scheme")

Pursuant to an ordinary resolution passed at the Special General Meeting of the Company held on 11th November 2002, the Company adopted the New Option Scheme to replace the Old Option Scheme. According to the New Option Scheme, the board of Directors of the Company may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiary or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, acknowledge the contributions of, motivate and maintain relationship with the eligible participants.

The total number of shares which may be issued upon exercise of all options to be granted under the New Option Scheme must not exceed 14,982,643 shares, representing 8.64% of the shares in issue at the date of this report. The total maximum number of

shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under the New Option Scheme or any other share option scheme within any 12 months period, must not exceed 1% of the shares in issue from time to time.

There was no requirement for a grantee to hold the option for a certain period before exercising the option unless otherwise determined by the Directors. The exercise period should be any period determined by the board of Directors but in any event the exercise period should not later than 10 years from the date of grant. The grantee must accept an option within 21 days from the date of offer by making a non-refundable payment of HK\$1 to the Company.

The subscription price shall be at the discretion of the board of Directors provided that it shall be not less than the highest of (i) the closing price of a share on the relevant date of grant (ii) the average of the closing prices of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The New Option Scheme is effective for 10 years from 11th November 2002.

During the year, options to subscribe for 6,872,000 shares had been granted under the New Option Scheme by the Company to the Directors. At the date before the options were granted, 11th February 2004, the closing price per share was HK\$3.40.

Report of the Directors

The following table discloses details of the Company's options granted under the Old Option Scheme and New Option Scheme held by employees (including Directors):

Grantee	Outstanding as at 1st April 2003	Outstanding as at 31st March 2004
Old Option Scheme		
Directors	1,200,000	–
Former Director of a subsidiary	300,000	–
Employees	3,750,000	–
New Option Scheme		
Directors	–	6,872,000

Notes:

1. No option was exercised during the year.
2. Options are exercisable at exercise price of HK\$17.33 per share and HK\$3.3 per share for options granted under the Old Option Scheme and the New Option Scheme respectively.
3. Options under the Old Option Scheme were granted on 14th February 2000 and exercisable from 14th March 2000 to 13th February 2010.
4. Options under the New Option Scheme were granted on 12th February 2004 and exercisable from 12th February 2004 to 11th February 2014.

Subsidiaries

1. Asia Standard
The share option scheme of Asia Standard expired on 22nd January 2002. As at 31st March 2004, there were 1,750,000 options granted to a Director under the expired share option scheme outstanding. The options are exercisable in accordance with the terms of the expired share option scheme.

2. Asia Standard Hotel
The share option scheme was adopted on 24th May 2000 whereby options may be granted to the employees, including Executive Directors of Asia Standard Hotel and its subsidiaries, to subscribe for shares of Asia Standard Hotel.

The share option scheme was designed to provide incentive to employees of Asia Standard Hotel and its subsidiaries and will remain in force for a period of ten years commencing on 24th May 2000. The maximum number of shares in respect of options may be granted under the share option scheme may not exceed 10% (505,210,868 shares at the date of this report) of the issued share capital of Asia

Standard Hotel in issue from time to time. The maximum entitlement of each participant is 25% of the aggregated number of shares issued or issuable under the share option scheme. The grantee has to pay HK\$1 to Asia Standard Hotel for acceptance of each option within 28 days from the date of letter by which the option is granted. No option shall be exercised later than 10 years from the date of grant. The exercise price was the higher of (a) the nominal amount of a share; and (b) not less than 80% of the average of the closing price of a share on the Stock Exchange of each of the five trading days immediately preceding the date of the offer of any option.

In accordance with Chapter 17 (Share Scheme) of the Listing Rules, with effect from 1st September 2001, the listed issuers could grant further share options under their existing schemes at exercise prices of at least the higher of the closing price of the shares on the date of grant and the average closing price of the shares for the five business days immediately preceding the date of grant.

No option has been granted under the share option scheme.

Purchase, sale or redemption of listed securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Pre-emptive rights

No pre-emptive rights exist in Bermuda in respect of the Company's share capital.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major customers and suppliers

The percentages of the Group's purchases and sales for the year attributable to major suppliers and customers were as follows:

Percentage of purchases attributable to the Group's largest supplier	22.5%
Percentage of purchases attributable to the Group's five largest suppliers	50.8%
Percentage of sales attributable to the Group's largest customer	2.2%
Percentage of sales attributable to the Group's five largest customers	9.9%

None of the Directors, their associates, or shareholders, which to the knowledge of the Directors, held any interests in the share capital of the suppliers or customers noted above.

Corporate governance

During the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Audit committee

The Audit Committee members are Mr. Chan Sze Hung and Mr. Cheung Kwok Wah, Ken. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The Audit Committee meets at least twice a year for review of the audited annual accounts and the unaudited interim accounts.

Pro forma combined balance sheet of affiliated companies

A pro forma combined balance sheet of certain affiliated companies with major financial assistance from the Group and the Group's attributable interest in these affiliated companies are shown on page 64 pursuant to Chapter 13 of the Listing Rules.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Fung Siu To, Clement
Chairman

Hong Kong, 19th July 2004

Report of the Auditors

To the shareholders of Asia Orient Holdings Limited

(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 23 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's Directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st March 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PRICEWATERHOUSECOOPERS

Certified Public Accountants

Hong Kong, 19th July 2004

Consolidated Profit and Loss Account

For the year ended 31st March 2004

	Note	2004 HK\$'000	2003 HK\$'000
Turnover	2	767,390	1,214,263
Cost of sales		(582,988)	(957,740)
Gross profit		184,402	256,523
Administrative expenses		(127,234)	(137,633)
Provisions and other charges	3	(84,651)	(274,889)
Operating loss	4	(27,483)	(155,999)
Finance costs	5	(117,843)	(139,139)
Share of profits less losses of			
Jointly controlled entities		(45,296)	(59,873)
Associated companies		(111,486)	(150,170)
Loss before taxation		(302,108)	(505,181)
Taxation credit	8	908	746
Loss after taxation		(301,200)	(504,435)
Minority interests		72,955	130,781
Loss attributable to shareholders	9	(228,245)	(373,654)
Loss per share	11	HK\$1.49	HK\$2.49

Consolidated Balance Sheet

As at 31st March 2004

	Note	2004 HK\$'000	2003 HK\$'000
Fixed assets	12	4,643,036	4,423,865
Jointly controlled entities	14	263,382	276,572
Associated companies	15	456,294	660,443
Long term investment	16	1,601	1,601
Goodwill	17	30,887	37,300
Mortgage loans receivable	18	40,160	34,277
Deferred tax assets	29	62,517	48,383
Current assets			
Properties held for / under development for sale	19	1,029,149	992,134
Completed properties held for sale	19	608,082	729,515
Hotel and restaurant inventories		2,615	2,910
Debtors and prepayments	20	329,043	280,904
Other investments	21	91,933	155,931
Tax recoverable		321	827
Bank balances and cash	22	157,409	268,843
		2,218,552	2,431,064
Current liabilities			
Creditors and accruals	23	305,877	245,565
Short term bank loans and overdrafts			
Secured		158,150	195,274
Unsecured		31,941	30,002
Convertible notes	27	77,600	–
Current portion of long term loans	28	118,446	316,085
Taxation		9,452	10,301
		701,466	797,227
Net current assets		1,517,086	1,633,837
		7,014,963	7,116,278
Financed by:			
Share capital	24	17,349	14,983
Reserves	25	2,073,074	2,226,780
Shareholders' funds		2,090,423	2,241,763
Convertible bonds	26	290,000	290,000
Convertible notes	27	–	60,000
Long term loans	28	2,229,216	2,195,176
Deferred tax liabilities	29	53,401	38,728
Minority interests and loans	30	2,351,923	2,290,611
		7,014,963	7,116,278

Fung Siu To, Clement
Director

Lun Pui Kan
Director

Balance Sheet

As at 31st March 2004

	Note	2004 HK\$'000	2003 HK\$'000
Subsidiaries	13	3,617,785	3,730,228
Deferred tax assets	29	196	291
Current assets			
Debtors and prepayments		583	1,159
Bank balances and cash		3	3
		586	1,162
Current liabilities			
Creditors and accruals		885	1,192
Convertible notes	27	31,600	–
		32,485	1,192
Net current liabilities		(31,899)	(30)
		3,586,082	3,730,489
Financed by:			
Share capital	24	17,349	14,983
Reserves	25	3,568,733	3,655,506
Shareholders' funds		3,586,082	3,670,489
Convertible notes	27	–	60,000
		3,586,082	3,730,489

Fung Siu To, Clement
Director

Lun Pui Kan
Director

Consolidated Cash Flow Statement

For the year ended 31st March 2004

	Note	2004 HK\$'000	2003 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	34(a)	5,864	454,784
Net tax refunded / (paid)		433	(2,796)
Interest paid		(124,649)	(149,810)
Net cash (used in) / from operating activities		(118,352)	302,178
Cash flows from investing activities			
Interest received		38,103	29,240
Dividends received from associated companies		–	19
Dividends received from other investments		1,207	2,676
Proceeds on disposal of other investments		90,528	356,690
Purchase of other investments		(50,484)	(197,886)
Increase in advance to an investee company		–	(600)
Addition to fixed assets		(258)	(1,854)
Acquisition of subsidiaries	34(b)	–	(44,000)
Proceeds on disposal of interest in a listed subsidiary		6,570	–
Repurchased of own shares by a listed subsidiary		(867)	–
Proceeds on disposal of an associated company		2,000	–
Decrease / (increase) in advances to associated companies		90,754	(10,203)
Acquisition of associated companies		(4,000)	(139,500)
Acquisition of a jointly controlled entity		(11,631)	–
Decrease / (increase) in advances to jointly controlled entities		17,608	(10,126)
Net cash from / (used in) investing activities		179,530	(15,544)
Net cash generated before financing activities		61,178	286,634

	<i>Note</i>	2004	2003
		HK\$'000	HK\$'000
Net cash generated before financing activities		61,178	286,634
Cash flows from financing activities			
Decrease / (increase) in restricted bank balances		1,228	(25,560)
Drawdown of long term bank loans		295,600	178,300
Repayment of long term bank loans		(476,351)	(447,151)
Issue of convertible notes		46,000	60,000
Repayment of convertible notes		–	(60,000)
Decrease in short term bank loans		(9,452)	(101,200)
(Decrease) / increase in loans from minority shareholders of subsidiaries		(4,412)	174
Net cash used in financing activities	<i>34(c)</i>	(147,387)	(395,437)
Net decrease in cash and cash equivalents		(86,209)	(108,803)
Cash and cash equivalents at beginning of the year		111,152	219,733
Changes in exchange rates		(145)	222
Cash and cash equivalents at end of the year		24,798	111,152
Analysis of the balances of cash and cash equivalents			
Bank balances (excluding pledged deposits and balances held in trust)		92,291	204,378
Bank overdrafts		(67,493)	(93,226)
		24,798	111,152

Consolidated Statement of Changes in Equity

For the year ended 31st March 2004

	Note	2004 HK\$'000	2003 HK\$'000
Balance at beginning of the year			
As previously reported		2,229,939	2,769,551
Change in accounting policy for deferred taxation	25	11,824	10,195
As restated		2,241,763	2,779,746
Exchange differences arising on translation of accounts of overseas subsidiaries, jointly controlled entities and associated companies	25	10,105	6,953
Revaluation deficit on investment properties			
Subsidiaries	25	–	(58,848)
Associated companies	25	–	(12,954)
Revaluation surplus / (deficit) on hotel properties, net of taxation	25	44,580	(94,081)
Revaluation deficit on other properties	25	–	(5,399)
Conversion of convertible notes	25	26,033	–
Disposal of interest in a listed subsidiary	25	(6,179)	–
Net gains / (losses) not recognised in the profit and loss account		74,539	(164,329)
Issue of share capital upon conversion of convertible notes	24	2,366	–
Loss for the year attributable to shareholders	25	(228,245)	(373,654)
Balance at end of the year		2,090,423	2,241,763

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	–
	767,390	(27,483)	7,716,429	258

	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)
	(84,651)	(274,889)

Notes to the Accounts

4 Operating loss

	2004 HK\$'000	2003 HK\$'000
Operating loss is stated after crediting and charging the following:		
Crediting		
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)
Charging		
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
	132,644	153,457
Capitalised as cost of properties under development		
Interest expense	(13,671)	(13,443)
Other incidental borrowing costs	(1,130)	(875)
	117,843	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
	23,880	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
Company				
Directors	13th February 2010	HK\$17.33	–	1,200,000
Directors	11th February 2014	HK\$3.3	6,872,000	–
Former Director of Asia Standard	21st January 2004	HK\$17.33	–	300,000
Employees	13th February 2010	HK\$17.33	–	3,750,000
			6,872,000	5,250,000
Asia Standard				
Director	27th March 2005	HK\$0.384	1,750,000	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.

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

	2004 HK\$'000	2003 HK\$'000
Loss before taxation	302,108	505,181
Calculated at a taxation rate of 17.5% (2003: 16%)	52,869	80,829
Over/(under) provisions in prior years	918	(1,793)
Effect of different taxation rates in other countries	844	393
Income not subject to taxation	15,188	7,878
Expenses not deductible for taxation purposes	(55,661)	(73,105)
Tax losses not recognised	(18,643)	(15,381)
Utilisation of previously unrecognised temporary differences	5,226	3,191
Recognition of previously unrecognised tax losses	1,775	450
Derecognition of deferred tax assets	(3,777)	–
Increase in opening net deferred tax assets resulting from an increase in tax rate	1,998	–
Others	171	(1,716)
Taxation credit	908	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
Group						
Cost or valuation						
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
At 31st March 2004	1,423,000	3,167,550	10,507	42,326	50,352	4,693,735
Accumulated depreciation and impairment						
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)
At 31st March 2004	–	–	2,210	–	48,489	50,699
Net book value						
At 31st March 2004	1,423,000	3,167,550	8,297	42,326	1,863	4,643,036
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	2,823,639	2,823,639
Amounts due by subsidiaries less provisions	794,146	906,589
	3,617,785	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	2003
	HK\$'000	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)
	263,382	276,572

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	2003
	HK\$'000	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)
	456,294	660,443
Market value of listed shares	42,021	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

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

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

17 Goodwill

	Group HK\$'000
Cost	
At 31st March 2003 and 2004	44,647
Accumulated amortisation	
At 31st March 2003	7,347
Charge for the year	6,413
At 31st March 2004	13,760
Net Book value	
At 31st March 2004	30,887
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 HK\$'000	2003 HK\$'000
Equity securities		
Listed in Hong Kong	78,418	139,239
Listed overseas	7,327	3,997
Unlisted	1,688	8,195
	87,433	151,431
Debt securities	4,500	4,500
	91,933	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)	–
At 31st March 2003 and 2004	750,000,000	75,000

	Number of shares		Amount	
	2004	2003	2004 HK\$'000	2003 HK\$'000
Issued and fully paid:				
At beginning of the year	149,826,429	7,491,321,498	14,983	37,457
Decrease due to share consolidation (note (a))	–	(7,341,495,069)	–	(22,474)
Conversion of convertible notes (note (b))	23,666,665	–	2,366	–
At end of the year	173,493,094	149,826,429	17,349	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	1,417,381	479,738	–	120,156	–	1,002,675	(946,876)	2,073,074
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	1,417,381	479,738	–	120,156	–	1,002,675	(946,876)	2,073,074

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
Company				
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)
At 31st March 2004	1,417,381	2,838,224	(686,872)	3,568,733

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 HK\$'000	2003 HK\$'000
Bank loans, secured		
Repayable within one year	118,446	316,085
Repayable between one and two years	145,220	509,317
Repayable between two and five years	751,362	660,233
Repayable after five years	1,332,634	1,025,626
	2,347,662	2,511,261
Current portion included in current liabilities	(118,446)	(316,085)
	2,229,216	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	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	(87,404)	(76,387)	(2,218)	(2,041)	(878)	(1,177)	(46,195)	(57,343)	(136,695)	(136,948)
(Charged) / credited to profit and loss account	(15,671)	(10,617)	–	–	229	299	(5,162)	11,148	(20,604)	830
Charged to equity	–	–	(509)	(177)	–	–	–	–	(509)	(177)
Exchange differences	(2,543)	(400)	(266)	–	–	–	–	–	(2,809)	(400)
At end of the year	(105,618)	(87,404)	(2,993)	(2,218)	(649)	(878)	(51,357)	(46,195)	(160,617)	(136,695)

Deferred tax assets

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

Company

Deferred tax assets

	Tax losses	
	2004	2003
	HK\$'000	HK\$'000
At beginning of the year	291	291
Charged to profit and loss account	(95)	–
At end of the year	196	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	62,517	48,383	196	291
Deferred tax liabilities	(53,401)	(38,728)	–	–
	9,116	9,655	196	291

30 Minority interests and loans

	Group	
	2004 HK\$'000	2003 HK\$'000
Minority interests	2,245,000	2,179,276
Loans from minority shareholders of subsidiaries, unsecured	106,923	111,335
	2,351,923	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	56,795	56,807
In the second to fifth year inclusive	59,968	48,621
After the fifth year	7,915	10,031
	124,678	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	3,110	6,386
In the second to fifth year inclusive	6,898	8,746
After the fifth year	–	864
	10,008	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	–	–
	245,546	481,993	135,150	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	5,864	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	1,434,730	2,347,662	122,598	290,000	77,600	2,351,923	(32,625)	6,591,888

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.

Pro Forma Combined Balance Sheet of Affiliated Companies

As at 31st March 2004

The Group had amounts due from and loans to certain affiliated companies in a total sum of HK\$1,100 million (before Group's provisions) and guarantees given to banks for facilities utilised of HK\$244 million totalling HK\$1,344 million as at 31st March 2004 which exceeds 8% of the Group's consolidated total assets. A pro forma combined balance sheet of certain affiliated companies with major financial assistance from the Group and the Group's attributable interest in these affiliated companies are presented below:

	Pro forma combined balance sheet 2004 HK\$'000	Group's attributable interest 2004 HK\$'000
Investment properties	824,000	271,920
Jointly controlled entities	84,593	42,297
Properties held for / under development for sale	1,111,607	527,606
Fixed assets	18,223	4,724
Current assets	460,287	201,922
Current liabilities	(377,596)	(135,117)
Long term bank and other loans	(598,404)	(243,761)
Deferred tax liabilities	(11,283)	(5,644)
Minority interests	(16,538)	(8,465)
Shareholders' advance	(2,131,906)	(1,100,135)
	(637,017)	(444,653)

Extracts from the Audited Consolidated Accounts of Asia Standard International Group Limited

Asia Standard International Group Limited ("Asia Standard") is a principal subsidiary of the Company. It is incorporated in Bermuda and listed in Hong Kong and its subsidiaries are principally engaged in property development and investment, hotel, travel agency and catering operations.

To provide shareholders with further information on the financial performance and position of Asia Standard, the following is a summary of the audited consolidated accounts of Asia Standard for the year ended 31st March 2004.

Consolidated profit and loss account for the year ended 31st March 2004

	2004 HK\$'000	2003 HK\$'000
Turnover	725,658	1,056,883
Cost of sales	(543,683)	(793,712)
Gross profit	181,975	263,171
Administrative expenses	(116,123)	(123,761)
Provisions and other charges	(94,979)	(156,665)
Operating loss	(29,127)	(17,255)
Finance costs	(106,785)	(128,343)
Share of profits less losses of		
Jointly controlled entities	(3,189)	(33,031)
Associated companies	(11,549)	(102,018)
Loss before taxation	(150,650)	(280,647)
Taxation credit	2,310	2,309
Loss after taxation	(148,340)	(278,338)
Minority interests	6,338	1,707
Loss attributable to shareholders	(142,002)	(276,631)
Loss per share	3.46 cents	6.73 cents

Extracts from the Audited Consolidated Accounts of Asia Standard International Group Limited

Consolidated balance sheet as at 31st March 2004

	2004 HK\$'000	2003 HK\$'000
Fixed assets	4,642,900	4,423,572
Jointly controlled entities	213,994	186,920
Associated companies	357,923	458,466
Long term investment	1,601	1,601
Goodwill	16,883	19,296
Mortgage loans receivable	40,160	34,277
Deferred tax assets	55,388	39,858
Current assets		
Properties held for / under development for sale	1,029,149	992,134
Completed properties held for sale	608,082	729,515
Hotel and restaurant inventories	2,615	2,910
Debtors and prepayments	176,058	209,723
Other investments	70,233	92,596
Tax recoverable	238	744
Bank balances and cash	93,308	131,760
	1,979,683	2,159,382
Current liabilities		
Creditors and accruals	268,662	208,463
Short term bank loans and overdrafts		
Secured	23,000	59,531
Unsecured	31,941	30,002
Convertible notes	46,000	–
Current portion of long term loans	118,446	316,085
Taxation	9,452	10,301
	497,501	624,382
Net current assets	1,482,182	1,535,000
	6,811,031	6,698,990
Financed by:		
Share capital	41,093	41,126
Reserves	3,426,487	3,393,226
Shareholders' funds	3,467,580	3,434,352
Convertible bonds	290,000	290,000
Long term loans	2,229,216	2,195,176
Deferred tax liabilities	53,395	38,728
Minority interests and loans	770,840	740,734
	6,811,031	6,698,990