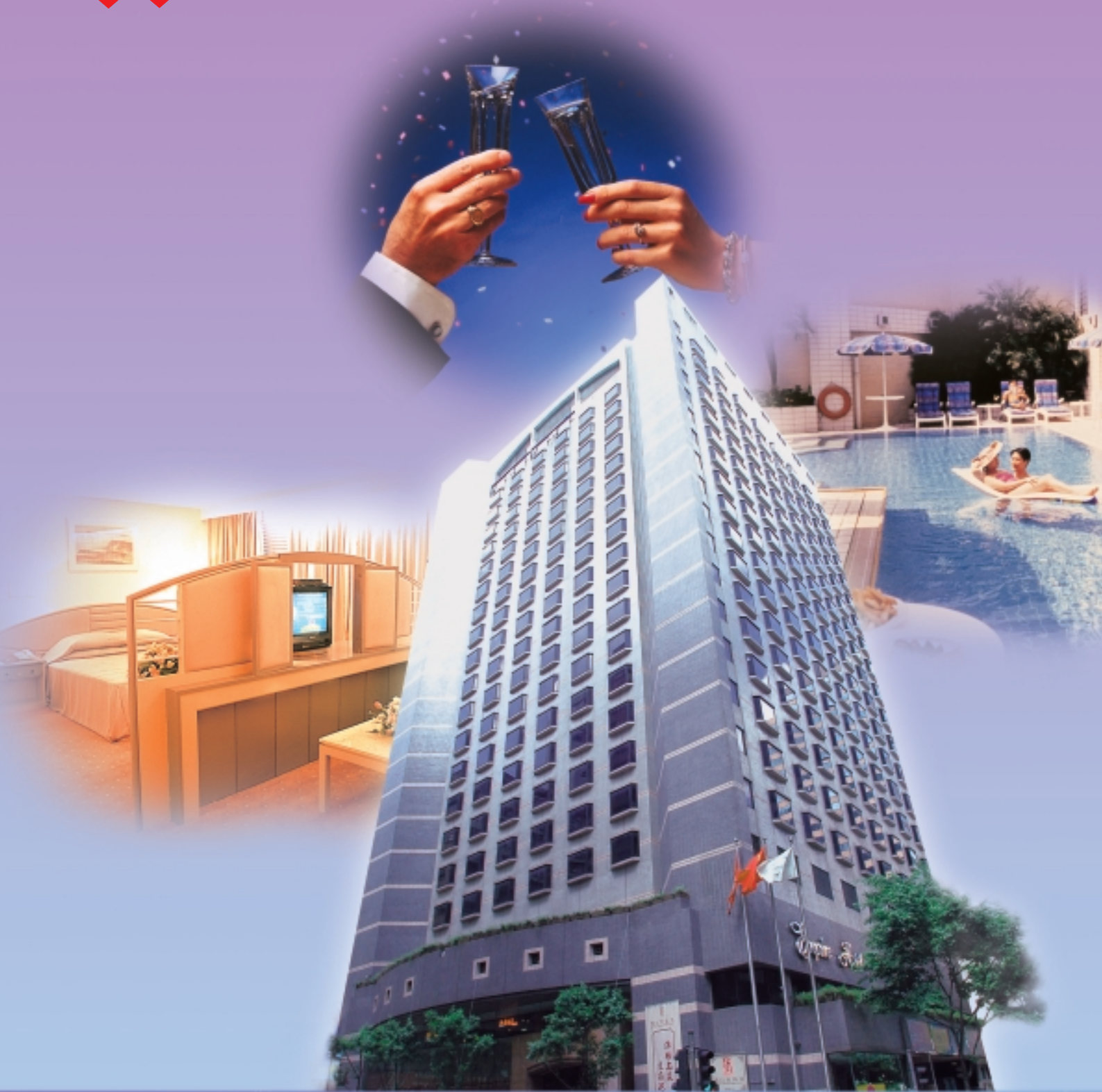




Asia Standard
Hotel Group Limited



Annual Report | 2003

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Empire Hotel, Basement 2, 33 Hennessy Road, Wanchai, Hong Kong on 27th August 2003 (Wednesday) at 10:00 a.m. for the following purposes:–

1. To receive and consider the audited financial statements and the reports of the Directors and auditors for the year ended 31st March 2003;
2. To re-elect retiring Directors and approve their remuneration;
3. To appoint auditors and authorise the board of Directors to fix their remuneration;
4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:–

A. "THAT

- (a) subject to paragraph 4A(c), the Directors be and they are generally and unconditionally authorized to exercise during the Relevant Period (as defined in paragraph 4A(d)) all the powers of the Company to allot, issue or otherwise deal with shares of HK\$0.02 each in the capital of the Company ("Shares") and securities convertible into Shares or warrants or similar rights to subscribe for Shares and to make or grant offers, agreements and options which might require the exercise of such powers;
- (b) the approval in paragraph 4A(a) shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally, or unconditionally, to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph 4A(a) and 4A(b), otherwise than pursuant to:–
 - (i) a Rights Issue (as defined in paragraph 4A(d));
 - (ii) the exercise of rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares;
 - (iii) the exercise of subscription or conversion right under the terms of any warrants of the Company or any option granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of options to subscribe for or rights to acquire Shares; and

(iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-Laws of the Company;

shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly;

(d) for the purpose of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable laws to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the board of Directors of the Company made to holders of Shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the board of Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, or in any territory outside, Hong Kong).”

B. “THAT

- (a) subject to paragraph 4B(b), the Directors be and they are generally and unconditionally authorized to exercise during the Relevant Period (as defined in paragraph 4B(c)) all powers of the Company to repurchase Shares of the Company listed on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) or any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or that of any other stock exchange as amended from time to time;

(b) the aggregate nominal amount of the Shares to be repurchased by the Company pursuant to paragraph 4B(a) during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and approvals granted under paragraph 4B(a) of this Resolution shall be limited accordingly.

(c) for the purpose of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable laws to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by way of ordinary resolution of the shareholders of the Company in general meeting.”

C. “THAT conditional upon Resolutions 4A and 4B in the notice convening this meeting of which this Resolution forms part being passed, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with Shares pursuant to Resolution 4A above be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution 4B above.”

By Order of the Board
Lee Tai Hay, Dominic
Secretary

Dated 22nd July 2003

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

Notes:–

- (1) *Every member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.*
- (2) *A form of proxy for use at the above meeting is enclosed herewith.*
- (3) *Where there are joint holders of any shares, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto provided that if more than one such joint holders be present at the meeting personally or by proxy, the person whose name stands first on the register of members in respect of such shares shall alone be entitled to vote in respect thereof.*
- (4) *To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy or office copy of such power or authority must be deposited at the Company's principal office in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting (or any adjournment thereof).*
- (5) *An explanatory statement containing the information regarding the Ordinary Resolution No. 4 set out in the above notice will be sent to shareholders of the Company.*

Corporate Information

DIRECTORS

Mr. Poon Jing (*Chairman*)
Mr. Lim Yin Cheng (*Deputy Chairman*)
Mr. Fung Siu To, Clement
Mr. Poon Tin Sau, Robert
Mr. Wong Shu Pui
Mr. Liang Shangli
(*Independent Non-Executive Director*)
Mr. Lee Man Kwong
(*Independent Non-Executive Director*)

AUDIT COMMITTEE

Mr. Liang Shangli
Mr. Lee Man Kwong

AUTHORISED REPRESENTATIVES

Mr. Lim Yin Cheng
Mr. Lee Tai Hay, Dominic

COMPANY SECRETARY

Mr. Lee Tai Hay, Dominic

REGISTERED OFFICE

Cedar House,
41 Cedar Avenue,
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
E-mail info@asia-standard.com.hk

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited
Wing Hang Bank Limited
Liu Chong Hing Bank Limited
HSBC Canada
Royal Bank of Canada

LEGAL ADVISERS

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

Appleby, Spurling & Kempe
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.

DIRECTORS

POON Jing

Age 48. Chairman of the Company, Managing Director of Asia Standard International Group Limited (“ASI”) and Asia Orient Holdings Limited (“Asia Orient”). Mr. Poon is the founder of the Group and 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, a Director and Deputy Chairman of the Company respectively.

LIM Yin Cheng

Age 58. Deputy Chairman of the Company, ASI and Asia Orient and Executive Director and Chief Executive Officer of Q9 Technology Holdings Limited. Mr. Lim is a holder of a 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 1994. He is the brother-in-law of Mr. Poon Jing, the Chairman of the Company.

FUNG Siu To, Clement

Age 55. Director of the Company and Chairman of ASI and Asia Orient and Executive Director of Q9 Technology Holdings Limited. Mr. Fung is a holder of a Bachelor of Applied Science (Civil Engineering) degree. He joined the Group in 1994 and has over 20 years of experience in project management and construction. He is the brother-in-law of Mr. Poon Jing, the Chairman of the Company.

POON Tin Sau, Robert

Age 57. Director of Food and Beverage. Mr. Poon ran a number of Chinese and Western restaurants in New York and New Jersey in the United States of America during the period from 1970 to 1996 and joined the Group in 1996.

WONG Shu Pui

Age 48. Director of the Company. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Shangli

Age 82. Mr. Liang is the founder and Chairman of Bai Hui Group Company Limited, a property development company in the PRC. Prior to establishing Bai Hui Group Company Limited in 1992, Mr. Liang worked for the Guangzhou Investment Group, a property development company in the PRC, as a chairman for over 9 years. He is a Standing Committee Member of the Chinese People’s Political Congress Committee, the PRC and the Vice-Chairman of the National Industrial and Commercial Association of the PRC. He joined the Group as an Independent Non-Executive Director in 2000.

LEE Man Kwong

Age 48. Mr. Lee has been practising as a solicitor in Hong Kong for over 18 years and is a partner of Messrs. Chan, Lau & Wai. He is also a solicitor qualified in England and Wales and Singapore. He joined the Group as an Independent Non-Executive Director in 2000.

SENIOR MANAGEMENT

FUNG Pak Lap, Alan

Age 45. Mr. Fung is a Director and General Manager of JBC Travel Company Limited (“JBC”), a wholly-owned subsidiary of the Company. Mr. Fung has over 20 years experience in airline industry as he has worked extensively for a leading airline company in Hong Kong. Mr. Fung joined JBC in 1987.

LEE Yuk Kong, Steven

Age 42. Group Financial Controller, Mr. Lee graduated with an honours degree in Accounting & Finance, and is a member of the Institute of Chartered Accountants in England & Wales with over 18 years of auditing & commercial experience at managerial level both in England and in Hong Kong. Mr. Lee has worked for a number of sizeable listed groups in Hong Kong before joining the Group in 2000.

I am pleased to present the annual report of the Group for the year ended 31st March 2003 to the shareholders.

RESULTS

The Group's turnover was HK\$448.2 million for the year ended 31st March 2003 which has increased by HK\$23.3 million as compared to last year. This is primarily due to the new Empire Hotel Kowloon and the franchised TGI Friday's restaurants being in their full year of operation, which contributed to an increase in revenue of HK\$48.9 million while fall in air-ticketing sales coupled with the sale of the property management services companies during August 2002 resulted in a reduction in revenue of HK\$25.6 million as compared with last year.

Operating profit improved by HK\$24.5 million to HK\$62.2 million for the year to 31st March 2003 as compared with last year due mainly to Empire Hotel Kowloon's contribution. Profit attributable to shareholders however, fell by HK\$6.0 million to HK\$11.9 million, largely as a result of net unrealised loss in investments of HK\$7.3 million and additional finance expenses of HK\$23.4 million which can no longer be capitalised as development cost following the full opening of Empire Hotel Kowloon and hence had to be expensed during the year.

BUSINESS REVIEW

For the calendar year 2002 the Hong Kong Tourism Board recorded total visitors arrivals of 16.6 million, an increase of 21.2% over 13.7 million visitors in 2001. The improvement in arrival statistics is very much the result of significant growth of Mainland visitors arrivals which reached 6.82 million in 2002, a remarkable 53.4% increase on 2001 figure.

For the full year 2002, occupancy of hotels in Hong Kong averaged 84% as compared with only 79% in 2001. However, with the outbreak of atypical pneumonia in March 2003, tourists arrivals and hotel occupancy have steeply declined in recent months.

The Empire Hotel, Hong Kong

Empire Hotel Hong Kong maintained its overall occupancy for the year ended 31st March 2003 at 84.8% similar to last year occupancy of 84.4% while average room rate increased by 3.2%. The improvement in average room rate coupled with 15 additional guest rooms commissioned during October 2002, bringing our total room inventory to 360 rooms, led to an increase of room revenue of HK\$2.6 million, a 5.9% increase over last year. Food and beverage and other hotel operations businesses on the other



Lobby Lounge

hand have been sluggish showing a decrease in revenue of HK\$5.4 million over the same period in last year.



Guest Room

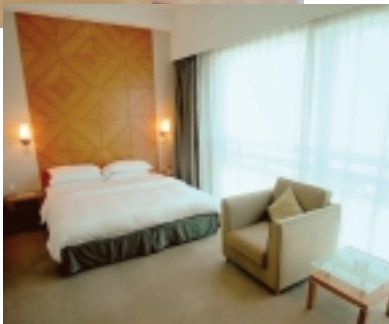


33 on Hennessy Restaurant

Despite the decrease in revenue, Empire Hotel Hong Kong was able to increase its net operating profit by 9.3% helped by continuous cost saving measures implemented during the year.



Lobby



Guest Room

The Empire Hotel, Kowloon

With Empire Hotel Kowloon in its first full year of operation, its occupancy reached a satisfactory 84.2%. Given its convenience of location for tourist shopping, dining and sightseeing, this brand new hotel establishes itself to be a popular choice for tourists and business travelers alike.

Empire Hotel Kowloon has made a significant contribution towards the Group's total revenue and operating profit for the year ended 31st March 2003 and with growing awareness by our overseas visiting hotel guests and local patrons, this hotel will continue to make positive contributions to the profitability of the Group.



The Empire Landmark Hotel, Vancouver

In Vancouver overall tourism activity declined due to the after-effects of September 11th event and the consolidation in the airline industry.

Empire Landmark Hotel's occupancy for year to 31st March 2003 was 53.3% (2002: 58.4%) and average room rate dropped by 10% from that of last year.

Food and beverage business decreased by HK\$4.3 million or 19% over the financial year of 2002 due partly to poor consumer spending sentiments locally and partly because of renting out of 15,500 square feet of conference/banquet space in November 2001 which contributed additional rental of HK\$1.3 million for the year to 31st March 2003.



Lobby

Travel Agency

The Group's travel agency revenue was HK\$237.6 million for the year ended 31st March 2003 as compared with HK\$255.6 million in 2002. This 7% fall in revenue is because of intensive competition arising from other travel agencies, direct sale of air-tickets by airline companies and sale of air-tickets through the internet. Furthermore the effects of the Iraq war and the outbreak of SARS towards the end of the financial year further dampen air-travelers' confidence both in Hong Kong and abroad.

As Mainland China's business and leisure travelers traveling to Hong Kong and abroad continue to increase, both our travel agency business will surely benefit from the potential business opportunities in China.



The Empire Landmark Hotel, Vancouver



Revolving Restaurant

Catering Business

The Group's franchised TGI Friday's restaurants in Hong Kong and Shanghai generated total revenue of HK\$19.6 million in its first full year's operation since it was acquired by the Group in March 2002. The Hong Kong restaurant business remains low as local consumer spending sentiments remain subdued coupled with the access difficulty arising from the East Rail construction road works along Nathan Road. The Shanghai restaurant's business continues to improve as local consumer spending power remains strong.

Other Business

The Group's building management services companies were disposed of in August 2002 as a result of strategic restructuring of the Group's business activities.

HUMAN RESOURCES

The total head-count of the Company and its subsidiaries was reduced to approximately 360 at the end of year (2002: 562) due to disposal of the building management services companies in August 2002. In addition to salary payment, other benefits include insurance, medical scheme and retirement benefits. During the year no share options were granted.

FINANCIAL REVIEW

Shareholders' funds as at 31st March 2003 stood at HK\$1,896.3 million (2002: HK\$2,107.8 million). Total assets amounted to HK\$3,239.1 million as compared with HK\$3,535.0 million last year. Total borrowings were HK\$1,300.2 million against last year's HK\$1,336.1 million. The Group's gearing ratio (net debt to equity) increases from 58% as at 31st March 2002 to 67% as at 31st March 2003.

As at 31st March 2003, HK\$62.1 million which represents over 4.8% of total borrowings are repayable within one year. The rest are repayable by various instalments over a long period extending to over 10 years. The borrowings are mainly denominated in Hong Kong dollar except for the Vancouver hotel's mortgage loan amounted to HK\$142.7 million (2002: HK\$145.7 million) which was borrowed in Canadian dollar to avoid exchange rate exposure risks.

The apparent sharp increase in finance costs from HK\$23.4 million for the year ended 31st March 2002 to HK\$46.8 million for this year is because the finance costs relating to the Empire Hotel Kowloon had to be expensed to the profit and loss account during the year as it can no longer be capitalised to hotel development cost since the full opening of Empire Hotel Kowloon near the end of last financial year March 2002. In fact, interest expense before capitalisation dropped from last year's HK\$64.7 million to HK\$45.3 million for the current year.

The aggregate net book value of fixed assets pledged as securities for loans of the Group amounts to HK\$3.0 billion (2002: HK\$ 3.2 billion).

FUTURE PROSPECTS

With the SARS virus having become a global health concern since its outbreak in mid-March, affecting sentiments to travel worldwide, tourists arrivals and hotel occupancy fell significantly from April to June 2003. All hotels in Hong Kong encountered unprecedented low occupancy and average room rates. However, following the uplift of the World Health Organisation's travel warning on Hong Kong and Mainland China, there are already signs of gradual recovery.

Furthermore with the support of Hong Kong Government to stimulate tourism in Hong Kong such as the HK\$1 billion additional funding to revitalise travel, exhibitions and commerce, the launch of various campaigns by airlines, trade organisations and retail sector, tourism and hotel occupancy will surely recover to the pre-SARS levels. Further relaxation of the visa requirements for Mainlanders coming to Hong Kong and the recently announced CEPA will likely generate more individual and business travelers as well. Both Empire Hotel Hong Kong and Kowloon are well-prepared to capture these additional business as soon as they return.

Downtown Vancouver, where our Empire Landmark Hotel is situated, is the hub for all tourism and conference activity in Greater Vancouver as well as the main business base for the province. Much of the province's economic growth takes place in the Vancouver area as evidenced by such major developments as the expansion of Vancouver International Airport, continued expansion of Robson Street retail corridor, and the addition of a third cruise ship berth at Canada Place which will all surely benefit our Vancouver hotel.

By Order of the Board

Poon Jing

Chairman

Hong Kong, 22nd July 2003

Report of the Directors

The Directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March 2003.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 30 to the accounts.

The activities of the Group are mainly based in Hong Kong, Canada and Mainland China. Analyses of the Group's turnover and contribution to operating profit by principal activity and by principal market are set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March 2003 are set out in the consolidated profit and loss account on page 23.

The Directors do not propose the payment of a dividend.

FINANCIAL SUMMARY

A financial summary of the results and of the assets and liabilities of the Group is set out on page 59.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased 110,000 of its own shares on the Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$16,082. All the shares repurchased were subsequently cancelled.

Trading month	Number of shares purchased	Lowest price paid	Highest price paid	Total cash paid
		HK\$	HK\$	HK\$
October 2002	110,000	0.140	0.145	16,082

Save as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 14 to the accounts.

HOTEL PROPERTIES

Details of the hotel properties of the Group are set out on page 60.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23 to the accounts.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 24 to the accounts.

DIRECTORS

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

Mr. Poon Jing
Mr. Lim Yin Cheng
Mr. Fung Siu To, Clement
Mr. Leung King Yin, Kevin (resigned on 22nd January 2003)
Mr. Poon Tin Sau, Robert
Mr. Wong Shu Pui
Mr. Lee Man Kwong
Mr. Liang Shangli

In accordance with Bye-law 99 of the Company's Bye Laws, all present Directors retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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 pages 7 and 8.

DIRECTORS' INTERESTS IN CONTRACTS

Save for contracts amongst group companies, no other contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

The following were connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

1. The Group has been leasing several office floors and flats as staff quarters from subsidiaries of Asia Standard International Group Limited ("ASI") at a total rental of HK\$684,000 for the year ended 31st March 2003 (2002:HK\$1,972,000). ASI, being a substantial shareholder, and its subsidiaries other than the Group, are connected persons within the meaning of Chapter 14 of the Listing Rules.
2. The Group has received remuneration and fees totalling HK\$1,601,000 (2002:HK\$2,742,000) from various subsidiaries of ASI relating to the provision of estate management services, cleaning and security services, and mechanical and electrical services.
3. Being the owners of the Empire Hotel Hong Kong and Empire Hotel Kowloon, subsidiaries of the Company have made arrangements with ASI whereby credits and discounts are offered to the Directors and staff members of, inter alia, ASI and its subsidiaries in respect of rooms occupied and food and beverages consumed at the two hotels. The aggregate of such charges received for the year ended 31st March 2003 was HK\$44,000 (2002:HK\$203,000).
4. In April 2001, the Group acquired the entire issued share capital of JBC Travel Company Limited ("JBC") at a consideration of HK\$36,000,000, from Hong Kong Enterprise International Limited, a company owned by Mr. Poon Jing. Mr. Poon Jing has provided a guarantee to the Group that the net profit before interest and taxation of JBC as stated in the audited accounts of JBC for the year ended 31st March 2002 and 2003 shall not be less than HK\$5,000,000 for each of such respective years.

The net profit before interest and taxation of JBC for the year ended 31st March 2003 is HK\$294,000 (2002:HK\$856,000). Accordingly, Mr. Poon Jing is required to pay an amount equal to the shortfall of HK\$4,706,000 (2002:HK\$4,144,000) to the Group. Mr. Poon Jing is a connected person by virtue of being a substantial shareholder of Asia Orient Holdings Limited ("Asia Orient"), the ultimate holding company of the Group.

5. In August 2002, the Group disposed of 100% of the entire issued share capital of three subsidiaries which are engaged in property management, cleaning services and providing mechanical and electrical services, to a wholly-owned subsidiary of Asia Orient, at a total consideration of HK\$4,129,000 based on the aggregate net asset value of these subsidiaries. Asia Orient is a connected person to the Company by virtue of it being the controlling shareholder of ASI which in turn is the controlling shareholder of the Company.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has granted, subject to certain conditions, waivers from strict compliance with the requirements stipulated in Chapter 14 of the Listing Rules in respect of the normal disclosure and/or shareholder's approvals of the transactions in sections (1) to (3). The independent non-executive directors have reviewed the above connected transactions and confirmed that the transactions were:

- (i) entered into in the ordinary and usual course of business of the Group;
- (ii) entered into on normal commercial terms and on an arm's length basis;
- (iii) fair and reasonable so far as the shareholders of the Company as a whole are concerned;
- (iv) carried out in accordance with the terms of the relevant agreements, documents or arrangements governing such transactions; and
- (v) approved by the Board.

All of the above connected transactions are also disclosed as related party transactions in note 28 to the accounts.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the share option scheme of the Company as disclosed on page 20, and that of its holding companies, Asia Orient and ASI, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies 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.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st March 2003, the interests of the Directors in the equity securities of the Company and its associated corporations (as defined under the Securities (Disclosure of Interest) Ordinance ("SDI Ordinance")), as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or as otherwise known to the Directors, were as follows:

Interests in shares
a) The Company

Name of Director	Number of shares held		Total as at 31st March 2003
	Personal interests	Corporate interests	
Mr. Poon Jing	248,937	3,699,148,774	3,699,397,711

In addition, by virtue of his interest in the Company through Asia Orient and its subsidiaries as disclosed under the heading "Substantial Shareholders" below, Mr. Poon Jing is deemed to be interested in the shares of all of the Company's subsidiaries.

b) Associated Corporations

	Nature of interest	Number of shares
Asia Orient		
Mr. Poon Jing (<i>note 1</i>)	Personal	31,714,396
	Family	1,396,520
	Corporate	38,011,695
Mr. Fung Siu To, Clement (<i>note 1</i>)	Personal	969,400
ASI		
Mr. Poon Jing (<i>note 2</i>)	Personal	4,445,650
	Corporate	2,196,391,030
Centop Investment Limited (<i>note 3</i>)		
Mr. Poon Jing and Mr. Fung Siu To, Clement	Corporate	20
Mark Honour Limited (<i>note 3</i>)		
Mr. Fung Siu To, Clement	Personal	1

Notes :

(1) Shares consolidated on basis of 50 shares into 1 share effective from 12th November 2002.

(2) By virtue of his controlling interest in Asia Orient, Mr. Poon Jing is deemed to be interested in the shares of ASI held by subsidiaries of Asia Orient.

(3) Subsidiaries of ASI.

Interests in share options

Associated Corporations – Asia Orient

Options to subscribe for 300,000 shares (see note below) were granted to each of Mr. Fung Siu To, Clement and Mr. Lim Yin Cheng, Directors of the Company, on 14th February 2000. These options are exercisable from 14th March 2000 to 13th February 2010 at exercise price of HK\$17.33 per share (see note below). During the year ended 31st March 2003, no option was granted, exercised or lapsed. As at 1st April 2002 and 31st March 2003, each of Mr. Fung Siu To Clement, and Mr. Lim Yin Cheng, had option to subscribe for 300,000 shares of Asia Orient.

Note: The exercise price was adjusted from HK\$0.3466 to HK\$17.33 and the number of share option was adjusted from 15,000,000 to 300,000 due to consolidation of 50 shares into 1 share with effect from 12th November 2002.

Save as disclosed above, none of the Directors was interested in the equity securities of the Company or any of its subsidiaries or associated corporations as at 31st March 2003 and none of the Directors or his spouse or children under 18 years of age had been granted or exercised any right to subscribe for the equity securities of the Company or any of its associated corporations during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2003, the register of substantial shareholders maintained pursuant to Section 16(1) of the SDI Ordinance showed that the following parties had interests of 10% or more of the issued share capital of the Company.

	Number of shares
Asia Standard International Limited	3,533,280,394
ASI (note 1)	3,538,335,158
Asia Orient Company Limited (note 2)	3,699,148,774
Asia Orient Holdings (BVI) Limited (note 3)	3,699,148,774
Asia Orient (note 3)	3,699,148,774

Notes:

- (1) *Asia Standard International Limited is a wholly-owned subsidiary of ASI and ASI is deemed to be interested in and duplicates all the shares held by Asia Standard International Limited.*
- (2) *Asia Orient Company Limited and its subsidiaries together hold more than one-third of the issued shares of ASI and is deemed to be interested in and duplicates the shares held by ASI.*

- (3) *Asia Orient Company Limited is a wholly-owned subsidiary of Asia Orient Holdings (BVI) Limited which in turn is a wholly-owned subsidiary of Asia Orient. Asia Orient Holdings (BVI) Limited and Asia Orient are deemed to be interested in and duplicate the shares held by of Asia Orient Company Limited and its subsidiaries.*
- (4) *Mr. Poon Jing has personal interest in 248,937 shares and by virtue of his interest in Asia Orient, he is deemed to be interested in and duplicates the shares held by Asia Orient.*

SHARE OPTION SCHEME

The share option scheme of the Company was adopted on 24th May 2000 whereby options may be granted to employees, including the executive Directors of the Company and the subsidiaries, to subscribe for shares of the Company. The share option scheme was designed to provide incentive to employees of the Company and its subsidiaries and will remain in force for a period of ten years commencing 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 the Company 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\$1.00 to the Company 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 Schemes) 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.

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

During the year, turnover attributable to the Group's five largest customers was less than 30% of the total turnover of the Group. The percentage of purchases attributable to the Group's five largest suppliers and the Group's largest supplier were 50.9% and 16.0% respectively.

None of the Directors, their associated companies, or shareholders, which to the knowledge of the Directors, held any interests in the share capital of the suppliers 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. Liang Shangli and Mr. Lee Man Kwong. 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.

AUDITORS

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

On behalf of the Board

POON JING

Chairman

HONG KONG, 22nd July 2003

Report of the Auditors

TO THE SHAREHOLDERS OF ASIA STANDARD HOTEL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the accounts on pages 23 to 58 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 to you.

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 2003 and of the profit 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, 22nd July 2003

Consolidated Profit and Loss Account

For the Year Ended 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Turnover	2	448,215	424,884
Cost of sales		(306,702)	(317,934)
Gross profit		141,513	106,950
Administrative expenses		(75,540)	(62,164)
Other charges	3	(3,806)	(7,092)
Operating profit	4	62,167	37,694
Interest income	6	2,056	788
Net investment (loss)/gain	7	(4,062)	3,390
Finance costs	8	(46,845)	(23,409)
Share of loss of an associated company		(1,158)	–
Profit before taxation		12,158	18,463
Taxation	10	(210)	(477)
Profit attributable to shareholders	11	11,948	17,986
Earnings per share	13	0.24 cent	0.36 cent

Consolidated Balance Sheet

As At 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Fixed assets	14	3,015,926	3,231,881
Goodwill	15	31,724	40,236
Associated company	16	11,842	–
Long term investment	18	1,601	1,001
Current assets			
Inventories		2,910	3,701
Other investments	19	92,347	87,227
Debtors and prepayments	20	51,575	48,833
Tax recoverable		333	587
Bank balances and cash	21	30,803	121,560
		177,968	261,908
Current liabilities			
Creditors and accruals	22	42,257	90,760
Current portion of long term liabilities	25	62,094	40,405
Taxation payable		370	370
Bank overdraft, unsecured		2	–
		104,723	131,535
Net current assets		73,245	130,373
		3,134,338	3,403,491
Financed by:			
Share capital	23	101,042	101,044
Reserves	24	1,795,231	2,006,730
Shareholders' funds		1,896,273	2,107,774
Long term liabilities	25	1,238,065	1,295,717
		3,134,338	3,403,491

Lim Yin Cheng
Director

Fung Siu To, Clement
Director

Balance Sheet

As At 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Subsidiaries	17	1,486,629	1,488,131
Current assets			
Debtors and prepayments		84	–
Bank balances		87	155
		171	155
Current liabilities			
Accruals		427	402
Net current liabilities		(256)	(247)
		1,486,373	1,487,884
Financed by:			
Share capital	23	101,042	101,044
Reserves	24	1,385,331	1,386,840
Shareholders' funds		1,486,373	1,487,884

Lim Yin Cheng
Director

Fung Siu To, Clement
Director

Consolidated Cash Flow Statement

For the Year Ended 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	29(a)	57,908	35,188
Interest paid		(49,634)	(69,719)
Interest element on finance lease		(40)	(36)
Net Hong Kong profits tax paid		(39)	(616)
Net cash from/(used in) operating activities		8,195	(35,183)
Cash flows from investing activities			
Expenditure on hotel property under development		–	(60,410)
Additions to hotel properties and other fixed assets		(765)	(5,110)
Proceeds from disposal of other fixed assets		–	5
Proceeds from disposal of other investments		92,717	59,256
Acquisition of other investments		(104,587)	(96,763)
Acquisition of subsidiaries	29(b)	–	(45,909)
Disposal of subsidiaries	29(c)	112	–
Acquisition of associated company		(13,000)	–
Acquisition of long term investment		–	(1)
Increase in advance to an investee company		(600)	(1,000)
Interest received		3,751	3,067
Dividend received		1,530	670
Net cash used in investing activities		(20,842)	(146,195)
Cash flows from financing activities			
Increase in restricted bank balances		(6,000)	–
Exercise of warrants		–	1
Repurchase of own shares		(16)	–
Drawdown of long term bank loans		–	670,000
Repayment of long term bank loans		(48,576)	(499,122)
Repayment of finance lease		(50)	(59)
Net cash (used in)/from financing activities	29(d)	(54,642)	170,820

Consolidated Cash Flow Statement

For the Year Ended 31st March 2003

	2003 HK\$'000	2002 HK\$'000
Decrease in cash and cash equivalents	(67,289)	(10,558)
Cash and cash equivalents (excluding balances held in trust) at beginning of the year	91,856	101,828
Changes in exchange rates	234	586
Cash and cash equivalents (excluding restricted bank balances and balances held in trust) at end of the year	24,801	91,856
Analysis of the balances of cash and cash equivalents		
Bank balances and cash (excluding restricted bank balances and balances held in trust)	24,803	91,856
Bank overdraft	(2)	-
	24,801	91,856

Consolidated Statement of Changes in Equity

For the Year Ended 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Balance at beginning of the year		2,107,774	1,991,374
Revaluation (deficit)/surplus of hotel properties	24	(240,603)	100,189
Exchange difference arising on translation of overseas subsidiaries	24	17,170	(1,776)
Net (losses)/gains not recognised in the profit and loss account		(223,433)	98,413
Profit for the year	24	11,948	17,986
Repurchase of own shares	23 & 24	(16)	–
Issue of shares upon exercise of warrants	23 & 24	–	1
Balance at end of the year		1,896,273	2,107,774

1 PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

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

In the current year, the Group adopted and implemented the new Statement of Standard Accounting Practice No. 34 "Employee benefits" issued by the Hong Kong Society of Accountants. The adoption of this new standard has no material effect on the Group's results or net assets.

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

(b) Basis of consolidation

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

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

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

(c) Subsidiaries

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

(d) Associated company

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management. The Group's investment in the associated company is included in the consolidated balance sheet at the Group's share of net assets and goodwill (net of accumulated amortisation) on acquisition.

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(e) Goodwill**

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

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

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

(f) Fixed assets and depreciation**(i) Hotel properties**

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

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Fixed assets and depreciation (continued)

(ii) Other fixed assets

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

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

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

(g) Inventories

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

(h) Other investments

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

(i) Borrowing costs

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

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(j) Deferred taxation**

Deferred taxation is provided 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 is expected to be payable or recoverable in the foreseeable future.

(k) 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.

(l) Finance leases

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

(m) Operating leases

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

(n) Revenue recognition

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

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

Management fee income is recognised when services are rendered.

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

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Foreign currencies

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

The profit and loss accounts of subsidiaries, 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 differences arising from the translation of net investments are dealt with as a movement in reserves.

(p) 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.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Cash and cash equivalents

Cash and cash equivalents are stated in the balance sheet at cost.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

2 TURNOVER AND SEGMENT INFORMATION

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

Primary reporting format - business segments

The Group is organised into three main business segments:

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

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

2 TURNOVER AND SEGMENT INFORMATION (continued)**Business segments**

	Hotel operation HK\$'000	Catering services HK\$'000	Travel agency HK\$'000	Management services* HK\$'000	Total HK\$'000
Year ended 31st March 2003					
Room rentals	128,543				
Food and beverages	37,155				
Ancillary services	9,804				
Rental income	10,893				
Segment revenue	186,395	19,598	237,627	4,595	448,215
Segment results	81,260	(4,737)	(2,352)	1,464	75,635
Unallocated corporate expenses					(13,468)
Operating profit					62,167
Interest income					2,056
Net investment loss					(4,062)
Finance costs					(46,845)
Share of loss of an associated company	-	-	(1,158)	-	(1,158)
Profit before taxation					12,158
Taxation					(210)
Profit attributable to shareholders					11,948

* Operation was discontinued in August 2002 upon disposal of the relevant subsidiaries to a fellow subsidiary (note 28 (vi))

2 TURNOVER AND SEGMENT INFORMATION (continued)**Business segments (continued)**

	Hotel operation HK\$'000	Catering services HK\$'000	Travel agency HK\$'000	Management services HK\$'000	Total HK\$'000
Year ended 31st March 2002					
Room rentals	99,904				
Food and beverages	39,856				
Ancillary services	9,933				
Rental income	5,604				
Segment revenue	155,297	1,802	255,608	12,177	424,884
Segment results	48,505	(317)	(2,396)	282	46,074
Unallocated corporate expenses					(8,380)
Operating profit					37,694
Interest income					788
Net investment gain					3,390
Finance costs					(23,409)
Profit before taxation					18,463
Taxation					(477)
Profit attributable to shareholders					17,986

2 TURNOVER AND SEGMENT INFORMATION (continued)**Business segments (continued)**

	Hotel operation HK\$'000	Catering services HK\$'000	Travel agency HK\$'000	Management services HK\$'000	Total HK\$'000
Year ended 31st March 2003					
Segment assets	3,038,115	18,502	39,436	–	3,096,053
Associated company	–	–	11,842	–	11,842
Other investments					92,347
Unallocated corporate assets					38,819
Total assets					<u>3,239,061</u>
Segment liabilities	1,330,649	2,539	8,637	–	1,341,825
Unallocated corporate liabilities					963
Total liabilities					<u>1,342,788</u>
Depreciation	550	4,183	176	115	5,024
Amortisation of goodwill	–	1,394	2,412	–	3,806
Capital expenditure					
Segment	733	–	3	3	739
Corporate					26
					<u>765</u>
Year ended 31st March 2002					
Segment assets	3,245,124	24,570	46,024	6,157	3,321,875
Other investments					87,227
Unallocated corporate assets					125,924
Total assets					<u>3,535,026</u>
Segment liabilities	1,367,469	2,466	20,636	5,940	1,396,511
Unallocated corporate liabilities					30,741
Total liabilities					<u>1,427,252</u>
Depreciation	370	314	207	335	1,226
Amortisation of goodwill	–	116	2,935	–	3,051
Capital expenditure					
Segment	102,004	–	203	1,502	103,709
Corporate					700
					<u>104,409</u>

2 TURNOVER AND SEGMENT INFORMATION (continued)**Secondary reporting format - geographical segments**

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

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

Geographical segments

	Turnover HK\$'000	Operating profit/(loss) HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Year ended 31st March 2003				
Hong Kong	382,926	46,657	2,851,166	751
Canada	58,829	16,299	380,714	14
Mainland China	6,460	(789)	7,181	–
	448,215	62,167	3,239,061	765
Year ended 31st March 2002				
Hong Kong	356,878	17,085	3,177,167	103,371
Canada	67,490	20,699	348,758	1,038
Mainland China	516	(90)	9,101	–
	424,884	37,694	3,535,026	104,409

3 OTHER CHARGES

	2003 HK\$'000	2002 HK\$'000
Pre-opening expenses of Empire Hotel Kowloon	–	4,041
Amortisation of goodwill	3,806	3,051
	3,806	7,092

4 OPERATING PROFIT

	2003 HK\$'000	2002 HK\$'000
Operating profit is stated after crediting and charging the following:		
Crediting		
Operating lease rental income for land and buildings	10,893	5,604
Charging		
Staff costs, including Directors' emoluments (note 5)	69,956	66,465
Operating lease rental expense for land and buildings	6,187	2,674
Depreciation	5,283	1,414
Auditors' remuneration	950	806
Loss on disposal of fixed assets	–	1,025

5 STAFF COSTS

	2003 HK\$'000	2002 HK\$'000
Wages and salaries	67,373	63,782
Termination benefit	123	533
Retirement benefit costs (note (i))	2,460	2,150
	69,956	66,465

Notes:

- (i) Retirement benefit costs

	2003 HK\$'000	2002 HK\$'000
Gross contributions	2,491	2,557
Forfeitures utilised	(31)	(407)
Net contributions	2,460	2,150

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, contributions of 5% of the employee's monthly salaries are made by the employees and by the Group. The Group's contributions may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

5 STAFF COSTS (continued)

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% (2002: 4.7%), 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 2003, forfeitures of HK\$31,000 (2002: HK\$96,000) were available to reduce the Group's future contributions to the ORSO schemes.

(ii) Share options

The Company has a share option scheme whereby options may be granted to employees of the Group including the executive directors, to subscribe for shares of the Company. Consideration to be paid on each grant of option is HK\$1. As at 31st March 2003, no option has been granted under this share option scheme.

Asia Standard International Group Limited ("ASI") and Asia Orient Holdings Limited ("Asia Orient"), its holding companies, operate share option schemes whereby options may be granted to employees of the Group, including the executive directors, to subscribe for shares of ASI and Asia Orient respectively. The consideration to be paid on each grant of option varies between HK\$1 and HK\$10.

Details of share options held are as follows:

Grantee	Expiry date	Exercise price	Number	
			2003	2002
ASI				
Director of subsidiaries	27th March 2005	HK\$0.384	1,750,000	1,750,000
Asia Orient				
Directors of the Company and/or subsidiaries	13th February 2010	HK\$17.33	1,200,000	1,200,000
Former Director of the Company	21st January 2004	HK\$17.33	300,000	300,000
			1,500,000	1,500,000

No share option was granted, exercised, cancelled, or lapsed during the year (2002: Nil).

6 INTEREST INCOME

	2003 HK\$'000	2002 HK\$'000
Interest income		
Bank deposits	128	576
Loans to third parties	1,928	212
	2,056	788

7 NET INVESTMENT (LOSS)/GAIN

	2003 HK\$'000	2002 HK\$'000
Profit on realisation of other investments	525	22,405
Net unrealised loss on other investments	(7,275)	(22,185)
Dividend income from listed equity securities	1,530	670
Interest income from unlisted debt securities	1,158	2,500
	(4,062)	3,390

8 FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest expense		
Bank loans and overdrafts	45,263	64,650
Finance lease obligations not wholly repayable within five years	40	36
Other incidental borrowing costs	1,542	2,476
	46,845	67,162
Amount capitalised in cost of hotel property under development	–	(43,753)
	46,845	23,409

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

	2003 HK\$'000	2002 HK\$'000
Fees	40	40
Salaries and other emoluments	7,089	4,184
	7,129	4,224

The emoluments of individual Directors fell within the following bands:

	Number	
	2003	2002
Emolument bands		
HK\$Nil - HK\$1,000,000	6	7
HK\$1,500,001 - HK\$2,000,000	-	1
HK\$2,000,001 - HK\$2,500,000	1	-
HK\$2,500,001 - HK\$3,000,000	1	1
	8	9

- (b) Emoluments paid to independent non-executive directors amounted to HK\$40,000 (2002: HK\$40,000) during the year. None of the Directors have waived the right to receive their emoluments.
- (c) The five highest paid individuals in the Group for the year include four (2002: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2002: two) individual during the year, which fell between HK\$2,500,001 and HK\$3,000,000 (2002: individually below HK\$1,000,000), amounted to HK\$3,000,000 (2002: HK\$1,399,000 in aggregate).

10 TAXATION

	2003 HK\$'000	2002 HK\$'000
Current year provision	–	462
Under provision in prior years	210	15
	210	477

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the year (2002: 16% on the estimated assessable profits). No provision for overseas taxation has been made as there are no assessable overseas profits for the year (2002: Nil).

Tax losses available at 31st March 2003 to reduce future taxable profits of subsidiaries to which they relate amounted to approximately HK\$461 million (2002:HK\$436 million). No deferred taxation has been provided as there are no material timing differences which would result in a liability payable or asset recoverable in the foreseeable future.

The surplus on revaluation of the Hong Kong hotel properties does not constitute a timing difference for deferred tax purposes as realisation of the revaluation surplus would not result in a tax liability. Realisation of the surplus on revaluation of the Canadian hotel property would give rise to a taxation liability in Canada, which would amount to approximately HK\$2.1 million at 31st March 2003 (2002: HK\$2.0 million). No provision has been made in the accounts for this liability as the property is held for the long term and management has no intention to dispose of the property in the foreseeable future.

During the year, the Canada Customs and Revenue Agency (the "CCRA") issued to a subsidiary notices of assessment in respect of non-resident withholding taxes of approximately HK\$4.4 million on certain interest payments and bank charges. The subsidiary has filed an objection against the assessment with the CCRA. Such objection is currently under review by the CCRA and outcome is not known yet. However, based on professional advice, the Directors consider that no provision is required to be made.

11 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$1,495,000 (2002: loss of HK\$2,064,000).

12 DIVIDEND

No interim dividend was declared for the year (2002: Nil). The Directors do not recommend the payment of a final dividend for the year ended 31st March 2003 (2002: Nil).

13 EARNINGS PER SHARE

The calculation of earnings per share is based on the consolidated profit attributable to shareholders of HK\$11,948,000 (2002: HK\$17,986,000) and on the weighted average of 5,052,168,928 (2002: 5,052,215,587) shares in issue during the year ended 31st March 2003.

14 FIXED ASSETS

	Hotel properties HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Group			
Cost or valuation			
At 31st March 2002	3,221,040	30,267	3,251,307
Exchange difference	29,580	39	29,619
Additions	603	162	765
Disposals of subsidiaries	–	(1,827)	(1,827)
Deficit on revaluation	(240,603)	–	(240,603)
At 31st March 2003	3,010,620	28,641	3,039,261
Accumulated depreciation			
At 31st March 2002	–	19,426	19,426
Exchange difference	–	20	20
Charge for the year	–	5,283	5,283
Disposals of subsidiaries	–	(1,394)	(1,394)
At 31st March 2003	–	23,335	23,335
Net book value			
At 31st March 2003	3,010,620	5,306	3,015,926
At 31st March 2002	3,221,040	10,841	3,231,881

14 FIXED ASSETS (continued)

- (a) Hotel properties comprise a long term leasehold property in Hong Kong of HK\$1,350,000,000 (2002:HK\$1,480,000,000), a medium term leasehold property in Hong Kong of HK\$1,290,000,000 (2002:HK\$1,400,000,000) and a freehold property in Canada of HK\$370,620,000 (2002:HK\$341,040,000). 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 2003 respectively.
- (b) All other fixed assets are stated at cost less accumulated depreciation. The net book value of the fixed assets held by the Group under finance leases amounted to HK\$290,000 (2002:HK\$347,000).
- (c) The aggregate net book value of fixed assets pledged as securities for loans of the Group amounted to HK\$3,010,620,000 (2002:HK\$3,221,040,000).

15 GOODWILL

	Group
	HK\$'000
Cost	
At 31st March 2002	43,287
Cost adjustment (note)	(4,706)
At 31st March 2003	38,581
Accumulated amortisation	
At 31st March 2002	3,051
Charge for the year	3,806
At 31st March 2003	6,857
Net book value	
At 31st March 2003	31,724
At 31st March 2002	40,236

Note:

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

Mr. Poon has provided a guarantee to the Group that the net profit before interest and taxation of JBC as stated in the audited accounts of JBC for the year ended 31st March 2002 and 2003 shall not be less than HK\$5,000,000 for each of such respective years. The net profit before interest and taxation of JBC for the year ended 31st March 2003 was HK\$294,000 (2002: HK\$856,000). Accordingly, Mr. Poon is required to pay an amount equal to the shortfall of HK\$4,706,000 (2002: HK\$4,144,000) to the Group. The amount receivable of HK\$4,605,000 is included under debtors at 31st March 2003 (2002: HK\$4,144,000) (note 20).

16 ASSOCIATED COMPANY

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	(132)	–
Goodwill on acquisition less amortisation	11,974	–
	11,842	–

In June 2002, the Group acquired 50% of the share capital of Eastern Tours (China) Limited, a company which is engaged in travel agency services. The resulting goodwill is amortised using the straight line method over its estimated life of ten years. The associated company is incorporated and operates in Hong Kong.

17 SUBSIDIARIES

	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	1,499,040	1,491,550
Amounts due to subsidiaries	(12,411)	(3,419)
	1,486,629	1,488,131

Details of the principal subsidiaries are set out in note 30.

18 LONG TERM INVESTMENT

	Group	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	1	1
Advance to an investee company	1,600	1,000
	1,601	1,001

Advance to an investee company is unsecured, interest free and has no fixed terms of repayment. As at 31st March 2002, the balance was included under debtors and has been reclassified to long term investment to conform with the current year's presentation.

19 OTHER INVESTMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Equity securities		
Listed in Hong Kong	91,340	36,720
Unlisted	1,007	1,007
	92,347	37,727
Debt securities	–	49,500
	92,347	87,227

20 DEBTORS AND PREPAYMENTS

An ageing analysis of trade receivables, which are included in debtors and prepayments, is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within 60 days	17,591	20,626
61 days to 120 days	3,198	1,347
More than 120 days	3,159	2,940
	23,948	24,913

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 receivables, credit evaluations of customers are performed periodically.

Included in debtors and prepayments is an amount of HK\$4,605,000 (2002: HK\$4,144,000) receivable from a Director of the Company (note 28 (viii)).

21 BANK BALANCES AND CASH

The balances include restricted bank balances of HK\$6,000,000 (2002: Nil) which is a fixed charge in favour of a bank as required by the loan agreement. In addition, as at 31st March 2002, bank balances of HK\$29,704,000 were held in trust in respect of buildings managed by the Group on behalf of third parties.

22 CREDITORS AND ACCRUALS

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Within 60 days	11,985	26,431
61 days to 120 days	4,622	3,745
More than 120 days	1,315	2,664
	17,922	32,840

23 SHARE CAPITAL

	Number of shares of HK\$0.02 per share	HK\$'000
Authorised:		
At 31st March 2002 and 2003	25,000,000,000	500,000
Issued and fully paid:		
At 31st March 2001	5,052,212,433	101,044
Exercise of warrants (note (i))	6,248	–
At 31st March 2002	5,052,218,681	101,044
Repurchase of own shares (note (ii))	(110,000)	(2)
At 31st March 2003	5,052,108,681	101,042

(i) On 26th September 2000, a bonus issue of warrants was made on the basis of one warrant for every five shares of HK\$0.02 each held. Each warrant entitles its holder to subscribe for fully paid shares of the Company at an initial subscription price of HK\$0.24 per share, subject to adjustment, from the date of issue of the warrants of 27th September 2000 to 8th October 2001 (both dates inclusive). During 2002, a total of 6,248 shares were issued upon the exercise of warrants. The remaining 999,988,104 unexercised warrants lapsed upon expiry on 8th October 2001.

(ii) During the year, the Company repurchased 110,000 of its own shares on the Stock Exchange of Hong Kong Limited. The repurchased shares were cancelled.

24 RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Hotel properties revaluation reserve HK\$'000	Exchange reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
Group						
At 31st March 2001	299,783	899,333	469,018	(12,073)	234,269	1,890,330
Translation difference	–	–	(332)	(1,444)	–	(1,776)
Exercise of warrants	1	–	–	–	–	1
Surplus on revaluation	–	–	100,189	–	–	100,189
Profit for the year attributable to shareholders	–	–	–	–	17,986	17,986
At 31st March 2002	299,784	899,333	568,875	(13,517)	252,255	2,006,730
Company and subsidiaries	299,784	899,333	568,875	(13,517)	252,255	2,006,730
At 31st March 2002	299,784	899,333	568,875	(13,517)	252,255	2,006,730
Translation difference	–	–	826	16,344	–	17,170
Repurchase of own shares	(14)	–	–	–	–	(14)
Deficit on revaluation	–	–	(240,603)	–	–	(240,603)
Profit for the year attributable to shareholders	–	–	–	–	11,948	11,948
At 31st March 2003	299,770	899,333	329,098	2,827	264,203	1,795,231
Company and subsidiaries	299,770	899,333	329,098	2,827	265,361	1,796,389
Associated company	–	–	–	–	(1,158)	(1,158)
	299,770	899,333	329,098	2,827	264,203	1,795,231

24 RESERVES (continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Hotel properties revaluation reserve HK\$'000	Exchange reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
Company						
At 31st March 2001	299,783	1,088,229	–	–	891	1,388,903
Exercise of warrants	1	–	–	–	–	1
Loss for the year attributable to shareholders	–	–	–	–	(2,064)	(2,064)
At 31st March 2002	299,784	1,088,229	–	–	(1,173)	1,386,840
Repurchase of own shares	(14)	–	–	–	–	(14)
Loss for the year attributable to shareholders	–	–	–	–	(1,495)	(1,495)
At 31st March 2003	299,770	1,088,229	–	–	(2,668)	1,385,331

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is also distributable. Accordingly, the total distributable reserves of the Company amount to HK\$1,085,561,000 (2002: HK\$1,087,056,000).

25 LONG TERM LIABILITIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Bank loans, secured (note a)		
Repayable within one year	62,017	40,333
Repayable within one to two years	271,016	64,495
Repayable within two to five years	310,049	479,485
Repayable after five years	656,628	751,340
	1,299,710	1,335,653
Obligations under a finance lease not wholly repayable within five years (note b)	449	469
	1,300,159	1,336,122
Current portion included in current liabilities	(62,094)	(40,405)
	1,238,065	1,295,717

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

(b) At 31st March 2003, the Group's finance lease liabilities were repayable as follows:

	Present value		Minimum payment	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	77	72	112	106
In the second year	84	75	112	106
In the third to fifth year	243	243	282	298
After the fifth year	45	79	45	83
	449	469	551	593

26 OPERATING LEASE ARRANGEMENTS

(a) Lessor

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

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

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	10,628	9,722	–	–
In the second to fifth years inclusive	27,926	28,528	–	–
After the fifth year	10,031	8,997	–	–
	48,585	47,247	–	–

(b) Lessee

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

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	5,906	6,849	–	–
In the second to fifth years inclusive	8,346	13,120	–	–
After the fifth year	864	3,148	–	–
	15,116	23,117	–	–

27 CONTINGENT LIABILITIES

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees for the loans and banking facilities of subsidiaries	–	–	1,299,710	1,335,653

28 RELATED PARTY TRANSACTIONS

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

	2003 HK\$'000	2002 HK\$'000
(i) Operating lease rental expense for land and buildings to fellow subsidiaries	(684)	(1,972)
(ii) Hotel revenue from intermediate holding company and a fellow subsidiary	44	203
(iii) Management services income from fellow subsidiaries	1,601	2,742
(iv) Property development cost to a fellow subsidiary	–	(4,333)
(v) Purchase of subsidiaries from a fellow subsidiary	–	(23,975)
(vi) Disposal of subsidiaries to a fellow subsidiary	4,129	–
(vii) Purchase of a subsidiary from a related company	–	(36,000)
(viii) Receivable from a Director	4,605	4,144

Notes:

- (i) Rental expense is subject to terms agreed by the parties involved, which is at a monthly fixed fee.
- (ii) Hotel revenue is charged at prices and terms no less than those charged to other third party customers.
- (iii) Management services income, including repair and maintenance, cleaning, property management and administration, are subject to terms agreed by the parties involved, which are at fixed fees.
- (iv) Property development cost was payable in accordance with the terms of the construction contract and by reference to the stage of completion of the construction work.
- (v) On 6th March 2002, the Group acquired the entire issued share capital of and all shareholder's loans to Perfect Wave Limited and Grace Profit Enterprises Limited at a consideration of HK\$15,900,000 and HK\$8,075,000 respectively, from Asia Standard Catering Limited, a wholly-owned subsidiary of ASI. The acquired companies are engaged in the operation of restaurants in Hong Kong and Shanghai.
- (vi) In August 2002, the Group disposed of 100% of the entire issued share capital of three subsidiaries which are engaged in property management, cleaning services and providing mechanical and electrical services, to a wholly-owned subsidiary of Asia Orient, at a total consideration based on the aggregate net asset value of these subsidiaries.

28 RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

- (vii) On 6th April, 2001, the Group acquired the entire issued share capital of JBC Travel Company Limited ("JBC") at a consideration of HK\$36,000,000, from Hong Kong Enterprise International Limited, a company owned by Mr. Poon Jing, a Director of the Company. Mr. Poon Jing has provided a guarantee to the Group that the net profit before interest and taxation of JBC as stated in the audited accounts of JBC for the year ended 31st March 2002 and 2003 shall not be less than HK\$5,000,000 for each of such respective years.
- (viii) The net profit before interest and taxation of JBC for the year ended 31st March 2003 was HK\$294,000 (2002: HK\$856,000). Accordingly, Mr. Poon Jing is required to pay an amount equal to the shortfall of HK\$4,706,000 (2002: HK\$4,144,000) to the Group. The amount receivable of HK\$4,605,000 is included under debtors as at 31st March 2003 (2002: HK\$4,144,000).

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of profit before taxation to net cash generated from operations**

	2003 HK\$'000	2002 HK\$'000
Profit before taxation	12,158	18,463
Share of loss of an associated company	1,158	–
Depreciation	5,283	1,414
Interest income	(3,214)	(3,288)
Dividend income	(1,530)	(670)
Finance cost	46,845	23,409
Profit on realisation of other investments	(525)	(22,405)
Unrealised loss on other investments	7,275	22,185
Loss on disposal of fixed assets	–	1,025
Amortisation of goodwill	3,806	3,051
Operating profit before working capital changes	71,256	43,184
Decrease/(increase) in inventories	791	(303)
Increase in debtors and prepayments	(6,046)	(1,068)
(Decrease)/increase in creditors and accruals	(8,093)	1,008
Decrease in amounts due to fellow subsidiaries	–	(7,633)
Net cash generated from operations	57,908	35,188

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

	2003 HK\$'000	2002 HK\$'000
Net assets acquired		
Fixed assets	–	8,000
Inventories	–	1,406
Debtors and prepayments	–	14,860
Bank balances and cash	–	22,433
Creditors and accruals	–	(25,688)
Bank overdrafts	–	(8,367)
Taxation	–	(100)
	–	12,544
Goodwill	–	47,431
Cash consideration	–	59,975

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

	2003 HK\$'000	2002 HK\$'000
Cash consideration	–	59,975
Bank balances and cash acquired	–	(22,433)
Bank overdrafts	–	8,367
Net cash outflow in respect of the purchase of subsidiaries	–	45,909

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)**(c) Disposal of subsidiaries**

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of		
Fixed assets	433	–
Debtors and prepayments	7,473	–
Tax recoverable	83	–
Bank balances and cash	4,017	–
Creditors and accruals	(7,877)	–
Cash consideration received	4,129	–

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

	2003 HK\$'000	2002 HK\$'000
Cash consideration received	4,129	–
Bank balances and cash disposed of (excluding balances held in trust)	(4,017)	–
	112	–

(d) Analysis of changes in financing

	Share capital, share premium, contributed surplus HK\$'000	Restricted bank balances HK\$'000	Finance lease payable HK\$'000	Long term bank loans HK\$'000	Total HK\$'000
At 31st March 2001	1,300,160	–	392	1,167,660	2,468,212
Net cash inflow/(outflow) from financing	1	–	(59)	170,878	170,820
Inception of finance lease	–	–	136	–	136
Changes in exchange rates	–	–	–	(2,885)	(2,885)
At 31st March 2002	1,300,161	–	469	1,335,653	2,636,283
Net cash outflow from financing	(16)	(6,000)	(50)	(48,576)	(54,642)
Changes in exchange rates	–	–	30	12,633	12,663
At 31st March 2003	1,300,145	(6,000)	449	1,299,710	2,594,304

30 PRINCIPAL SUBSIDIARIES

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

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

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

* Operates in Canada

Operates in Mainland China, equity joint venture

31 ULTIMATE HOLDING COMPANY

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

32 SUBSEQUENT EVENT

On 15th April 2003, the Company 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 the Company at a conversion price of HK\$0.25 per share, subject to adjustment, at any time from the date of issue to the last business date preceding the maturity date of 18 months from the date of issue. The Company shall redeem the outstanding principal amount of convertible notes not already converted or redeemed with accrued interest on the maturity date.

33 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 22nd July 2003.

Financial Summary

	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	448,215	424,884	160,457	174,902	197,384
Profit before taxation	12,158	18,463	28,898	27,320	34,711
Taxation (charge)/credit	(210)	(477)	267	(364)	(495)
Profit attributable to shareholders	11,948	17,986	29,165	26,956	34,216

	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Total assets	3,239,061	3,535,026	3,232,997	2,771,392
Total liabilities	(1,342,788)	(1,427,252)	(1,241,623)	(1,247,491)
Shareholders' funds	1,896,273	2,107,774	1,991,374	1,523,901

Notes:

The financial summary of the Group for 1999 and 2000 has been prepared on the basis that the structure and business activities of the Group immediately after the completion of a group reorganisation in 2000 had been in existence throughout the relevant years.

Hotel Properties

	Group's interest	Approx. site area (sq.ft.)	Approx. gross floor area (sq.ft.)
I. Hotel Properties			
1. Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong	100%	11,000	184,000 (360 rooms)
2. Empire Hotel Kowloon, 62 Kimberley Road, Tsimshatsui, Kowloon	100%	11,400	220,000 (315 rooms)
3. Empire Landmark Hotel, 1400 Robson Street, Vancouver B. C., Canada	100%	41,000	420,000 (358 rooms)