



ASIA ORIENT
HOLDINGS LIMITED



Annual Report 2002



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Empire Hotel, Basement 2, 33 Hennessy Road, Wanchai, Hong Kong on 28th August 2002 (Wednesday) at 10:30 a.m. for the following purposes: –

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March 2002;
2. To re-elect retiring Directors and approve their remuneration;
3. To appoint auditors and authorise the board of directors to fix their remuneration;
4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions: –

A. “THAT

- (a) subject to paragraph 4A(c), the Directors be and they are generally and unconditionally authorized to exercise during the Relevant Period (as defined in paragraph 4A(d)) all the powers of the Company to allot, issue or otherwise deal with shares of HK\$0.005 each in the capital of the Company (“Shares”) and securities convertible into Shares or warrants or similar rights to subscribe for Shares and to make or grant offers, agreements and options which might require the exercise of such powers;
- (b) the approval in paragraph 4A(a) shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally, or unconditionally, to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraphs 4A(a) and 4A(b), otherwise than pursuant to: –
 - (i) a Rights Issue (as defined in paragraph 4A(d));
 - (ii) the exercise of rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares;
 - (iii) the exercise of subscription or conversion right under the terms of any warrants of the Company or any option granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of options to subscribe for or rights to acquire Shares; and
 - (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-Laws of the Company;

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

- (d) for the purpose of this Resolution: –

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

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

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

B. “THAT

- (a) subject to paragraph 4B(b), the Directors be and they are generally and unconditionally authorized to exercise during the Relevant Period (as defined in paragraph 4B(c)) all powers of the Company to repurchase Shares of the Company listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or that of any other stock exchange as amended from time to time;
- (b) the aggregate nominal amount of the Shares to be repurchased by the Company pursuant to paragraph 4B(a) during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and approvals granted under paragraph 4B(a) of this Resolution shall be limited accordingly; and
- (c) for the purpose of this Resolution: –

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

- (i) the conclusion of the next annual general meeting of the Company; or

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

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

By Order of the Board
Chiu Yuk Ching
Secretary

Dated 18th July 2002

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

Notes:

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

Corporate Information

DIRECTORS

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

AUDIT COMMITTEE

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

AUTHORISED REPRESENTATIVES

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

COMPANY SECRETARY

Ms. Chiu Yuk Ching

REGISTERED OFFICE

Cedar House,
41 Cedar Avenue,
Hamilton HM12,
Bermuda

PRINCIPAL OFFICE IN HONG KONG

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

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

PRINCIPAL BANKERS

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

LEGAL ADVISERS

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

Appleby, Spurling & Kempe
5511 The Center,
99 Queen's Road Central,
Hong Kong

AUDITORS

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

SHARE REGISTRAR IN BERMUDA

Butterfield Corporate Services Limited
Rosebank Centre,
11 Bermudiana Road,
Pembroke,
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Directors and Senior Management

DIRECTORS

FUNG Siu To, Clement

Age 54. Chairman of the Company and its listed subsidiary, Asia Standard International Group Limited (“Asia Standard”). He is also an Executive Director of another listed subsidiary, Asia Standard Hotel Group Limited (“Asia Standard Hotel”) and a listed associated company, Q9 Technology Holdings Limited (“Q9”). Mr. Fung is a holder of a Bachelor of Applied Science (Civil Engineering) degree. He joined the Company and its subsidiaries (together the “Group”) in 1988 and has over 20 years of experience in project management and construction. He is the brother-in-law of Mr. Poon Jing, Managing Director.

LIM Yin Cheng

Age 57. Deputy Chairman of the Company, Asia Standard and Asia Standard Hotel, Director and Chief Executive Officer of Q9. Mr. Lim is a holder of a Bachelor of Science (Chemical Engineering) and Doctor of Philosophy degrees. He has over 25 years of experience in engineering, project management and administration. He joined the Group in 1992. He is the brother-in-law of Mr. Poon Jing, Managing Director.

POON Jing

Age 47. Managing Director of the Company and Asia Standard, Chairman of Asia Standard Hotel. 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, the Chairman and Deputy Chairman respectively.

LUN Pui Kan

Age 39. Finance Director of the Company, Asia Standard and Executive Director of Q9. Mr. Lun has over 15 years of experience in accounting and finance. He is a holder of a Bachelor of Science (Engineering) degree and is an associate member of the Hong Kong Society of Accountants and a fellow member of The Association of Chartered Certified Accountants. He joined the Group in 1994.

KWAN Po Lam, Phileas

Age 44. Executive Director of the Company, Asia Standard and Q9. Mr. Kwan is a holder of a Bachelor of Business Administration degree. He joined the Group in 1986 and is responsible for property sales and leasing. He has over 20 years of experience in property sales, leasing and real estate management.

CHAN Sze Hung

Age 49. Independent Non-executive Director of the Company. Mr. Chan graduated from the University of Hong Kong with a degree in law. He joined a legal firm for approximately four years prior to becoming a principal partner of Chan, Lau & Wai. He has over 20 years of experience in the legal profession. He was appointed as an Independent Non-executive Director of the Company in June 1996.

CHEUNG Kwok Wah, Ken

Age 45. Independent Non-executive Director of the Company. Mr. Cheung has over 12 years of experience in the finance field. He is an Executive Director of ITC Corporation Limited, a listed company in Hong Kong. He was appointed as an Independent Non-executive Director of the Company in June 1996.

SENIOR MANAGEMENT

LEUNG King Yin, Kevin

Age 40. Executive Director of Asia Standard and Asia Standard Hotel. Mr. Leung is a holder of a Bachelor of Architecture degree. He is an Authorised Person under the Buildings Ordinance of Hong Kong, a registered architect in Australia and a member of both Royal Institute of British Architects and Royal Australian Institute of Architects. He joined the Group in 1996 and is responsible for property development.

WONG Shu Pui

Age 47. Director of the Asia Standard Hotel. Mr. Wong has over 25 years of experience in the hotel industry and has held senior positions in a number of international hotels in Hong Kong and joined the Group in 2000.

Chairman's Statement

I am pleased to present the annual report of the Group for the year ended 31st March 2002 to the shareholders.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

Results

Turnover for the year amounted to HK\$867 million, representing an increase of 16% from last year. Loss attributable to shareholders had reduced to HK\$154 million, representing a 67% decrease from HK\$468 million of last year. Net assets decreased by HK\$0.1 billion to HK\$2.8 billion, or HK\$0.37 per share.

Property sales and leasing

The Group's shareholding in Asia Standard International Group Limited ("Asia Standard") remained at 53.4% as at 31st March 2002. The Group shared an attributable loss of HK\$256 million from Asia Standard, whose results were affected by increase in provisions for its property projects. During the year, Asia Standard sold majority of its remaining residential inventory. Two new developments were launched to market towards the end of the financial year, the luxurious Royalton II at Pokfulam and mass residential Oakridge at Shaukeiwan. Only a small percentage of these sales were recognised in the current year despite over 70% are sold by now. Majority of these sales would be recognised in the coming financial year.

Rental income increased by 56% to HK\$61 million mainly due to the renovation of Asia Standard Tower in last financial year. Occupancy substantially picked up since then. Leasing activities for the office building, 8 Wing Hing Street in Causeway Bay, commenced in January 2001 and is now over 90% let. Rental income for Asia Orient Tower and China United Centre remained approximately the same.

The Group has been actively pursuing the lease modification and land premium negotiation of six development sites totalling approximately 1,200,000 sq.ft. gross floor area. In April 2002, two of them (totally 175,000 sq.ft.) were successfully concluded at HK\$208 million.

In January 2002, Asia Standard disposed of its 40% interests in the Panyu development project at a total consideration of approximately HK\$118 million. The transaction brought in a gain of approximately HK\$20 million to the Group.

Hotel

The terrorist attacks in America in mid September 2001 do have an adverse effect on the hotel industry. However, the situation in Hong Kong has been alleviated by the surge in visitors from the Mainland. In April 2001, the Hotel Group acquired a travel agency which contribute significantly to the Group's turnover, albeit with a small profit contribution. In September 2001, Empire Hotel Kowloon in Tsimshatsui commenced operations and became the Group's third hotel with 315 rooms. In March 2002, the Hotel Group acquired 100% interests of a restaurant chain operation from Asia Standard Group.

Investments

One of the Group's technology investments, Q9 Technology Holdings Limited, was successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited in May 2001. Following the floatation, the Group's interests in the company was diluted from 40% to 32%, with a HK\$26 million gain and remains the single largest shareholder. The company has been successful in penetrating several major mobile phone and desktop phone manufacturers such as Nokia, TCL, Soutec, ZTE Corporation, Telsda, Utstarcom, Guauri, Helibond etc.

The Group maintains its 40% interests in China Infobank which possesses one of the largest database of Mainland business information. Users include universities, consultants, finance and banking corporations, professional companies and public relation firms. Efforts are concentrated in business penetration and streamlining operation.

The Group continues to invest in technology related ventures and recently acquired major interests in a web-based software developer and a biotechnology company. The former has developed quotation application software and enterprise logistics management system, with customers mostly located in the Mainland. The latter engaged in telemedicine / biotechnology and owns patent of a heart monitoring system which allow patients to record their heart condition anywhere and transmit the data to doctors through telephone lines and computer networks.

We have also participated in technology related opportunities in North America through our investment in NextCom Ventures, a venture capital partnership focusing on the communication and networking industries. This venture now invests in 4 product developments, ranging from ultra-wideband wireless connectivity application to technology that upgrade transmission performance of copper loop to fiber quality.

FINANCIAL REVIEW

The Group's interest cost reduced significantly by 35% resulting from the low interest environment during the year. At 31st March 2002, the Group's net asset value per share was HK\$0.370, compared with HK\$0.386 of last year. Gearing ratio arrived at 58% (2001: 48%) with a net debt of HK\$3,093 million and shareholders' funds plus minority interests of HK\$5,350 million.

All the Group's borrowings are in Hong Kong dollar except for the mortgage loan of the Vancouver hotel which is denominated in Canadian dollar. Accordingly, there is no exchange risk exposure, 80% of these borrowings were repayable after one year, with repayment schedules spreading over a long period of time to over 10 years.

As at 31st March 2002, properties with an aggregate net book value of HK\$6,212 million (2001: HK\$6,650 million) were pledged to secure banking facilities of the Group. The Group has also provided guarantees to banks and financial institution on credit facilities to jointly controlled entities, associated companies and third parties of HK\$416 million (2001: HK\$401 million).

In November 2001, Asia Standard redeemed HK\$251 million convertible bonds then due. In January 2002, Asia Standard has issued a HK\$290 million 5-year convertible bond to an existing shareholder — the Grosvenor Group of England.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st March 2002, the Group employed a total of 618 full time employees, with over 93% working for the hotel subsidiary group. Their remuneration packages, which commensurate with their job nature and experience level, include basic salary, annual bonus, retirement and other benefits. There was no share options granted during the year.

PROSPECTS

At the moment, Hong Kong is experiencing historical low interest rate environment. People's affordability of mortgage payments is at all time high. The recent surge in transaction volume would improve the demand / supply situation. Rental yield has become attractive relative to cost of funds. Our Group is expecting the recovery of property market after a long time of set back.

With increasing trade between China and other parts of the world following its entry into the WTO, together with the liberation of gambling licence of Macau and the construction of the Disney Theme Park in Hong Kong, more visitors are expected to come to or transit through Hong Kong. We expect the Group's hotel operation would contribute more in the coming years.

The listing of Q9 Technology Holdings Limited is a major success of the Group's technology investments during the year. The Group will continue the effort to nurture other existing investments with the intent to have them become a publicly listed entities and also look for new investments when opportunities arise.

By Order of the Board

Fung Siu To, Clement

Chairman

Hong Kong, 18th July 2002

Report of the Directors

The Directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March 2002.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 31 to the accounts.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 19.

The Directors do not recommend the payment of a dividend.

FINANCIAL SUMMARY

A five year financial summary of the results and of the assets and liabilities of the Group is set out on page 60.

DONATIONS

During the year, the Group made charitable and other donations of HK\$9,000.

FIXED ASSETS

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

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties of the Group are set out on pages 64 to 66.

DIRECTORS

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

Mr. Fung Siu To, Clement

Mr. Lim Yin Cheng

Mr. Poon Jing

Mr. Lun Pui Kan

Mr. Kwan Po Lam, Phileas

Mr. Chan Sze Hung

Mr. Cheung Kwok Wah, Ken

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set out on page 6.

DIRECTORS' INTERESTS IN CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the share option scheme of the Company as disclosed on page 14, and that of its subsidiary, Asia Standard International Group Limited ("Asia Standard"), at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st March 2002, the interests of the Directors and Chief Executives in the equity securities of the Company and its associated corporations (as defined under the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or as otherwise known to the Directors, were as follows:

a) The Company

(i) Interests in shares

Name of director	Personal interests	Number of shares held		Total as at 31st March 2002
		Family interests	Corporate interests	
Mr. Poon Jing	1,499,007,800	69,826,000	1,900,584,936	3,469,418,736

(ii) Interests in share options

Name of director	Nature of interests	Exercised during the year	Exercise price	Number of options held as at 31st March 2002
Mr. Fung Siu To, Clement	Personal	Nil	HK\$0.3466	15,000,000
Mr. Lim Yin Cheng	Personal	Nil	HK\$0.3466	15,000,000
Mr. Lun Pui Kan	Personal	Nil	HK\$0.3466	15,000,000
Mr. Kwan Po Lam, Phileas	Personal	Nil	HK\$0.3466	15,000,000

The options were granted under the share option scheme approved by the shareholders of the Company at a Special General Meeting on 28th August 1996. The options are exercisable at any time on or before 13th February 2010.

b) Subsidiaries

(i) Interests in shares

Name of director	Name of subsidiary	Number of shares held		Total as at 31st March 2002
		Personal interests	Corporate interests	
Mr. Poon Jing	Asia Standard	4,445,650	2,196,391,030*	2,200,836,680
Mr. Poon Jing	Asia Standard Hotel Group Limited ("Asia Standard Hotel")	248,937	3,699,148,774*	3,699,397,711
Mr. Poon Jing and Mr. Fung Siu To, Clement	Centop Investment Limited	–	20	20
Mr. Fung Siu To, Clement	Mark Honour Limited	1	–	1

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

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

(ii) Interests in share options

Name of director	Name of subsidiary	Nature of interests	Exercised during the year	Exercise price	Number of options held
					as at 31st March 2002
Mr. Lun Pui Kan	Asia Standard	Personal	Nil	HK\$0.384	1,750,000

The options were granted under an Executive Share Option Scheme approved by the shareholders of Asia Standard at a Special General Meeting on 23rd December 1991. The options are exercisable on or before 27th March 2005.

(c) Associated company - Q9 Technology Holdings Limited**Interests in share options**

Pursuant to the Pre-IPO Share Option Scheme adopted by Q9 Technology Holdings Limited (“Q9”) on 5th May 2001 and the Share Option Scheme adopted by Q9 on 7th May 2001, particulars of the outstanding options which have been granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are set out below:

Name of Director	Exercise Price	Option Exercise Period*	Number of share options held as at 31st March 2002
Mr. Lim Yin Cheng	HK\$0.36	See note 1 below	84,480,000
Mr. Fung Siu To, Clement	HK\$0.36	See note 2 below	2,560,000
Mr. Kwan Po Lam, Phileas	HK\$0.45	18/5/01 to 17/5/11	1,000,000
Mr. Lun Pui Kan	HK\$0.36	See note 2 below	1,920,000
Mr. Lun Pui Kan	HK\$0.45	18/5/01 to 17/5/11	3,000,000

* Option period commenced from the date of grant and terminating ten years thereafter.

No options granted pursuant to the Pre-IPO Share Option Scheme and Share Option Scheme had been exercised as at 31 March 2002.

The options may be exercised at any time within the option period provided that the options have been vested.

Note 1:

Commencement date when the options shall vest and be exercisable:	Percentage of options exercisable by each grantee in respect of options granted
(a) the date falling six months from 18th May 2001	10%
(b) the date falling six months from the date in (a)	10%
(c) the date falling six months from the date in (b)	10%
(d) the date falling six months from the date in (c)	20%
(e) the date falling six months from the date in (d)	20%
(f) the date falling six months from the date in (e)	20%
(g) the date falling six months from the date in (f)	10%

Note 2:

Commencement date when the options shall vest and be exercisable:	Percentage of options exercisable by each grantee in respect of options granted
(a) the date falling six months from 18th May 2001	10%
(b) the date falling six months from the date in (a)	20%
(c) the date falling six months from the date in (b)	20%
(d) the date falling six months from the date in (c)	20%
(e) the date falling six months from the date in (d)	20%
(f) the date falling six months from the date in (e)	10%

Save as disclosed above, as at 31st March 2002, none of the Directors was interested in the equity securities of the Company or any of its associated corporations and none of the Directors or his spouse or children under 18 years of age had been granted or exercised any right to subscribe for such equity securities during the year.

SUBSTANTIAL SHAREHOLDERS

At 31st March 2002, the register of substantial shareholders maintained pursuant to Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following interests, being 10% or more of the Company's issued share capital.

	Number of shares held as at 31st March 2002
Mr. Poon Jing	1,499,007,800
Teddington Holdings Limited ("Teddington")	792,829,080

Teddington is controlled by Mr. Poon Jing and the interests held by it are included in Mr. Poon Jing's corporate interests disclosed under the heading "Directors' interests in Equity Securities" above.

SHARE OPTION SCHEMES

Company

The Company has a share option scheme which was adopted on 28th August 1996 whereby options may be granted to employees of the Group including the executive directors, to subscribe for shares of the Company. The Share Option Scheme is designed to act as an incentive to employees of the Group. It will expire on 17th September 2006. The maximum number of shares in respect of options which 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 (but excluding the shares issued under the Share Option Scheme). The maximum entitlement of each participant is 25% of the aggregate number of shares issued or issuable under the Share Option Scheme. The exercise price was the higher of (a) the nominal amount of a share and (b) not less than 80% of the arithmetical average of the closing price of a share on the Stock Exchange on each of the five trading days immediately preceding the date of the offer of an option. The cash consideration to be paid for each grant of option is HK\$10.

In accordance with Chapter 17 (Share Schemes) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), with effective from 1st September 2001, the listed issuers could grant further share options under their existing schemes at exercise prices of at least the higher of the closing price of the shares on the date of grant and the average closing price of the shares for the five business days immediately preceding the date of grant.

At 31st March 2002, the directors and employees of the Company had the following interest in options to subscribe for shares of the Company:

	The options outstanding
Directors	60,000,000
Employees	202,500,000

Notes:

1. No options have been granted, cancelled, lapsed or exercised during the year.
2. All options are exercisable at any time on or before 13th February 2010 at an exercise price of HK\$0.3466 per share.

Subsidiaries

- (a) Asia Standard adopted a Share Option Scheme on 23rd December 1991 whereby options may be granted to its employees including the executive directors, to subscribe for shares of Asia Standard. The Share Option Scheme is designed to act as an incentive to its employees. It has expired on 22nd January 2002. 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 Asia Standard in issue from time to time (but excluding the shares issued under the Share Option Scheme). The maximum entitlement of each participant is 25% of the aggregate number of shares in issued or issuable under the Share Option Scheme. The exercise price was the higher of (a) the nominal amount of a share and (b) 80% of the arithmetical average of the closing price of a share on the Stock Exchange on each of the five trading days immediately preceding the date of the offer of an option. The cash consideration to be paid for each grant of option is HK\$10.

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

At 31st March 2002, there were 1,750,000 outstanding options were granted to a director at the exercise price of HK\$0.384. The options are exercisable at any time on or before 27th March 2005.

No options have been granted, cancelled, lapsed or exercised during the year.

- (b) Asia Standard Hotel has a Share Option Scheme which was adopted on 24th May 2000 whereby options may be granted to its employees including the executive directors, to subscribe for shares of Asia Standard Hotel. The Share Option Scheme is designed to act as an incentive to its employees. It will expire on 24th May 2010. 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 Asia Standard Hotel in issue from time to time (but excluding the shares issued under the Share Option Scheme and shares which would have been issued under the options but cancelled). The maximum entitlement of each participant is 25% of the aggregate number of shares issued or issuable under the Share Option Scheme. The exercise price was the higher of (a) the nominal amount of a share and (b) to the extent as may be permitted under the Listing Rules, not less than 80% of the arithmetical average of the closing price of a share on the Stock Exchange on each of the five trading days immediately preceding the date of the offer of an option. The cash consideration to be paid for each grant of option is HK\$1.

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

No option has been granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Percentage of purchases attributable to the Group's largest supplier	26.6%
Percentage of purchases attributable to the Group's five largest suppliers	48.7%
Percentage of sales attributable to the Group's largest customer	2.7%
Percentage of sales attributable to the Group's five largest customers	8.7%

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

CONNECTED TRANSACTIONS

The following were connected transactions under the Listing Rules:

1. Pursuant to a tenancy agreement made in June 2000, a premise was leased to Qcode Information Technology Limited ("Qcode") at a monthly rental of HK\$94,000 (excluding management charges). The tenancy expired on 14th April 2002. Qcode is a connected party by virtue of it being an associate of the Group.

2. On 6th April 2001, a subsidiary of Asia Standard Hotel acquired the entire issued share capital of JBC Travel Company Limited (“JBC”), a travel agency, at a consideration of HK\$36,000,000, from a company wholly owned by Mr. Poon Jing. Mr. Poon has provided a guarantee to the Group that the net profit before interest and taxation of JBC as stated in the audited accounts of JBC for the year ended 31st March 2002 and 2003 shall not be less than HK\$5,000,000 for each of such respective years.

The net profit before interest and taxation of JBC for the year ended 31st March 2002 was HK\$856,000. Accordingly, Mr. Poon is required to pay an amount equal to the shortfall of HK\$4,144,000 to the Group. Mr. Poon is a connected person by virtue of being a controlling shareholder of the Group. Asia Standard has a 70% interest in Asia Standard Hotel, a separately listed subsidiary.

3. On 7th January 2002, Asia Standard International Capital Limited (“ASICL”), a wholly owned subsidiary of Asia Standard, issued HK\$290 million of five years 7% convertible guaranteed bonds to Westrata Investment Limited (“WIL”). WIL is a connected party by virtue of it being a substantial shareholder of Asia Standard.
4. On 6th March 2002, a wholly owned subsidiary of Asia Standard Hotel acquired from a wholly owned subsidiary of Asia Standard, the entire issued share capital of and all shareholder’s loans to Perfect Wave Limited and Grace Profit Enterprises Limited, which own and operate two franchised restaurants in Hong Kong and Shanghai respectively at a total consideration of HK\$23,975,000.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

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

PROFORMA COMBINED BALANCE SHEET OF AFFILIATED COMPANIES

A proforma combined balance sheet of certain affiliated companies with major financial assistance from the Group and the Group’s attributable interest in these affiliated companies are shown on page 61 pursuant to Practice Note 19 of the Listing Rules.

AUDITORS

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

On behalf of the Board

Fung Siu To, Clement

Chairman

HONG KONG, 18th July 2002

Report of the Auditors

TO THE SHAREHOLDERS OF ASIA ORIENT HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 19 to 59 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

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

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

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st March 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PRICEWATERHOUSECOOPERS

Certified Public Accountants

HONG KONG, 18th July 2002

Consolidated Profit and Loss Account

For The Year Ended 31st March 2002

	Note	2002 HK\$'000	2001 HK\$'000
Turnover	2	866,888	748,937
Cost of sales		(645,087)	(536,724)
Gross profit		221,801	212,213
Administrative expenses		(147,564)	(145,598)
Other charges	3	(178,211)	(445,513)
Operating loss	4	(103,974)	(378,898)
Finance costs	5	(117,336)	(151,136)
Share of profits less losses of			
Jointly controlled entities		(72,013)	(31,502)
Associated companies		(95,790)	(81,601)
Loss before taxation		(389,113)	(643,137)
Taxation (charge) / credit	7	(2,948)	5,956
Loss after taxation		(392,061)	(637,181)
Minority interests		238,011	168,978
Loss attributable to shareholders	8	(154,050)	(468,203)
Loss per share	10	2.1 cents	6.2 cents

Consolidated Balance Sheet

As At 31st March 2002

	Note	2002 HK\$'000	2001 HK\$'000
Goodwill	11	26,415	–
Fixed assets	12	4,879,527	4,679,760
Jointly controlled entities	14	327,843	300,806
Associated companies	15	675,932	680,192
Mortgage loans receivable		52,603	93,364
Current assets			
Properties held for / under development for sale	16	1,224,082	1,908,966
Completed properties held for sale	16	867,923	907,516
Hotel and restaurant inventories		3,701	3,395
Debtors and prepayments	17	378,747	354,407
Other investments	18	400,287	277,046
Tax recoverable		1,726	2,957
Bank balances and cash	19	340,306	490,710
		3,216,772	3,944,997
Current liabilities			
Creditors and accruals	20	272,444	282,101
Short term bank loans and overdrafts			
Secured		282,826	149,081
Unsecured		33,000	58,360
Current portion of long term loans	23	314,085	289,024
Convertible notes	24	60,000	–
Convertible bonds	25	–	251,290
Taxation		12,133	29,878
		974,488	1,059,734
Net current assets		2,242,284	2,885,263
		8,204,604	8,639,385
Financed by:			
Share capital	21	37,457	37,457
Reserves	22	2,732,094	2,857,710
Shareholders' funds		2,769,551	2,895,167
Long term loans	23	2,453,393	2,442,053
Convertible notes	24	–	60,000
Convertible bonds	25	290,000	–
Minority interests and loans	26	2,691,660	3,242,165
		8,204,604	8,639,385

Fung Siu To, Clement
Director

Lun Pui Kan
Director

Balance Sheet

As At 31st March 2002

	<i>Note</i>	2002 HK\$'000	2001 HK\$'000
Subsidiaries	13	4,376,668	4,382,224
Current assets			
Debtors and prepayments		882	1,482
Bank balances and cash		4	5
		886	1,487
Current liabilities			
Creditors and accruals		953	1,018
Convertible notes	24	60,000	–
		60,953	1,018
Net current (liabilities) / assets		(60,067)	469
		4,316,601	4,382,693
Financed by:			
Share capital	21	37,457	37,457
Reserves	22	4,279,144	4,285,236
Shareholders' funds		4,316,601	4,322,693
Convertible notes	24	–	60,000
		4,316,601	4,382,693

Fung Siu To, Clement
Director

Lun Pui Kan
Director

Consolidated Cash Flow Statement

For The Year Ended 31st March 2002

	Note	2002 HK\$'000	2001 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	30(a)	150,742	51,868
Net tax paid		(8,058)	(2,762)
Interest paid		(202,630)	(284,421)
Dividends paid to minority shareholders of subsidiaries		–	(7,930)
Net cash used in operating activities		(59,946)	(243,245)
Cash flows from investing activities			
Interest received		44,091	49,601
Dividends received from associated companies		5,940	850
Dividends received from listed investments		947	5
Proceeds on disposal of other investments		59,290	39,710
Purchase of other investments		(195,563)	(238,022)
Addition to fixed assets		(114,430)	(180,151)
Proceeds on disposal of fixed assets		76	8
Acquisition of subsidiaries	30(b)	(190,468)	(6,850)
Disposal of subsidiaries	30(c)	107,672	–
Increase in advances to associated companies		(13,471)	(6,020)
Decrease / (increase) in advances to jointly controlled entities		12,148	(94,288)
Net cash used in investing activities		(283,768)	(435,157)
Net cash used before financing activities		(343,714)	(678,402)

	<i>Note</i>	2002 HK\$'000	2001 HK\$'000
Net cash used before financing activities		(343,714)	(678,402)
Cash flows from financing activities			
Decrease in restricted bank balances		41,425	1,364
Drawdown of long term bank loans		933,242	1,366,440
Repayment of long term bank loans		(881,182)	(1,426,635)
Issue of convertible bonds		290,000	–
Repayment of convertible bonds		(251,290)	–
Repayment of exchangeable bonds		–	(70,826)
Issue of convertible notes		–	60,000
Share issue expenses		–	(105)
Increase in short term bank loans		70,250	120,000
Proceeds from spin-off of a subsidiary (net of related expenses)		–	282,370
(Decrease)/ increase in loans from minority shareholders of subsidiaries		(14,159)	7,575
Exercise of warrants		153	–
Net cash from financing activities	<i>30(d)</i>	188,439	340,183
Net decrease in cash and cash equivalents			
		(155,275)	(338,219)
Cash and cash equivalents at beginning of the year		339,566	677,590
Changes in exchange rates		2,442	195
Cash and cash equivalents at end of the year		186,733	339,566
Analysis of the balances of cash and cash equivalents			
Bank balances (excluding pledged deposits and balances held in trust)		302,309	417,007
Short term bank loans and overdrafts		(115,576)	(77,441)
		186,733	339,566

Consolidated Statement of Changes in Equity

For The Year Ended 31st March 2002

	Note	2002 HK\$'000	2001 HK\$'000
Balance at beginning of the year		2,895,167	3,126,373
Exchange differences arising on translation of accounts of overseas subsidiaries, jointly controlled entities and associated companies	22	(165)	(5,928)
Revaluation (deficit) / surplus on investment properties			
Subsidiaries	22	(35,440)	16,069
Associated companies	22	(3,524)	(5,288)
Revaluation surplus on hotel properties	22	60,853	47,630
Revaluation deficit on other properties	22	(7,634)	(3,193)
Release of goodwill upon impairment	22	–	234,000
Release of reserves upon disposal / deemed disposal of subsidiaries and associated company			
Investment properties revaluation reserve	22	–	(617)
Hotel properties revaluation reserve	22	–	(20,912)
Other properties revaluation reserve	22	–	(340)
Revenue reserve	22	–	556
Capital reserve	22	9,429	(24,875)
Exchange reserve released on liquidation of a subsidiary	22	4,915	–
Net gains not recognised in the profit and loss account		28,434	237,102
Loss for the year attributable to shareholders	22	(154,050)	(468,203)
Issue of bonus shares	21 & 22	–	(105)
Balance at end of the year		2,769,551	2,895,167

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

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

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

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

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

The effects of adopting these SSAPs are set out below:

(i) Goodwill

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

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

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

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

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

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

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

(c) Subsidiaries

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

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

(d) Jointly controlled entities

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

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

(e) Associated companies

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

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Goodwill

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

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

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

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

(g) Other investments

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

(h) Fixed assets

(i) Investment properties

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

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

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Fixed assets (continued)

(ii) Hotel properties

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

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

(iii) Other properties

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

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

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

Leasehold land	Unexpired term of leases
Buildings	50 years

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Fixed assets (continued)

(iii) Other properties (*continued*)

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

(iv) Properties under development for investment

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

No depreciation is provided on properties under development for investment.

(v) Other fixed assets

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

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

(vi) Impairment of fixed assets

The carrying amounts of other fixed assets and properties which are stated at cost less accumulated depreciation are reviewed regularly. When the estimated recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts. Expected future cash flows have been discounted in determining the recoverable amount.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Properties held for / under development for sale

Properties held for / under development for sale are included in current assets and comprise land at cost, construction costs, interest and other direct costs attributable to such properties and attributable profits taken to-date, less sales instalments received and allowances for any foreseeable losses.

When a development property is sold in advance of completion, profit is recognised over the course of the development and is computed each year as a proportion of the total estimated profit to completion; the proportion used being the lower of the proportion of the construction works completed and the proportion of sales proceeds received and receivable at the balance sheet date to total sales proceeds.

Where purchasers fail to pay the balance of the purchase price on completion and the Group exercises its entitlement to resell the property, sales deposits received in advance of completion which are forfeited are credited to operating profit; and any profits recognised up to the date of completion are written back.

(j) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises land at cost, construction costs, interest and other direct expenses capitalised during the course of development. Net realisable value is determined by the Directors based on prevailing market conditions.

(k) Hotel and restaurant inventories

Hotel and restaurant inventories comprise consumables and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis.

(l) Provisions

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

(m) Deferred taxation

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(n) Revenue recognition

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

- (i) Properties held for / under development for sale

Revenue from sales of development properties for sale is recognised as set out in note (i) above.

- (ii) Completed properties held for sale

Revenue from sales of completed properties held for sale is recognised upon completion of the sale and purchase contracts.

- (iii) Investment properties

Rental income from investment properties is recognised on a straight line basis over the terms of the respective leases.

- (iv) Hotel, travel agency and management services businesses

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

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

Management fee income is recognised when services are rendered.

- (v) Investment and others

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

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

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

(o) Foreign currencies

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Foreign currencies (continued)

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

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

(p) Borrowing costs

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

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

(q) Operating leases

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

(r) Retirement benefits costs

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

(s) Cash and cash equivalents

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

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions within three months from the date of placement, less advances from banks and financial institutions repayable within three months from the date of advance.

2. TURNOVER AND SEGMENT INFORMATION

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

Primary reporting format - business segments

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

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

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

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

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

2. TURNOVER AND SEGMENT INFORMATION (continued)

Secondary reporting format - geographical segments

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

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

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

3. OTHER CHARGES

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

4. OPERATING LOSS

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

(a) Net rental income

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

(b) Staff costs

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

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

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

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

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

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

5. FINANCE COSTS

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

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

6. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

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

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

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

The emoluments of individual Directors fell within the following bands:

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

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

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

7. TAXATION (CHARGE) / CREDIT

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

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

7. TAXATION (CHARGE) / CREDIT (continued)

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

8. LOSS ATTRIBUTABLE TO SHAREHOLDERS

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

9. DIVIDEND

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

10. LOSS PER SHARE

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

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

11. GOODWILL

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

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

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

12. FIXED ASSETS

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

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

12. FIXED ASSETS (continued)

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

13. SUBSIDIARIES

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

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

14. JOINTLY CONTROLLED ENTITIES

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

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

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

Details of the principal jointly controlled entities are set out in note 31.

15. ASSOCIATED COMPANIES

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

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

Advances to associated companies are made to finance property development projects. Except for an amount of HK\$3,035,000 (2001: HK\$3,578,000) due from an associated company which is interest bearing at prime rate, the remaining amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment.

Details of the principal associated companies are set out in note 31.

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

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

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

17. DEBTORS AND PREPAYMENTS

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

Trade debtors amounted to HK\$55,953,000 (2001: HK\$84,336,000) of which 87% (2001: 97%) were aged under six months. The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

18. OTHER INVESTMENTS

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

19. BANK BALANCES AND CASH

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

20. CREDITORS AND ACCRUALS

Creditors and accruals include trade creditors, rental and management fee deposits, interest and other payables, retentions payable of construction costs and various accruals. Trade creditors amounted to HK\$48,552,000 (2001: HK\$13,294,000), all of which (2001: 98%) were aged under six months.

21. SHARE CAPITAL

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

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

Notes:

Company

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

Subsidiaries

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

22. RESERVES

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

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

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

22. RESERVES (continued)

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

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

23. LONG TERM LOANS

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

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

24. CONVERTIBLE NOTES

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

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

25. CONVERTIBLE BONDS

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

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

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

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

26. MINORITY INTERESTS AND LOANS

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

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

27. CAPITAL COMMITMENTS

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

28. OPERATING LEASE ARRANGEMENTS

(a) Lessor

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

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

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

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

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

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

29. CONTINGENT LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

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

Subsidiaries

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

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

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

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

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

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

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

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

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

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

32. APPROVAL OF ACCOUNTS

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

Five Year Financial Summary

	Year ended 31st March				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
RESULTS					
Turnover	866,888	748,937	1,420,351	1,074,492	2,886,880
(Loss) / profit before taxation	(389,113)	(643,137)	(576,271)	(62,468)	887,464
(Loss) / profit attributable to shareholders	(154,050)	(468,203)	(461,213)	(43,594)	453,010
ASSETS AND LIABILITIES					
Total assets	9,179,092	9,699,119	9,573,730	9,951,529	10,120,306
Total liabilities	(3,717,881)	(3,561,787)	(3,599,284)	(4,958,478)	(3,910,754)
Minority interests and loans	(2,691,660)	(3,242,165)	(2,848,073)	(1,914,097)	(2,503,926)
Shareholders' funds	2,769,551	2,895,167	3,126,373	3,078,954	3,705,626

Certain comparatives have been restated as a result of the adoption of SSAP 30 "Business combinations" and SSAP 31 "Impairment of assets" whereby goodwill was charged to the profit and loss account in the period in which impairment has occurred.

Proforma Combined Balance Sheet of Affiliated Companies as at 31st March 2002

The Group had amounts due from and loans to certain affiliated companies in a total sum of HK\$1,135 million (before Group's provisions) and guarantees given to banks for facilities utilised of HK\$384 million totalling HK\$1,519 million as at 31st March 2002 which exceeds 25% of the Group's net assets. A proforma combined balance sheet of certain affiliated companies with major financial assistance from the Group and the Group's attributable interest in these affiliated companies are presented below:

	Proforma combined balance sheet 2002 HK\$'000	Group's attributable interest 2002 HK\$'000
Fixed assets	4,515	1,618
Goodwill	3,000	1,500
Investment properties	940,000	310,200
Investment securities	928	371
Jointly controlled entities	34,548	7,166
Properties held for / under development for sale	2,140,298	1,065,875
Current assets	108,980	38,925
Current liabilities	(107,410)	(58,933)
Long term bank and other loans	(829,550)	(383,589)
Minority interests	9,477	4,739
Shareholders' advances	(2,343,174)	(1,135,182)
	(38,388)	(147,310)

Extracts From The Audited Consolidated Accounts of Asia Standard International Group Limited

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

To provide shareholders with further information on the financial performance and position of Asia Standard, the following is a summary of the audited consolidated accounts of Asia Standard for the year ended 31st March 2002.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2002

	2002 HK\$'000	2001 HK\$'000
Turnover	838,868	672,522
Cost of sales	(648,231)	(510,739)
Gross profit	190,637	161,783
Administrative expenses	(137,480)	(138,857)
Other charges	(279,755)	(167,302)
Operating loss	(226,598)	(144,376)
Finance costs	(107,844)	(135,969)
Share of profits less losses of		
Jointly controlled entities	(67,870)	(5,328)
Associated companies	(88,788)	(81,601)
Loss before taxation	(491,100)	(367,274)
Taxation (charge) / credit	(3,416)	6,424
Loss after taxation	(494,516)	(360,850)
Minority interests	13,151	3,196
Loss attributable to shareholders	(481,365)	(357,654)
Loss per share	11.7 cents	8.7 cents

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2002

	2002 HK\$'000	2001 HK\$'000
Goodwill	26,415	–
Fixed assets	4,879,527	4,679,760
Jointly controlled entities	215,387	295,435
Associated companies	591,366	680,186
Mortgage loans receivable	52,603	93,364
Current assets		
Properties held for / under development for sale	1,224,082	1,996,020
Completed properties held for sale	867,923	907,516
Hotel and restaurant inventories	3,701	3,395
Debtors and prepayments	282,072	246,740
Other investments	106,819	77,801
Tax recoverable	1,716	2,957
Bank balances and cash	211,844	270,763
	2,698,157	3,505,192
Current liabilities		
Creditors and accruals	268,752	279,629
Short term bank loans and overdrafts		
Secured	129,924	149,081
Unsecured	33,000	58,360
Convertible bonds	–	251,290
Current portion of long term loans	314,085	289,024
Taxation	12,131	29,410
	757,892	1,056,794
Net current assets	1,940,265	2,448,398
	7,705,563	8,197,143
Financed by:		
Share capital	41,126	41,122
Reserves	4,102,612	4,563,306
Shareholders' funds	4,143,738	4,604,428
Convertible bonds	290,000	–
Long term loans	2,453,393	2,442,053
Minority interests and loans	818,432	1,150,662
	7,705,563	8,197,143

Principal Properties

As At 31st March 2002

Properties	Group's interest	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type
I Investment properties held for rental purposes				
1 Asia Standard Tower 59-65 Queen's Road Central, Hong Kong.	53.4%	8,000	133,000	Commercial
2 Asia Orient Tower* Town Place, 33 Lockhart Road, Wanchai, Hong Kong.	53.4%	7,000	114,000	Commercial
3 Goldmark 502 Hennessy Road, Causeway Bay, Hong Kong.	17.6%	6,000	106,000	Commercial
* Gross floor area of approximately 24,900 sq.ft. of this property are for the Group's internal use and have been classified as other properties in the balance sheet as at 31st March 2002.				
II Hotel properties				
4 Empire Hotel 33 Hennessy Road, Wanchai, Hong Kong.	40.6%	11,000	184,000 (345 rooms)	Hotel
5 Empire Landmark Hotel 1400 Robson Street, Vancouver B.C., Canada.	40.6%	41,000	420,000 (358 rooms)	Hotel
6 Empire Hotel Kowloon 62 Kimberly Road, Tsimshatsui, Kowloon.	40.6%	11,400	220,000 (315 rooms)	Hotel

Properties	Group's interest	Approx. gross floor area (sq. ft.)	Type	
III Completed properties held for sale				
Hong Kong				
7	Portion of office floors and shops at 28 Marble Road, North Point, Hong Kong.	42.7%	87,000	Commercial
8	8 Wing Hing Street, Causeway Bay, Hong Kong.	53.4%	108,000	Commercial
9	Bayshore Apartments 244 Aberdeen Main Road, Hong Kong.	48.1%	3,000	Residential
10	Westview Height 163 Belcher's Street, Hong Kong.	53.4%	5,000	Commercial
11	Bijou Court 171 Prince Edward Road, Mongkok, Kowloon.	26.7%	14,000	Commercial/ Residential
12	Hing Wah Apartments 38 Hing Wah Street, Shamshui, Kowloon.	26.7%	6,000	Commercial
13	Royal Jubilee 88 San Shing Avenue, Sheung Shui, New Territories.	53.4%	20,000	Commercial/ Residential
14	Royalton Phase II 116 Pokfulam Road, Pokfulam, Hong Kong.	53.4%	26,000	Residential
Mainland China				
15	Palace Apartment Ya Bao Road, Chaoyang District, Beijing.	53.4%	24,000	Residential

Principal Properties

Properties	Group's interest	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type	Stage and estimated date of completion	
IV Properties held for / under development						
16	238-242 Aberdeen Main Road, Hong Kong.	53.4%	16,200	136,000	Commercial/ Residential	Foundation (2003)
17	The Oakridge Yiu Hing Road, Shaukeiwan, Hong Kong.	53.4%	9,500	100,000	Residential	Superstructure (2002)
18	19 Sze Shan Street, Yau Tong, Kowloon.	53.4%	27,000	170,000	Commercial/ Residential	Planning (2005)
19	117 Repulse Bay Road, Hong Kong.	26.8%	17,180	55,000	Residential	Foundation (2003)
20	157 Prince Edward Road, Mongkok, Kowloon.	26.7%	7,400	87,000	Service apartment	Superstructure (2003)
21	8A-8F Shiu Fai Terrace, Hong Kong.	26.7%	29,900	120,000	Residential	Foundation (2003)
22	Hung Shui Kiu, Yuen Long, New Territories.	42.7%	94,000	514,000	Commercial/ Residential	Planning (2005)