



Asia Standard Hotel Group Limited  
Annual Report 2005



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# Corporate Information

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## Directors

### Executive

Mr. Poon Jing (*Chairman*)

Mr. Lim Yin Cheng  
(*Deputy Chairman and  
Chief Executive*)

Mr. Fung Siu To, Clement

Mr. Poon Tin Sau, Robert

Mr. Wong Shu Pui

### Non-Executive

Mr. Liang Shangli

### Independent Non-Executive

Mr. Ip Chi Wai

Mr. Leung Wai Keung, Richard

Mr. Hung Yat Ming

### Audit committee

Mr. Hung Yat Ming (*Chairman*)

Mr. Leung Wai Keung, Richard

Mr. Ip Chi Wai

### Remuneration committee

Mr. Lim Yin Cheng

Mr. Hung Yat Ming

Mr. Ip Chi Wai

### Authorised representatives

Mr. Lim Yin Cheng

Mr. Lee Tai Hay, Dominic

### Company secretary

Mr. Lee Tai Hay, Dominic

### 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

E-mail info@asia-standard.com.hk

Facsimile 2866 3772

## Principal bankers

Bank of China (Hong Kong) Limited

CITIC Ka Wah Bank Limited

Industrial and Commercial Bank of

China (Asia) 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 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

46th Floor, Hopewell Centre,

183 Queen's Road East,

Hong Kong

# Financial Highlights

For the year ended 31st March	2005	2004	Change (%)
Turnover (HK\$ million)	<b>569</b>	426	+34
Profit/(loss) attributable to shareholders (HK\$ million)	<b>85</b>	(12)	N/A
Earnings/(loss) per share (HK cent)	<b>1.68</b>	(0.24)	N/A
Total assets (HK\$ million)	<b>3,584</b>	3,388	+6
Shareholders' funds (HK\$ million)	<b>2,223</b>	2,006	+11
Shareholders' funds per share (HK\$)	<b>0.44</b>	0.40	+10
Net debt (HK\$ million)	<b>1,197</b>	1,297	-8
Net debt to equity (%)	<b>54%</b>	65%	-11

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# Chairman's Statement



“The Group expects to benefit from the growth in Hong Kong tourism”

I am pleased to present the Group's annual report for the year ended 31 March 2005. The Group recorded 34% increase in turnover to HK\$569 million and profit attributable to shareholders of HK\$85 million.

Average room rates and occupancy to our Hong Kong hotels recorded increases by 34% and 20% respectively while our Canadian hotel in Vancouver enjoys an increase of 14% in turnover. Both the travel agency and franchised restaurant business in Hong Kong and Shanghai show improved results compared with last year.

We have entered into management agreement with two Shanghai hotels to be opened in year 2006. Total number of rooms is 550. They are in the 4 star and 5 star categories. The Group intends to expand our hotel management services into Mainland market whenever resources permit.

Finally, we are optimistic that there will be an even better result for the coming year. Hong Kong has been reshaping its destination for business and leisure, shopping paradise, adult entertainment and family holidays for surrounding regions which comprises of a population density of over 1.7 billion within a 5 hours distance radius. A unique combination of gaming and entertainments in Macau, Disney Theme Park, trading hub and financial center for Chinese State-Owned companies are all but maintaining Hong Kong a truly focal point in the region.

Hong Kong hotel industry will no doubt benefit from the intensive traffic as mentioned above.

By Order of the Board  
**Poon Jing**  
*Chairman*

Hong Kong, 19th July 2005

# Business and Financial Review

“There was a significant turnaround in the Group’s results in 2005.”



## Results

2005 has proved to be a very exciting year with the Group’s turnover surged by HK\$143.3 million or 34% to HK\$569.2 million from last year.

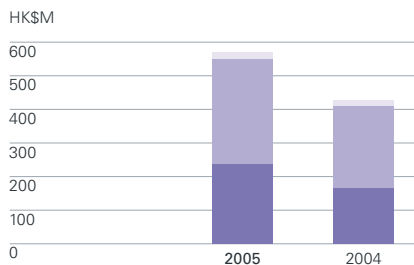
With stringent controls on operating costs, operating profit has increased by HK\$53.2 million to HK\$82.2 million, a staggering 184% growth on last year. Together with reduced finance costs, the Group had a significant turnaround and achieved profit attributable to shareholders for the year ended 31st March 2005 of HK\$84.9 million as compared with a loss of HK\$12.0 million last year.

## Business review

It has been an exciting year for tourism as the Hong Kong Tourism Board reported visitors arrivals for the year to December 2004 reaching a record high of 21.8 million which is 40% higher than 2003 and nearly 30% over 2002. Visitors from Mainland China continue to show record-breaking growth while many of Hong Kong’s key source markets such as the United States, Canada, Australia and South East Asia have achieved their best-ever figures during 2004.

## Revenue by business segment

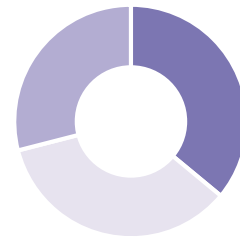
- Hotel operations
- Travel agency
- Catering services



With increased visitors, the average occupancy rate across all categories of hotels for 2004 was 88% while average achieved room rate improved by 19% over 2003 according to the Hong Kong Tourism Board.

## 2005 Revenue by hotels

- Empire Kowloon (36%)
- Empire Hong Kong (35%)
- Empire Landmark (29%)



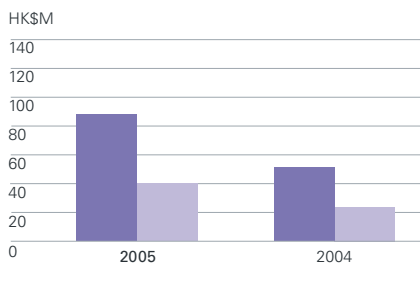
With the imminent opening of Disneyland, Tung Chung Cable Car, Hong Kong Wetland Park, the new AsiaWorld-Expo Center adjacent to the new Airport, the Hong Kong-Zhuhai-Macau bridge, Ocean Park’s redevelopment plan and 2006 designated as Hong Kong tourism year will all ensure continuous growth in business and leisure visitors in 2005 and beyond.

# Business and Financial Review



## Empire Hotel Hong Kong

■ Revenue  
■ Gross operating profit



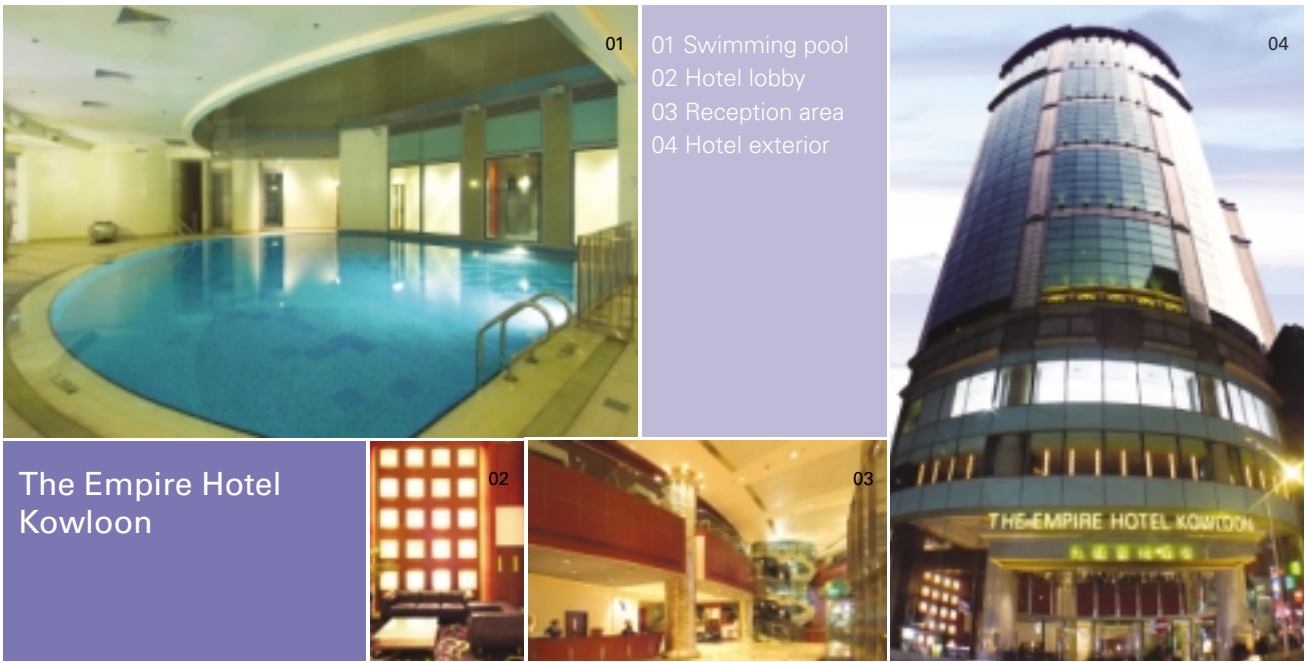
### The Empire Hotel, Hong Kong

Empire Hotel Hong Kong achieved occupancy of 78% for year ended 31st March 2005 as compared with 62% last year while average room rate increased by 38% over last year. During the year 5 floors of executive guests rooms, which represents 105 rooms were upgraded. This led to direct improvements in average rates. As a result room revenue increased significantly by HK\$27 million or 73% on last year.

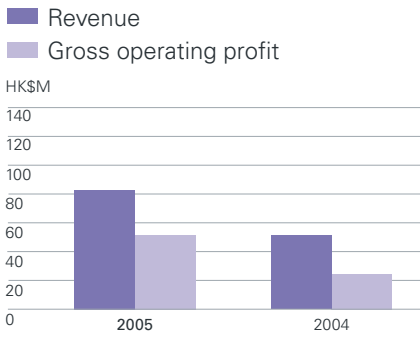
Further renovation work for the remaining hotel guest rooms is currently underway.

Empire Hotel Hong Kong operating profit was HK\$43.6 million (before room renovation cost of HK\$6.8 million), an increase of HK\$22.7 million or almost 100% improvement on last year.





**Empire Hotel Kowloon**



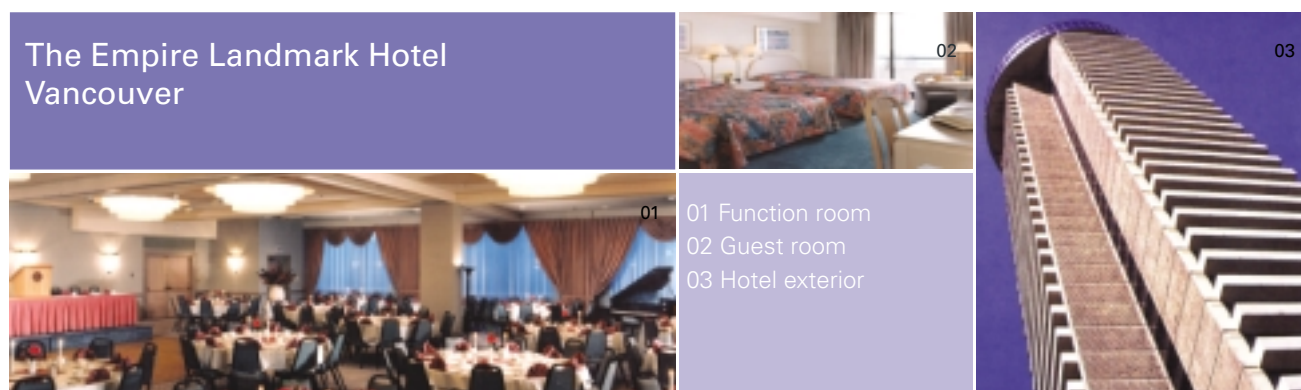
**The Empire Hotel, Kowloon**

Empire Hotel Kowloon recorded occupancy of 94% much improved from 69% last year while average room rate increased by almost 30% on last year. This resulted in an increase of room revenue of HK\$28.3 million and which represents a sharp rise of 76%. With a tight control on operating cost we were able to increase our gross operating profit margin by HK\$25.2 million reflecting an improvement of 117% on last year.

The above positive results in terms of room revenue are attributable mainly to growth in our high yield corporate client base, which currently accounts for almost one third of our room revenue as opposed to twenty five percent last year. Increasing individual travelers from the PRC has boosted overall average room rates and occupancy particularly during weekends when demand tends to be high.



# Business and Financial Review

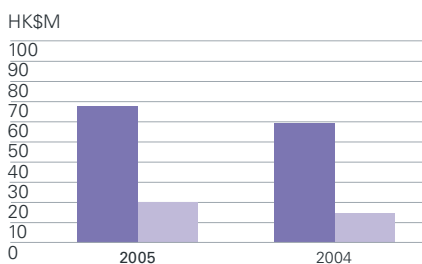


## The Empire Landmark Hotel, Vancouver

In Canada, visitors to British Columbia (B.C.) increased by 2.2% in 2004 after a two-year decline to 22.4 million according to Tourism B.C.

### Empire Landmark Hotel

■ Revenue  
■ Gross operating profit



Helped by increases in visitors and an all-year-round airline crew accommodation contract signed with China Eastern Airlines, Empire Landmark Hotel achieved occupancy of 56.7% as compared with 50.2% last year, while there was a slight increase in average room rate. As a result and boosted by a strong Canadian dollar which had appreciated by 8% during the year, room revenue increased by HK\$7.9 million or 23% to HK\$42.2 million.

Furthermore, it was announced earlier that Canada would become an approved destination for PRC travellers. This would certainly benefit our hotel in Vancouver.

### Travel Agency

Our travel agency business recorded an increase of HK\$69.6 million in air-ticketing and other travel-related revenue to HK\$317.7 million for the year ended 31st March 2005.

However, intensive competition between travel agencies and airline companies for direct retail air-ticketing business coupled with declined commission income from airlines continue to exert immense pressure on profit margins on travel agency businesses. A provision for impairment in value of purchased goodwill for this travel agency subsidiary of HK\$10.9 million was made in this year.

### Catering Business

Our franchised restaurants revenue increased by HK\$4.2 million or 26% to HK\$20.5 million for the year ended 31st March 2005 as compared with last year. Following the opening of the East Rail terminal on Nathan Road Tsim Sha Tsui towards the end of 2004, patrons number for our Kowloon store has returned to the level prior to the closure of Nathan Road. Our Shanghai store continues to show positive growth as boosted by strong consumer spending. This year the catering business recorded a gross operating profit of HK\$1.2 million which is a significant turn-around from an operating loss of HK\$5.1 million last year.

## Human resources

As at 31st March 2005 the total number of employees of the Company and its subsidiaries was 356 as compared with 328 last year. In addition to salary payment, other benefits include insurance, medical scheme and retirement plans and others. During the year no share options were granted.

## Financial review

As at the year end shareholders' funds amounted to HK\$2,223 million, increased by HK\$217.0 million on last year. Total assets stood at HK\$3,584 million as compared with HK\$3,388 million last year. Total borrowings of the Group fell from HK\$1,311 million to HK\$1,262 million as at 31st March 2005. All of the HK\$46 million convertible notes were redeemed during the year. As a result of the increase in net assets coupled with improvement in operating cash flow, the Group's gearing ratio (net debt to equity) was significantly reduced from 64.7% to 53.9% as at 31st March 2005.

As at 31st March 2005, HK\$47.7 million (2004: HK\$93.3 million), which represented 3.8% (2004: 7.1%) of total borrowings, are repayable in one year. The balance is repayable by various instalments over a long period exceeding 10 years. The borrowings were principally denominated in Hong Kong dollar except for the Vancouver Hotel's mortgage loan which stood at HK\$148.1 million (2004: HK\$148.6 million) and which was borrowed in Canadian dollar as a hedging against exchange rate fluctuations.

The Group's finance expenses fell by HK\$3 million to HK\$37.2 million for the year ended 31st March 2005.

The aggregate net book value of fixed assets pledged as securities for loans of the Group amounts to HK\$3,313 million (2004: HK\$3,168 million).

## Future prospects

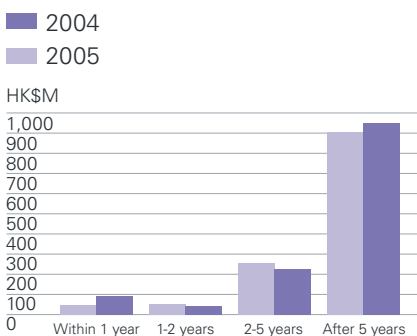
Hong Kong hotels outlook appears very promising due to the following addition of many tourist-related infrastructure developments such as the Hong Kong Disneyland, the new convention center at the new airport, expansion of the Hong Kong Convention and Exhibition center, Ocean Park redevelopment project and the construction of the Hong Kong-Zhuhai-Macau bridge.

On the other hand there are a number of major events to be held in Hong Kong as follows:–

- The WTO ministerial conference in 2005;
- The hosting of the International Telecommunication Union Conference at end of 2006;
- 2006 being designated by Hong Kong Tourism Board as Hong Kong Tourism Year.

In light of the proposed relaxation of travel visa issued to PRC visitors to Canada, the financial performance of our Vancouver Hotel is expected to improve.

## Debts Maturity Profile

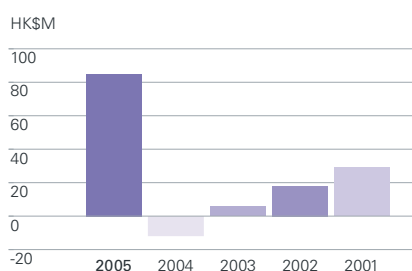


# Financial Summary

## Turnover

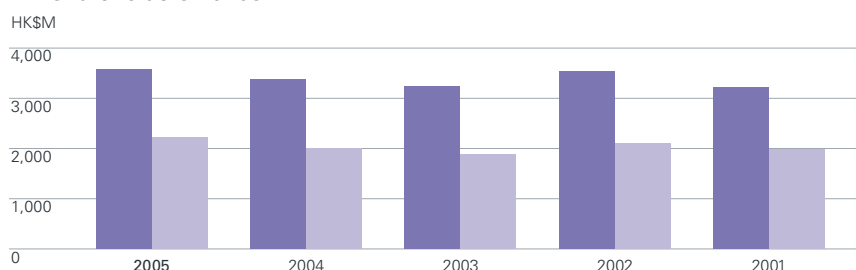


## Profit/(loss) attributable to shareholders



	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	<b>569,248</b>	425,966	448,215	424,884	160,457
Profit/(loss) attributable to shareholders	<b>84,896</b>	(11,967)	5,713	17,986	29,165

## Total Assets and Shareholders' funds



	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Total assets	<b>3,584,046</b>	3,388,057	3,243,600	3,535,026	3,232,997
Total liabilities	<b>(1,360,569)</b>	(1,381,615)	(1,361,376)	(1,427,252)	(1,241,623)
Shareholders' funds	<b>2,223,477</b>	2,006,442	1,882,224	2,107,774	1,991,374

Note:

The 2003 figures have been restated as a result of changes in accounting policy on deferred taxation upon the adoption of the revised Statement of Standard Accounting Practice No. 12 "Income taxes". The figures prior to 2003 have not been restated.

# Hotel Properties

	Group's interest	Approx. site area (sq.ft.)	Approx. gross floor area (sq.ft.)
1. Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong	100%	10,600	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)

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# Corporate Governance Report

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## Corporate governance practices

The Company is committed to raise its corporate governance standards by emphasising transparency, independence, accountability, responsibility and fairness. During the year, the Company exercises corporate governance through the Board and various committees. During the year, the Company has taken a series of steps to promote the level of corporate governance including the appointment of additional independent non-executive directors and establishment of remuneration committee.

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## Board of directors

The Board of Directors (“Board”) consists of five executive directors, one non-executive director and three independent non-executive directors. The posts of Chairman and Chief Executive are separate and are held by different individuals. The Chairman is responsible for overseeing the functioning of the Board and the strategies and policies of the Group. The Chief Executive is responsible for managing the Group’s business. The relationship of the directors are disclosed in the biography of directors set out in the Directors’ Report.

According to the Bye-laws of the Company, at every annual general meeting of the Company one-third of the directors (other than the Chairman and the Managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding one-third, shall retire from office by rotation. A retiring director shall be eligible for re-election at the meeting. The non-executive director and independent non-executive directors are not appointed for a specific term but are subject to rotation in accordance with the Bye-laws of the Company.

The Board is responsible for the formulation and reviewing of long-term business directions and strategies, to monitor the operating and financial performance of the Group. It also considers and approves future strategic plans and budgets for the Group. The management is delegated with the authority to make decisions on daily operations.

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## Remuneration committee

The Company established a remuneration committee in December 2004. The Committee comprises the Chief Executive and two independent non-executive directors, Mr. Ip Chi Wai and Mr. Hung Yat Ming. The duties of the committee includes making recommendations to the Board on the remuneration policy and structure of the directors and senior management, approving the remuneration, determining the remuneration packages of all executive directors and senior management and approving the compensation to directors and senior management on termination or dismissal. The remuneration packages including basic salary, annual bonus, retirement and other benefit such as share options are commensurate with their job nature and experience level.

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## Audit committee

The Company has established the Audit Committee since its listing on the Stock Exchange in 2000. The committee members currently comprises all the independent non-executive directors, Mr. Hung Yat Ming (as Chairman), Mr. Ip Chi Wai and Mr. Leung Wai Keung, Richard. The terms of reference adopted by the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. 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. The principal duties of the Audit Committee include the review of the Company's financial reporting, compliance and financial risk management and the recommendation by the auditors on the issues of internal control. During the year, the committee met twice and all the members had attended the meetings.

The committee has reviewed the audited results of the Group for the year ended 31st March 2005.

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## Code of conduct

The Group has adopted its own Code for Securities Transactions by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code (Appendix 10) of the Listing Rules. The Company has also made specific enquiry of the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

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## Code of best practice and code on corporate governance practice

During the year, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. In January 2005, the Code of Best Practice was replaced by the Code on Corporate Governance Practice. The Company has taken appropriate actions to comply with the Code on Corporate Governance Practice including setting up Remuneration and Audit Committees, holding of board meetings at least once a quarter.

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## Auditors' remuneration

PricewaterhouseCoopers has been appointed as the auditors of the Company by the shareholders at the annual general meeting. The services provided by PricewaterhouseCoopers include audit, taxation related and other services. An amount of HK\$1,237,000 was charged to the 2004/2005 financial statements of the Group for their statutory audit services. During the year, PricewaterhouseCoopers provided additional audit and review services for a notifiable transaction of Asia Orient Holdings Limited, the then holding company, and shared by the the Group at services fees of HK\$753,000. Taxation services fees and review on interim results provided by PricewaterhouseCoopers to the Group amounted to HK\$150,000.

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## Corporate Governance Report

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### Investor relationship

The Group aims to provide its shareholders and investors with high level of transparency. During the year, the executive directors had a lot of meetings with various investors and analysts. The Board is committed to providing clear and full performance information of the Group to shareholders and the investment community through the publication of interim and annual reports, announcements, circulars and press releases.

The Company has also maintained a website at <http://www.empirehotel.com.hk> which enables shareholders, investors and public to access to the information of the Company on a timely basis.



# Directors and Senior Management

## Executive Directors



### POON Jing

Age 50. Chairman of the Company, Managing Director and Chief Executive 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. Mr. Poon is a brother of Mr. Poon Tin Sau, Robert, a Director of the Company.



### LIM Yin Cheng

Age 60. Deputy Chairman and Chief Executive of the Company, Deputy Chairman of ASI and Asia Orient and Executive Director and Chief Executive Officer of Q9 Technology Holdings Limited. Mr. Lim is a holder of Bachelor of Science (Chemical Engineering) and Doctor of Philosophy degree. 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

Aged 57. 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 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.

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## Directors and Senior Management

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**POON Tin Sau, Robert**

Aged 59. Director of the Company. Mr. Poon was a restaurant entrepreneur in the USA during the period from 1970 to 1996 and joined the Group in 1996. He is a brother of Mr. Poon Jing, the Chairman of the Company.



**WONG Shu Pui**

Aged 50. Director and Group General Manager of the Company since 2000. Mr. Wong is responsible for the management of the Group's hospitality operations, development of Group's marketing and sales strategy as well as its corporate services. Mr. Wong has almost 30 years' extensive experience in hotel industry for both local and overseas covering the USA and Australia and has held senior positions in a number of major international chain hotels in Hong Kong.

**Non-Executive Director****LIANG Shangli**

Aged 84. 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 was Standing Committee Member of the Chinese People's Political Congress Committee, the PRC, and is the Vice-Chairman of the National Industrial and Commercial Association of the PRC and Non-Executive Director of ASI. He joined the Group in 2000.

**Independent Non-Executive Directors****IP Chi Wai**

Aged 37. Mr. Ip graduated from the University of Hong Kong with a bachelor's degree in law. He is a qualified solicitor in Hong Kong and has over ten years of experience in the legal profession. He is an independent Non-Executive Director and a member of audit committee of the Company and Q9 Technology Holdings Limited. He joined the Group in September 2003.

**LEUNG Wai Keung, Richard**

Aged 42. Mr. Leung is currently a Barrister at Law. Mr. Leung has about 9 years of experience in accounting and financial management in several firms and thereafter practicing as a barrister for 9 years. Mr. Leung is a member of the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Arbitrators and admitted to the High Court of Hong Kong as a barrister. He holds a master degree in Accounting and Finance from the University of Lancaster and obtained a bachelor of laws from Manchester Metropolitan University. He is an Independent Non-Executive Director and a member of audit committee of the Company and ASI. He joined the Group in September 2004.

**HUNG Yat Ming**

Aged 53. Mr. Hung is currently a financial consultant. Mr. Hung has over 25 years of experience in audit, accounting and financial management in several firms in Sydney and Hong Kong and was executive director heading the accounting department of a Hong Kong listed company. Mr. Hung is a member of the Institute of Chartered Accountants of Scotland and Hong Kong Institute of Certified Public Accountants. He graduated from the University of Hong Kong with a bachelor degree in Mathematics and obtained a post-graduate diploma in Accountancy from the University of Strathclyde, Scotland. He is an Independent Non-Executive Director and a member of audit committee of the Company and Asia Orient. He joined the Group in September 2004.

**Senior management****LEE Yuk Kong, Steven**

Aged 44. 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 and 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.

**TSANG Chin Lap, Johnny**

Aged 55. Mr. Tsang has over 35 years experience in hotel industry and has held senior positions as Director of Sales and General Manager in a number of international hotels in Hong Kong before being appointed as General Manager of Empire Landmark Hotel in Vancouver in 2003.

**FUNG Pak Lap, Alan**

Aged 47. 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.

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# Report of the Directors

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The Directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March 2005.

## **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 32 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 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 ended 31st March 2005 are set out in the consolidated profit and loss account on page 26.

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 10.

## **Purchase, sale or redemption of listed securities**

During the year, the Company had not redeemed any of its shares. Neither the Company nor any of its subsidiaries had purchased or sold 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 11.

## **Share capital**

Details of the share capital of the Company 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.

## **Donations**

Charitable and other donations made by the Group during the year amounted to HK\$200,000.

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## 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. Poon Tin Sau, Robert  
Mr. Wong Shu Pui  
Mr. Liang Shangli  
Mr. Ip Chi Wai  
Mr. Leung Wai Keung, Richard (appointed on 22nd September 2004)  
Mr. Hung Yat Ming (appointed on 22nd September 2004)

In accordance with Bye-laws, 99 and 102(B) of the Company's Bye Laws, one-third of the Directors and the Directors appointed by the Board during the year retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The Chairman of the Board and the Managing Director of the Company 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 pages 15 to 17.

## 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.

## Arrangements to purchase shares or debentures

Apart from the share option scheme of the Company as disclosed under the heading "Share option scheme" below, and that of its holding companies, Asia Orient Holdings Limited ("Asia Orient") and that of Asia Standard International Group Limited ("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.

# Report of the Directors

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

As at 31st March 2005, the interests and short position of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (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 shares in issue (%)
	Personal interest	Corporate interest	Total	
Mr. Poon Jing	248,937	3,699,148,774	3,699,397,711	73.22

By virtue of his interest in the Company through Asia Orient and its subsidiaries as disclosed under the heading "Substantial shareholders and other persons' interests and short positions in shares and underlying shares." below, Mr. Poon Jing is deemed to be interested in the shares of all of the Company's subsidiaries.

#### b) Associated corporations

Associated corporation	Director	Number of shares held				Percentage of shares in issue (%)
		Personal interest	Corporate interest	Family interest	Total	
Asia Orient	Mr. Poon Jing	34,352,396	38,011,695	1,396,520	73,760,611	31.45
	Mr. Fung Siu To, Clement	3,949,400	Nil	Nil	3,949,400	1.68
ASI	Mr. Poon Jing (note 1)	4,445,650	2,055,469,712	Nil	2,059,915,362	40.58
Centop Investment Limited (note 2)	Mr. Poon Jing and Mr. Fung Siu To, Clement	Nil	20	Nil	20	20
Mark Honour Limited (note 2)	Mr. Fung Siu To, Clement	9	Nil	Nil	9	9

Notes:

1. 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.
2. Subsidiaries of ASI.

**(II) Long positions in underlying shares*****Interests in share options******(a) The Company***

No option has been granted under the share option scheme of the Company.

***(b) Associated corporation – Asia Orient***

On 12th February 2004, options to subscribe for 1,718,000 shares of Asia Orient were granted to each of Messrs. Fung Siu To, Clement and Lim Yin Cheng at exercise price of HK\$3.3 per share. These cancelled options are exercisable from 12th February 2004 to 11th February 2014. During the year, no option was exercised or lapsed. Each of Messrs. Fung Siu To, Clement and Lim Yin Cheng has options to subscribe for 1,718,000 shares of Asia Orient at 31st March 2005.

***(c) Associated corporation – ASI***

On 30th March 2005, options to subscribe for shares of ASI were granted to the following Directors of the Company at an exercise price of HK\$0.325 per share:

<b>Name of Directors</b>	<b>Exercise period</b>	<b>No. of share options granted</b>	<b>Outstanding held as at 31st March 2005</b>
Poon Jing	30th March 2005 to 29th March 2015	5,000,000	5,000,000
Lim Yin Cheng	30th March 2005 to 29th March 2015	20,000,000	20,000,000
Fung Siu To, Clement	30th March 2005 to 29th March 2015	20,000,000	20,000,000
Wong Shu Pui	30th March 2005 to 29th March 2015	15,000,000	15,000,000

During the year, no option was exercised, cancelled or lapsed.

Save as disclosed above, as at 31st March 2005, none of the Directors or the Chief Executive (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 & 8 of Part XV of the SFO (including interests and short positions which they 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.



# Report of the Directors

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

As at 31st March 2005, according to the register of substantial shareholders kept by the Company under Section 336 of the SFO, the following parties (other than the Directors and Chief Executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

### (a) Long position in shares of the Company

	Number of shares	Percentage (%)
Asia Standard International Limited	3,533,280,394	69.94
ASI (note 1)	3,538,335,158	70.04
Asia Orient Company Limited (note 2)	3,699,148,774	73.22
Asia Orient Holdings (BVI) Limited (note 3)	3,699,148,774	73.22
Asia Orient (note 3)	3,699,148,774	73.22
Mr. Poon Jing (note 4)	3,699,397,711	73.22

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.

Save as disclosed above, as at 31st March 2005, the Directors are not aware of any other persons who had interests or short positions 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.

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### Share option scheme

The share option scheme 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% 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 subject to compliance with the requirements of the chapter. The Company may grant options to subscribe for a maximum of 500,000,000 shares of the Company (representing about 9.9% of the shares in issue at the date of this report) at exercise price of at least the higher of the closing price of the shares on the date of grant, the average closing price of the shares for the 5 business days immediately preceding the date of grant, and the nominal value of the shares. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable under any option granted to the same participant under any option scheme within any 12 months period, must not exceed 1% of the shares in issue from time to time.

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 47.2% and 23.6% respectively.

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

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## Report of the Directors

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### **Independent non-executive Directors**

Confirmation of independence has been received from each of the independent non-executive Directors of the Company and the Company considers all existing independent non-executive Directors are independent.

### **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, 19th July 2005

# Report of the Auditors

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## **To the Shareholders of Asia Standard Hotel Group Limited**

(Incorporated in Bermuda with limited liability)

We have audited the accounts on pages 26 to 54 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 responsibilities 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 Institute of Certified Public 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 2005 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, 19th July 2005

# Consolidated Profit and Loss Account

For the year ended 31st March 2005

	<i>Note</i>	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Turnover	2	<b>569,248</b>	425,966
Cost of sales		<b>(388,016)</b>	(307,429)
Gross profit		<b>181,232</b>	118,537
Administrative expenses		<b>(84,279)</b>	(76,626)
Other charges	3	<b>(14,730)</b>	(12,935)
Operating profit	4	<b>82,223</b>	28,976
Interest income	7	<b>2,140</b>	3,485
Net investment gain	8	<b>58,601</b>	807
Finance costs	9	<b>(37,205)</b>	(40,200)
Share of loss of an associated company		<b>–</b>	(712)
Profit/(loss) before taxation		<b>105,759</b>	(7,644)
Taxation	10	<b>(20,863)</b>	(4,323)
Profit/(loss) attributable to shareholders	11	<b>84,896</b>	(11,967)
Earnings/(loss) per share			
Basic	13	<b>HK1.68 cent</b>	HK(0.24 cent)
Diluted	13	<b>HK1.67 cent</b>	N/A

# Consolidated Balance Sheet

As at 31st March 2005

	<i>Note</i>	<b>2005</b> HK\$'000	2004 HK\$'000
Fixed assets	14	<b>3,313,996</b>	3,169,702
Goodwill	15	<b>13,188</b>	27,918
Long term investment	17	–	1,601
Deferred tax assets	26	<b>6,152</b>	3,814
Current assets			
Inventories, at cost		<b>2,690</b>	2,615
Other investments	18	<b>93,137</b>	69,984
Debtors and prepayments	19	<b>89,711</b>	98,429
Tax recoverable		<b>200</b>	200
Bank balances and cash	20	<b>64,972</b>	13,794
		<b>250,710</b>	185,022
Current liabilities			
Creditors and accruals	21	<b>47,585</b>	45,510
Taxation payable		<b>10,973</b>	370
Bank overdraft-unsecured		<b>8,778</b>	3,941
Current portion of long term liabilities	25	<b>38,963</b>	43,311
Convertible notes	22	–	46,000
		<b>106,299</b>	139,132
Net current assets		<b>144,411</b>	45,890
		<b>3,477,747</b>	3,248,925
Financed by:			
Share capital	23	<b>101,042</b>	101,042
Reserves	24	<b>2,122,435</b>	1,905,400
Shareholders' funds		<b>2,223,477</b>	2,006,442
Long term liabilities	25	<b>1,214,514</b>	1,217,737
Deferred tax liabilities	26	<b>39,756</b>	24,746
		<b>3,477,747</b>	3,248,925

Lim Yin Cheng  
Director

Fung Siu To, Clement  
Director

# Balance Sheet

As at 31st March 2005

	<i>Note</i>	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Subsidiaries	16	<b>1,474,792</b>	1,529,176
Deferred tax assets	26	<b>778</b>	–
Current assets			
Debtors and prepayments		<b>104</b>	426
Bank balances		<b>10,757</b>	72
		<b>10,861</b>	498
Current liabilities			
Accruals		<b>3,707</b>	1,569
Convertible notes	22	–	46,000
		<b>3,707</b>	47,569
Net current assets/(liabilities)		<b>7,154</b>	(47,071)
		<b>1,482,724</b>	1,482,105
Financed by:			
Share capital	23	<b>101,042</b>	101,042
Reserves	24	<b>1,381,682</b>	1,381,063
Shareholders' funds		<b>1,482,724</b>	1,482,105

Lim Yin Cheng  
*Director*

Fung Siu To, Clement  
*Director*



# Consolidated Cash Flow Statement

For the year ended 31st March 2005

	<i>Note</i>	<b>2005</b> HK\$'000	2004 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	<i>31(a)</i>	<b>110,072</b>	2,069
Interest paid		<b>(38,290)</b>	(40,285)
Interest element on finance leases		<b>(28)</b>	(42)
Net Hong Kong profits tax refunded		–	102
Net cash from/(used in) operating activities		<b>71,754</b>	(38,156)
<b>Cash flows from investing activities</b>			
Additions to other fixed assets		<b>(188)</b>	(154)
Proceeds on disposal of other investments		<b>37,659</b>	65,645
Purchase of other investments		<b>(2,548)</b>	(43,068)
Proceeds on disposal of an associated company		–	2,000
Interest received		<b>3,412</b>	2,597
Dividend received		<b>335</b>	592
Net cash from investing activities		<b>38,670</b>	27,612
<b>Cash flows from financing activities</b>			
Decrease in restricted bank balances		<b>6,000</b>	–
Issue of convertible notes		–	46,000
Redemption of convertible notes		<b>(46,000)</b>	–
Drawdown of long term bank loans		<b>605,000</b>	7,000
Repayment of long term bank loans		<b>(623,839)</b>	(63,220)
Repayment of finance leases		<b>(96)</b>	(77)
Net cash used in financing activities	<i>31(b)</i>	<b>(58,935)</b>	(10,297)
Changes in exchange rates		<b>852</b>	(107)
Increase/(decrease) in cash and cash equivalents		<b>52,341</b>	(20,948)
Cash and cash equivalents at the beginning of the year		<b>3,853</b>	24,801
Cash and cash equivalents at the end of the year		<b>56,194</b>	3,853
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash		<b>64,972</b>	7,794
Bank overdraft		<b>(8,778)</b>	(3,941)
		<b>56,194</b>	3,853

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# Consolidated Statement of Changes in Equity

For the year ended 31st March 2005

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	<i>Note</i>	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Balance at the beginning of the year		<b>2,006,442</b>	1,882,224
Revaluation surplus of hotel properties, net of taxation	24	<b>112,521</b>	111,024
Exchange difference arising on translation of the accounts of overseas subsidiaries	24	<b>19,618</b>	25,161
Net gains not recognised in the profit and loss account		<b>132,139</b>	136,185
Profit/(loss) for the year	24	<b>84,896</b>	(11,967)
Balance at the end of the year		<b>2,223,477</b>	2,006,442

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# Notes to the Accounts

## 1 Principal accounting policies

### (a) Basis of preparation

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

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005.

The new HKFRSs mainly affecting the Group are:

HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HK-Int 2	The Appropriate Accounting Policies for Hotel Properties

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March 2005. The Group is assessing the impact of these new HKFRSs and has so far identified that they will not affect the cash flows of the Group.

The changes and the more significant differences between new HKFRSs and current accounting policies that are expected to affect the Group's profit and loss account and balance sheet are as follows:

#### (i) Hotel properties

Land and buildings will be accounted for separately. Hotel buildings will be stated at cost less accumulated depreciation and impairment, while the underlying freehold land will be accounted for as property, plant and equipment and stated at cost less impairment, the underlying leasehold land will be accounted for as prepayment of lease and stated at cost less accumulated amortisation and the amortisation will be recognised as an expense on a straight-line basis over the lease term. Hotel properties have been stated at valuation without depreciation under the current accounting policy.

#### (ii) Financial instruments

Under the new HKFRSs, financial instruments will be carried at either amortised cost or fair value, depending on their classification. Depending on the classification of the financial instruments, movements in fair value will be either charged to net profit or loss or taken to equity in accordance with the standard. In addition, all derivatives, including those embedded in non-derivatives host contracts will be recognised in the balance sheet at fair value. This will result in a change to the Group's current accounting policies in respect of classification, measurement and recognition of financial instruments.

The Group will be continuing with the assessment of the impact of the new HKFRSs and other significant changes may be identified as a result.

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

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# Notes to the Accounts

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

### **(b) Basis of consolidation**

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

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

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

### **(c) Subsidiaries**

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

### **(d) Associated company**

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

### **(e) Goodwill**

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

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

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

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## 1 Principal accounting policies (continued)

### (f) Fixed assets and depreciation

#### (i) Hotel properties

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

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

#### (ii) Other fixed assets

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

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

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

### (g) Inventories

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

### (h) Other investments

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

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# Notes to the Accounts

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## 1 Principal accounting policies (continued)

### (i) Deferred taxation

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

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

### (j) Provisions

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

### (k) Finance leases

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

### (l) Operating leases

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

### (m) Revenue recognition

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

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

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

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

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

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

### (n) Foreign currencies

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

## 1 Principal accounting policies (continued)

### (n) Foreign currencies (continued)

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

### (o) Employee benefits

#### (i) Employee leave entitlements

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

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

#### (ii) Retirement benefit obligations

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

### (p) Trade debtors

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

### (q) Cash and cash equivalents

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

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

## 2 Segment information

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

### Primary reporting format – business segments

The Group is organised into three main business segments:

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

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

## Notes to the Accounts

### 2 Segment information (continued)

#### Business segments

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



**2 Segment information** (continued)

## Business segments (continued)

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

# Notes to the Accounts

## 2 Segment information (continued)

### Secondary reporting format – geographical segments

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

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

### Geographical segments

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

## 3 Other charges

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

#### 4 Operating profit

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

#### 5 Staff costs

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

Notes:

(i) **Retirement benefit costs**

Gross contributions	<b>2,477</b>	2,188
Forfeitures utilised	–	(72)
Net contributions	<b>2,477</b>	2,116

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

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

## Notes to the Accounts

### 5 Staff costs (continued)

#### (i) Retirement benefit costs (continued)

The Group also participates in the MPF scheme which are available to all employees not joining the ORSO schemes in Hong Kong, and in the CPP organised by the Canadian Government for all employees in Canada. Monthly contributions to the MPF scheme and CPP are made equal to 5% (2004: 5%) or a fixed sum and 4.95% (2004: 4.95%), respectively, of the employee's relevant income in accordance with the local legislative requirements.

The assets of all retirement schemes are held separately from those of the Group in independently administered funds.

The Group also contributes to retirement plans for its employees in Mainland China at a percentage of applicable payroll costs in compliance with the requirements of the relevant municipal government in Mainland China.

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

#### (ii) Share option schemes

The Company has a share option scheme whereby options may be granted to employees of the Group including the executive Directors to subscribe for shares of the Company. Consideration to be paid on each grant of option is HK\$1. As at 31st March 2005 and 2004, no option has been granted under this share option scheme.

### 6 Directors' and senior management's emoluments

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

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

The emoluments of individual Directors fell within the following bands:

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

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

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

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

**7 Interest income**

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

**8 Net investment gain**

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

**9 Finance costs**

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

## Notes to the Accounts

### 10 Taxation

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

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

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

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

### 11 Profit/(loss) attributable to shareholders

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

## 12 Dividend

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

## 13 Earnings/(loss) per share

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

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

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

## 14 Fixed assets

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

(a) Hotel properties comprise a long term leasehold property in Hong Kong of HK\$1,440,000,000 (2004: HK\$1,400,000,000), a medium term leasehold property in Hong Kong of HK\$1,420,000,000 (2004: HK\$1,350,000,000) and a freehold property in Canada of HK\$452,610,000 (2004: HK\$417,550,000). The hotel properties in Hong Kong and Canada were revalued by Knight Frank and Grant Thornton Management Consultants respectively, independent professional valuers, on an open market value basis as at 31st March 2005.

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## Notes to the Accounts

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### 14 Fixed assets (continued)

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

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

### 15 Goodwill

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

### 16 Subsidiaries

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

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



## 17 Long term investment

	Group	
	2005 HK\$'000	2004 HK\$'000
Unlisted share, at cost	1	1
Advance to an investee company	1,600	1,600
	<b>1,601</b>	1,601
Less: Provision	<b>(1,601)</b>	–
	–	1,601

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

## 18 Other investments

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

## 19 Debtors and prepayments

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

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

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

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

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## Notes to the Accounts

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### 20 Bank balances and cash

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

### 21 Creditors and accruals

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

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

### 22 Convertible notes

On 15th April 2003, the Company issued convertible notes of the principal amount of HK\$46,000,000, which bore interest at Hong Kong prime rate per annum payable semi-annually in arrears. Each holder of the notes had the option to convert the notes into fully paid shares of HK\$0.02 each of the Company at a conversion price of HK\$0.25 per share, subject to adjustment, at any time from the date of issue to the last business date preceding the maturity date of 18 months from the date of issue. During the year, the Company has fully redeemed all the convertible notes without conversion.

### 23 Share capital

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

## 24 Reserves

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

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

## Notes to the Accounts

### 25 Long term liabilities

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

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

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

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

### 26 Deferred taxation

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

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

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

**26 Deferred taxation** (continued)

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

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

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

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

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

## Notes to the Accounts

### 26 Deferred taxation (continued)

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

Deferred tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of approximately HK\$74 million (2004: HK\$97 million) to carry forward against future taxable income. Unused tax losses of approximately HK\$9 million (2004: HK\$27 million) have no expiry date and the balance will expire at various dates up to and including 2012 (2004: 2011).

### 27 Capital commitments

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Contracted but not provided for	–	–	–	–
Authorised but not contracted for	–	–	–	–
	–	–	–	–

## 28 Operating lease arrangements

### (a) Lessor

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

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

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

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

### (b) Lessee

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

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

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

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## Notes to the Accounts

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### 29 Contingent liabilities

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

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

### 30 Related party transactions

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

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

Notes:

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



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

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

**(b) Analysis of changes in financing during the year**

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

# Notes to the Accounts

## 32 Principal subsidiaries

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

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

Name	Principal activity	Issued and fully paid ordinary share capital/ registered capital
<i>Incorporated in Hong Kong</i>		
Asia Standard Hotel (Holdings) Limited	Investment holding	HK\$2
Grace Profit Enterprises Limited	Investment holding	HK\$2
JBC Travel Company Limited	Travel agency	HK\$2,500,000
Perfect Wave Limited	Catering operation	HK\$2
Stone Pole Limited	Hotel investment and operation	HK\$10
Vinstar Development Limited	Hotel investment and operation	HK\$2
<i>Incorporated in the British Virgin Islands</i>		
Empire Hotel Investment Limited	Investment holding	US\$1
Enrich Enterprise Limited <sup>#</sup>	Hotel investment	US\$1
Global Gateway Corp. <sup>#</sup>	Hotel operation	US\$1
Glory Ventures Enterprises Inc. <sup>#</sup>	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) <sup>##</sup>	Catering operation	RMB17,384,640

<sup>#</sup> Operates in Canada

<sup>##</sup> Operates in Mainland China, cooperative joint venture

## 33 Ultimate holding company

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

## 34 Approval of accounts

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