



Asia Orient
Holdings Limited



Annual Report | 2003

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Empire Hotel, Basement 2, 33 Hennessy Road, Wanchai, Hong Kong on 27th August 2003 (Wednesday) at 10:30a.m. for the following purposes:–

1. To receive and consider the audited financial statements and the reports of the Directors and auditors for the year ended 31st March 2003;
2. To re-elect retiring Director and approve the remuneration of Directors;
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\$0.10 each in the capital of the Company (“Shares”) and securities convertible into Shares or warrants or similar rights to subscribe for Shares and to make or grant offers, agreements and options which might require the exercise of such powers;
- (b) the approval in paragraph 4A(a) shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally, or unconditionally, to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph 4A(a) and 4A(b), otherwise than pursuant to:–
 - (i) a Rights Issue (as defined in paragraph 4A(d));
 - (ii) the exercise of rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares;
 - (iii) the exercise of subscription or conversion right under the terms of any warrants of the Company or any option granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of options to subscribe for or rights to acquire Shares; and
 - (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-Laws of the Company;

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

(d) for the purpose of this Resolution:–

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

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

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

B. “THAT

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

(c) for the purpose of this Resolution:–

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

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

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

By Order of the Board
Chiu Yuk Ching
Secretary

Dated 22nd July 2003

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

Notes:–

- (1) *Every member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.*
- (2) *A form of proxy for use at the above meeting is enclosed herewith.*
- (3) *Where there are joint holders of any shares, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto provided that if more than one 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.*

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Directors and Senior Management

DIRECTORS

FUNG Siu To, Clement

Age 55. 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 of the Company.

LIM Yin Cheng

Age 58. Deputy Chairman of the Company, Asia Standard and Asia Standard Hotel, Executive Director and Chief Executive Officer of Q9. Mr. Lim is a holder of 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 of the Company.

POON Jing

Age 48. 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 of the Company respectively.

LUN Pui Kan

Age 40. 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 45. 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 50. 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 46. Independent Non-executive Director of the Company. Mr. Cheung has over 15 years of experience in the finance field. He was appointed as an Independent Non-executive Director of the Company in June 1996.

SENIOR MANAGEMENT

WONG Shu Pui

Age 48. 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 hotel 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 2003 to the shareholders.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

Results

Turnover for the year amounted to HK\$1,214 million, representing an increase of 40% over last year. Loss attributable to shareholders was HK\$375 million, a 144% increase from HK\$154 million of last year. Net assets decreased by HK\$540 million to HK\$2.23 billion, or HK\$14.88 per share.

Property sales, leasing and development

The Group's shareholding in Asia Standard International Group Limited ("Asia Standard") remained at 53.4% as at 31st March 2003. Mainly affected by provisions on properties, Asia Standard recorded a loss attributable to shareholders of HK\$283 million. This represents a 41% decrease from HK\$481 million of last year. Turnover on property sales were nearly doubled to HK\$470 million compared with HK\$254 million of last year. Majority of sales was generated from the luxurious Royalton II at Pokfulam and the mid market residential Oakridge at Shaukeiwan, which were launched to market towards the end of the previous financial year. Over 70% for Royalton II and all residential units for Oakridge are sold.

Rental income maintained approximately the same despite the high occupancy rate achieved by the office building, 8 Wing Hing Street in Causeway Bay, its effect was offset by the sale of one whole retail floor in 28 Marble Road, which was previously earning rental income. Rental income for Asia Orient Tower and Asia Standard Tower were quite stable.

The construction of two luxurious developments at Repulse Bay and Shiu Fai Terrace progress smoothly following the conclusion of land premium at beginning of the financial year. Completion is expected towards the third quarter of year 2003. Presale consent was applied and sales campaign will be launched shortly.

The Group has also been actively pursuing the lease modification and land premium negotiation of four development sites totalling approximately 860,000 sq.ft. gross floor area.



Grosvenor Place, Repulse Bay

Hotel

The hotel subsidiary contributes HK\$448 million (2002: HK\$425 million) to the Group's turnover, accounting for 37%. The full operation of Empire Hotel Kowloon since March 2002 accounts for the overall revenue increase in this sector. Visitors to Hong Kong increased substantially during the year due to significant influx of Mainland travelers until the outbreak of SARS in early March 2003. The situation improves lately since WHO uplifted the travel warning to Hong Kong towards the end of May 2003. Management exercise stringent cost control to maintain the competitiveness and profitability of our Group's hotels.



Lobby



The Empire Hotel, Kowloon



Products with Q9 Chinese Input System embedded

Investments

The 32% owned GEM board listed technology investments, Q9 Technology Holdings Limited ("Q9 Holdings") once again won the 2002 Federation of Hong Kong Industries Consumer Product Design Award by its newly developed Q9 CIS English version. Agreement was established with the Vocational Training Council for Q9 Chinese input skill be a recognised qualification by employers in Hong Kong. The company commence to have licensing fees from those phone

manufacturers with Q9 CIS embedded in their products. In Shangdong Province, Q9 CIS has been endorsed as an educational tool for primary and secondary schools. In March 2003 the company signed agreement with a subsidiary of UTStarcom Telecom to deploy Q9 CIS in all its products which require Chinese Input System. We anticipate Q9 Holdings' results will improve in the years ahead.

Following the Group's initial investments at end of last financial year on medical and health sector, further investments were made in this area of medical and health sector on (i) commercial sponsorship of research and development project carried out by the Beijing Medical University on athletic and diabetes drinks to reduce fat level in human blood and improve sports performance of athletics. The research is in its initial stage and expect to last another 2 years before commercial production of its end products; (ii) distribution in Asia of a personal beauty and healthcare system which, by deploying a patented micro-nebulisation treatment, penetrates every cell in the human body with soluble health substances (e.g. minerals, vitamins) and revitalise it, thereby retarding the aging process. Programme to enter into China and Japan market is underway.

The Group maintains its 40% interests in China Infobank which possesses one of the largest database of mainland Chinese 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 its investments in web-based software developer.



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FINANCIAL REVIEW

At 31st March 2003, the Group's net asset value per share was HK\$14.88, compared with HK\$18.49 at 31st March 2002 (adjusted for the share consolidation in November 2002). Gearing ratio is 64% (2002: 58%) with a net debt of HK\$2,818 million and shareholders funds plus minority interests of HK\$4,413 million. The Group held HK\$143 million marketable securities at year end. Interest cost reduced significantly by 25% resulting from the low interest environment compared with last year.

All the Group's borrowings are in Hong Kong dollars except for the mortgage loan of the Vancouver hotel which is denominated in Canadian dollars, the loan is served by the Canadian Dollars receipts of the hotel and accordingly there is no exchange risk exposure. Over 82% (2002: 80%) of the Group's borrowings were repayable after one year, with repayment schedules spreading over a long period of time to over 10 years.

As at 31st March 2003, properties with an aggregate net book value of HK\$5,897 million (2002: HK\$6,212 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\$482 million (2002: HK\$416 million).

During the year, the Group undergo a capital reorganisation of consolidating 50 shares of the Company into one shares and reduction of nominal value of each share from HK\$0.25 (after share consolidation) to HK\$0.10. The scheme was effective on 12th November 2002.

On 16th January 2003, the Company successfully placed HK\$60 million convertible notes. The notes bear 5% interest per annum for a conversion period of two years at conversion price of HK\$1.10 during the first year and HK\$1.20 during the second year.

EMPLOYEES AND REMUNERATION POLICIES

At 31st March 2003, the Group employed a total of 606 full time employees, with over 59% working for the hotel subsidiary group and 34% for building management services. Their remuneration package, which commensurate with their job nature and experience level, include basic salary, annual bonus, retirement and other benefits. There was no share option granted during the year.

PROSPECTS

Over the last year Hong Kong is still experiencing low asset prices, which certainly attract people to acquire real estate in this low interest rate environment. The long awaited government housing policy announced in November 2002, conveyed its intentions and positive support to the public of preventing further drop in property price and ultimately let the general public re-build their confidence in this sector. Coupled with the further drop in interest rate in the same month, the property sector became stable and will gradually improve in the coming year.

After the 9-11 event, the travel industry worldwide has been temporarily disrupted. Situation in Hong Kong has improved rapidly thereafter and the significant growth of PRC visitors have been a major contributor. The trend is however reversed towards the end of the financial year with the sudden outbreak of SARS. Business dropped to a historic low not encountered before. Hong Kong is now removed from WHO's list of infected area, and the government is spending huge sum of money (over HK\$10 billion) to regain the prosperity prior to the outbreak.

In the past few years, apart from the real estates and hotels, the Group has been gradually investing in other business in the technology arena, including information technology, medical and health. These investments are at the start up stages and with careful nurturing, we have confidence that these projects will contribute to the profit of the Group.

Fung Siu To, Clement

Chairman

Hong Kong, 22nd July 2003

Report of the Directors

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

PRINCIPAL ACTIVITIES AND 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 35 to the accounts.

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

RESULTS AND APPROPRIATIONS

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

The Directors do not recommend the payment of a dividend.

FINANCIAL SUMMARY

A five year financial summary of the results and of the assets and liabilities of the Group is set out on page 69.

DONATIONS

No charitable and other donations were made during the year (2002: 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 25 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties of the Group are set out on pages 73 to 76.

DIRECTORS

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

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set out on pages 6 to 7.

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 17, and that of its subsidiaries, Asia Standard International Group Limited ("Asia Standard") and Asia Standard Hotel Group Limited ("Asia Standard Hotel"), at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st March 2003, 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:

Interests in shares**a) The Company**

Name of Director	Personal interests	Number of shares held		Total as at 31st March 2003
		Family interests	Corporate interests	
Mr. Poon Jing	31,714,396	1,396,520	38,011,695	71,122,611
Mr. Fung Siu To, Clement	969,400	–	–	969,400

b) Subsidiaries

Name of Director	Name of subsidiary	Number of shares held		Total as at 31st March 2003
		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	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.

Interests in share options

a) The Company

Options to subscribe for 300,000 shares (note) were granted to each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Kwan Po Lam, Phileas and Lun Pui Kan, all being the Directors of the Company, on 14th February 2000. These options are exercisable from 14th March 2000 to 13th February 2010 at an exercise price of HK\$17.33 per share (note). During the year, no option was granted, exercised, cancelled or lapsed. As at 1st April 2002 and 31st March 2003, each of these Directors held options to subscribe for 300,000 shares of the Company.

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

b) Subsidiary - Asia Standard

Options to subscribe for 1,750,000 shares of Asia Standard were granted to Mr. Lun Pui Kan on 27th February 1995. The options are exercisable from 27th March 1995 to 27th March 2005 at an exercise price of HK\$0.384 per share. No option was exercised, cancelled or lapsed during the year. As at 1st April 2002 and 31st March 2003, Mr. Lun Pui Kan held options to subscribe for 1,750,000 shares of Asia Standard.

c) Associated company - Q9 Technology Holdings Limited

As at 31st March 2003, details of the share options granted to Directors under the share option schemes are as follows:

Name of Director	Exercise period	Outstanding as at 1st April 2002 and 31st March 2003	
		Pre-IPO Share Option Scheme	Share Option Scheme adopted on 7th May 2001
Lim Yin Cheng	See note 1	84,480,000	–
Fung Siu To, Clement	See note 2	2,560,000	–
Lun Pui Kan	See note 2	1,920,000	–
	18th May 2001 to 17th May 2011	–	3,000,000
Kwan Po Lam, Phileas	18th May 2001 to 17th May 2011	–	1,000,000

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

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

Commencement date when the options shall vest and be exercisable	% of options exercisable by each grantee (Note 1)	in respect of options granted (Note 2)
a. 18th November 2001	10%	10%
b. 18th May 2002	10%	20%
c. 18th November 2002	10%	20%
d. 18th May 2003	20%	20%
e. 18th November 2003	20%	20%
f. 18th May 2004	20%	10%
g. 18th November 2004	10%	

Save as disclosed above, as at 31st March 2003, none of the Directors or Chief Executives or their spouse or children under 18 years of age were granted or exercised any right to subscribe for any equity or debt securities of the Company or any its associated corporation.

SUBSTANTIAL SHAREHOLDERS

At 31st March 2003, 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 2003
Mr. Poon Jing	31,714,396
Teddington Holdings Limited ("Teddington")	15,856,581

Mr. Poon Jing, the companies controlled by him and his family together hold 71,122,611 shares.

Teddington is controlled by Mr. Poon Jing and the interest 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

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

For incentive purpose, the Old Option Scheme was adopted on 28th August 1996 whereby options may be granted to employees of the Company and its subsidiaries including the executive Directors, to subscribe for shares of the Company, and will expire on 17th September 2006. The maximum number of shares in respect of options which may be granted under the Old Option Scheme may not exceed 10% of the issued share capital of the Company in issue from time to time. The maximum entitlement of each participant is 25% of the aggregate number of shares issued or issuable under the Old Option Scheme. The cash consideration to be paid for acceptance of each option is HK\$10. Options granted had to be accepted within 28 days from the date of the letter by which the option is granted. No option shall be exercised later than 10 years after the date of grant. The exercise price was the higher of (a) the nominal amount of a share and (b) not less than 80% of the arithmetical average of the closing price of a share on the Stock Exchange of each of the five trading days immediately preceding the date of the offer of any option.

On 11th November 2002, the Old Option Scheme was resolved by the shareholders of the Company to be cancelled. However, the options granted under the Old Option Scheme are still exercisable in accordance with the terms of the Old Option Scheme.

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

Pursuant to an ordinary resolution passed at the Special General Meeting of the Company held on 11th November 2002, the Company adopted the New Option Scheme to replace the Old Option Scheme.

According to the New Option Scheme, the board of Directors of the Company may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiary or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, acknowledge the contributions of, motivate and maintain relationship with the eligible participants.

The total number of shares which may be issued upon exercise of all options to be granted under the New Option Scheme must not exceed 14,982,643 shares, representing 10% of the shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time. The maximum

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

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

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

No option has been granted under the New Option Scheme since its adoption.

The following table discloses details of the Company's options granted under the Old Option Scheme held by employees (including Directors) and movement in such holdings during the year:

Grantee	Outstanding as at 1st April 2002	Outstanding as at 31st March 2003
Directors	1,200,000	1,200,000
Former Director of subsidiary	300,000	300,000
Employees	3,750,000	3,750,000

Notes:

- (1) No option was granted, cancelled, lapsed or exercised during the year.
- (2) All options are exercisable at an exercise price of HK\$17.33 per share (adjusted from HK\$0.3466 per share due to consolidation of 50 shares of HK\$0.005 each into 1 share of HK\$0.1 each).
- (3) All options were granted on 14th February 2000 and exercisable from 14th March 2000 to 13th February 2010.
- (4) The option granted to the former Director of subsidiary will be lapsed if not exercise on or before 21st January 2004.

Subsidiaries

1. Asia Standard

The share option scheme of Asia Standard expired on 22nd January 2002. As at 31st March 2003, there were 1,750,000 options granted to a Director outstanding. The options are exercisable in accordance with the terms of the expired share option scheme.

2. Asia Standard Hotel

The share option scheme was adopted on 24th May 2000 whereby options may be granted to the employees, including executive Directors of Asia Standard Hotel and its subsidiaries, to subscribe for shares of Asia Standard Hotel. The share option scheme was designed to provide incentive to employees of Asia Standard Hotel and its subsidiaries and will remain in force for a period of ten years commencing on 24th May 2000. The maximum number of shares in respect of options may be granted under the share option scheme may not exceed 10% (505,210,868 shares at the date of this report) of the issued share capital of Asia Standard Hotel in issue from time to time. The maximum entitlement of each participant is 25% of the aggregated number of shares issued or issuable under the share option scheme. The grantee has to pay HK\$1 to Asia Standard Hotel for acceptance of each option within 28 days from the date of letter by which the option is granted. No option shall be exercised later than 10 years from the date of grant. The exercise price was the higher of (a) the nominal amount of a share; and (b) not less than 80% of the average of the closing price of a share on the Stock Exchange of each of the five trading days immediately preceding the date of the offer of any option.

In accordance with Chapter 17 (Share Scheme) of Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited (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	21.1%
Percentage of purchases attributable to the Group's five largest suppliers	54.9%
Percentage of sales attributable to the Group's largest customer	2.2%
Percentage of sales attributable to the Group's five largest customers	6.3%

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 Listing Rules:

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

The net profit before interest and taxation of JBC for the year ended 31st March 2003 is HK\$294,000 (2002: HK\$856,000). Accordingly, Mr. Poon Jing is required to pay an amount equal to the shortfall of HK\$4,706,000 (2002: HK\$4,144,000) to the Group. Mr. Poon Jing is a connected person by virtue of he being a controlling shareholder of the Group. Asia Standard has a 70% interest in Asia Standard Hotel, a separately listed subsidiary.

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

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 70 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, 22nd July 2003

Report of the Auditors

TO THE SHAREHOLDERS OF ASIA ORIENT HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 23 to 68 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

BASIS OF OPINION

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

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

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st March 2003 and of the 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, 22nd July 2003

Consolidated Profit and Loss Account

For The Year Ended 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Turnover	2	1,214,263	866,888
Cost of sales		(957,740)	(645,087)
Gross profit		256,523	221,801
Administrative expenses		(142,750)	(147,564)
Provisions and other charges	3	(269,772)	(178,211)
Operating loss	4	(155,999)	(103,974)
Finance costs	5	(139,139)	(117,336)
Share of profits less losses of			
Jointly controlled entities		(59,873)	(72,013)
Associated companies		(150,170)	(95,790)
Loss before taxation		(505,181)	(389,113)
Taxation	8	(3,023)	(2,948)
Loss after taxation		(508,204)	(392,061)
Minority interests		132,849	238,011
Loss attributable to shareholders	9	(375,355)	(154,050)
Loss per share	11	HK\$2.51	HK\$1.03

Consolidated Balance Sheet

As At 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Fixed assets	12	4,423,865	4,879,527
Jointly controlled entities	14	278,096	327,843
Associated companies	15	660,730	675,932
Long term investment	16	1,601	1,001
Goodwill	17	37,300	26,415
Mortgage loans receivable	18	34,277	52,603
Current assets			
Properties held for / under development for sale	19	992,134	1,224,082
Completed properties held for sale	19	729,515	867,923
Hotel and restaurant inventories		2,910	3,701
Debtors and prepayments	20	280,904	377,747
Other investments	21	155,931	400,286
Tax recoverable		827	1,726
Bank balances and cash	22	268,843	340,306
		2,431,064	3,215,771
Current liabilities			
Creditors and accruals	23	245,565	272,444
Short term bank loans and overdrafts			
Secured		195,274	282,826
Unsecured		30,002	33,000
Current portion of long term loans	28	316,085	314,085
Convertible notes	27	–	60,000
Taxation		10,301	12,133
		797,227	974,488
Net current assets		1,633,837	2,241,283
		7,069,706	8,204,604
Financed by:			
Share capital	24	14,983	37,457
Reserves	25	2,214,956	2,732,094
Shareholders' funds		2,229,939	2,769,551
Convertible bonds	26	290,000	290,000
Convertible notes	27	60,000	–
Long term loans	28	2,195,176	2,453,393
Minority interests and loans	29	2,294,591	2,691,660
		7,069,706	8,204,604

Balance Sheet

As At 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Subsidiaries	13	3,730,228	4,376,668
Current assets			
Debtors and prepayments		1,159	882
Bank balances and cash		3	4
		1,162	886
Current liabilities			
Creditors and accruals		1,192	953
Convertible notes	27	–	60,000
		1,192	60,953
Net current liabilities		(30)	(60,067)
		3,730,198	4,316,601
Financed by:			
Share capital	24	14,983	37,457
Reserves	25	3,655,215	4,279,144
Shareholders' funds		3,670,198	4,316,601
Convertible notes	27	60,000	–
		3,730,198	4,316,601

Fung Siu To, Clement
Director

Lun Pui Kan
Director

Consolidated Cash Flow Statement

For The Year Ended 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	33(a)	454,784	151,743
Net tax paid		(2,796)	(8,058)
Interest paid		(149,810)	(202,630)
Net cash from / (used in) operating activities		302,178	(58,945)
Cash flows from investing activities			
Interest received		29,240	44,091
Dividends received from associated companies		19	5,940
Dividends received from other investments		2,676	947
Proceeds on disposal of other investments		356,690	59,290
Purchase of other investments		(197,886)	(195,563)
Purchase of long term investment		–	(1)
Increase in advance to an investee company		(600)	(1,000)
Addition to fixed assets		(1,854)	(114,430)
Proceeds on disposal of fixed assets		–	76
Acquisition of subsidiaries	33(b)	(44,000)	(190,468)
Disposal of subsidiaries	33(c)	–	107,672
Acquisition of associated companies		(139,500)	–
Increase in advances to associated companies		(10,203)	(13,471)
(Increase) / decrease in advances to jointly controlled entities		(10,126)	12,148
Net cash used in investing activities		(15,544)	(284,769)
Net cash generated / (used) before financing activities		286,634	(343,714)

Consolidated Cash Flow Statement

For The Year Ended 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Net cash generated / (used) before financing activities		286,634	(343,714)
Cash flows from financing activities			
(Increase) / decrease in restricted bank balances		(25,560)	41,425
Drawdown of long term bank loans		178,300	933,242
Repayment of long term bank loans		(447,151)	(881,182)
Issue of convertible notes		60,000	–
Repayment of convertible notes		(60,000)	–
Issue of convertible bonds		–	290,000
Repayment of convertible bonds		–	(251,290)
Decrease / (increase) in short term bank loans		(101,200)	68,250
Increase / (decrease) in loans from minority shareholders of subsidiaries		174	(14,159)
Exercise of warrants		–	153
Net cash (used in) / from financing activities	33(d)	(395,437)	186,439
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		219,733	374,566
Changes in exchange rates		222	2,442
Cash and cash equivalents at end of the year		111,152	219,733
Analysis of the balances of cash and cash equivalents			
Bank balances (excluding pledged deposits and balances held in trust)		204,378	302,309
Bank overdrafts		(93,226)	(82,576)
		111,152	219,733

Consolidated Statement of Changes in Equity

For The Year Ended 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Balance at beginning of the year		2,769,551	2,895,167
Exchange differences arising on translation of accounts of overseas subsidiaries, jointly controlled entities and associated companies	25	6,953	(165)
Revaluation deficit on investment properties			
Subsidiaries	25	(58,848)	(35,440)
Associated company	25	(12,954)	(3,524)
Revaluation (deficit) / surplus on hotel properties	25	(94,009)	60,853
Revaluation deficit on other properties	25	(5,399)	(7,634)
Release of goodwill upon deemed disposal of an associated company	25	–	9,429
Exchange reserve released on liquidation of a subsidiary	25	–	4,915
Net (losses) / gains not recognised in the profit and loss account		(164,257)	28,434
Loss for the year attributable to shareholders	25	(375,355)	(154,050)
Balance at end of the year		2,229,939	2,769,551

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

(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.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(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. The Group continues to share losses incurred by associated companies, which is over and above the carrying amounts of the investments, to the extent that the Group has guaranteed obligations or other commitments of these associated companies.

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

(f) Goodwill

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Goodwill (continued)

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 on an individual basis, the excess of the deficit is charged to the profit and loss account.

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

(iii) Other properties

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

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Fixed assets (continued)

(iii) Other properties (continued)

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

Leasehold land	Unexpired term of leases
Buildings	50 years

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

(iv) Properties under development for investment

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

No depreciation is provided on properties under development for investment.

(v) Other fixed assets

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

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(h) Fixed assets (continued)**

- (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.

(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.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Provisions

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

(m) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(n) 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.

(o) Revenue recognition

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

(i) Properties held for / under development for sale

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Revenue recognition (continued)

- (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.

(p) Foreign currencies

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

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.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Borrowing costs

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

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

(r) Operating leases

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

(s) Cash and cash equivalents

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

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. There is no revenue (2002: HK\$4 million) charged by the property sales segment in respect of construction services provided to the hotel and travel segment which 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 2003 HK\$'000	Property leasing 2003 HK\$'000	Hotel and travel 2003 HK\$'000	Investments 2003 HK\$'000	Other operations 2003 HK\$'000	Group 2003 HK\$'000
Segment revenue	470,191	60,691	448,217	133,246	101,918	1,214,263
Contribution to segment results	48,158	54,303	66,128	(25,214)	23,234	166,609
Provisions and other charges	(136,048)	(59,010)	(2,413)	(64,994)	(7,307)	(269,772)
Unallocated corporate expenses						(52,836)
Operating loss						(155,999)
Finance costs						(139,139)
Share of results of						
Jointly controlled entities	(33,031)	–	–	(26,842)	–	(59,873)
Associated companies	(108,142)	(7,979)	(1,158)	(32,908)	17	(150,170)
Loss before taxation						(505,181)
Taxation						(3,023)
Loss after taxation						(508,204)
Minority interests						132,849
Loss attributable to shareholders						(375,355)
	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000
Segment revenue	253,950	61,242	424,884	60,244	66,568	866,888
Contribution to segment results	(25,706)	51,710	45,364	23,083	43,939	138,390
Provisions and 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	(67,870)	–	–	(4,143)	–	(72,013)
Associated companies	(94,836)	6,019	–	(7,002)	29	(95,790)
Loss before taxation						(389,113)
Taxation						(2,948)
Loss after taxation						(392,061)
Minority interests						238,011
Loss attributable to shareholders						(154,050)

2 TURNOVER AND SEGMENT INFORMATION (continued)

Primary reporting format - business segments (continued)

	Properties sales 2003 HK\$'000	Properties leasing 2003 HK\$'000	Hotel and travel 2003 HK\$'000	Investments 2003 HK\$'000	Other operations 2003 HK\$'000	Group 2003 HK\$'000
Segment assets	1,313,823	1,887,619	3,119,716	156,111	238,544	6,715,813
Jointly controlled entities and associated companies	465,045	170,146	11,842	291,629	164	938,826
Unallocated assets						212,294
						<u>7,866,933</u>
Segment liabilities	861,192	720,505	1,342,090	–	66,285	2,990,072
Minority interests and loans						2,294,591
Unallocated liabilities						352,331
						<u>5,636,994</u>
Capital expenditure	8	1,059	764	–	23	1,854
Depreciation	207	3,338	5,283	–	968	9,796
	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	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
						<u>9,179,092</u>
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
						<u>6,409,541</u>
Capital expenditure	45	650	157,482	–	6	158,183
Depreciation	679	487	1,379	–	4,435	6,980

2 TURNOVER AND SEGMENT INFORMATION (continued)

Secondary reporting format - geographical segments

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

	Segment revenue 2003 HK\$'000	Operating profit/(loss) 2003 HK\$'000	Total assets 2003 HK\$'000	Capital expenditure 2003 HK\$'000
Hong Kong	1,141,535	(159,106)	7,135,926	1,840
Mainland China	13,899	(13,192)	350,293	–
Canada	58,829	16,299	380,714	14
	1,214,263	(155,999)	7,866,933	1,854

	2002 HK\$'000	2002 HK\$'000	2002 HK\$'000	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

3 PROVISIONS AND OTHER CHARGES

	2003 HK\$'000	2002 HK\$'000
Provision for diminution in value of		
Properties under development / held for sale	(136,048)	(122,314)
Other properties	(5,307)	–
Revaluation deficit on investment properties	(59,010)	–
Unrealised losses on other investments	(64,994)	(35,430)
Gain on deemed disposal of interest in		
a jointly controlled entity	–	26,472
Loss on disposal of interest in the Panyu development	–	(39,230)
Exchange reserve realised upon liquidation of a subsidiary	–	(4,915)
Gain on partial disposal of catering business	–	4,181
Pre-operating loss of Empire Hotel Kowloon	–	(4,041)
Amortisation of goodwill	(4,413)	(2,934)
	(269,772)	(178,211)

4 OPERATING LOSS

	2003 HK\$'000	2002 HK\$'000
Operating loss is stated after crediting and charging the following:		
Crediting		
Forfeited deposits	487	1,635
Net rental income (note (a))	52,405	51,710
Interest income		
Debt securities	5,875	8,214
Others	22,701	36,265
Dividends from listed investments	2,130	947
Charging		
Operating lease rental expenses for land and buildings	6,187	5,579
Amortisation of goodwill	4,413	2,934
Staff costs, including Directors' emoluments (note 7)	100,843	100,995
Depreciation	9,796	6,980
Auditors' remuneration	3,458	3,897
Loss on disposal of fixed assets	–	1,128
Net realised losses / (gains) on other investments	22,297	(22,136)
Net unrealised losses on other investments	64,994	35,430

(a) Net rental income

	2003 HK\$'000	2002 HK\$'000
Gross rental income		
Investment properties	39,012	39,873
Properties held for sale	21,679	21,369
	60,691	61,242
Outgoings	(8,286)	(9,532)
	52,405	51,710

5 FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest expense		
Long term bank loans	90,613	147,866
Convertible bonds	30,914	21,683
Convertible notes	3,008	3,000
Loans from minority shareholders of subsidiaries	3,116	3,850
Short term bank loans and overdrafts	18,431	14,913
Other incidental borrowing costs	7,375	13,864
	153,457	205,176
Capitalised as cost of properties under development		
Interest expense	(13,443)	(83,375)
Other incidental borrowing costs	(875)	(4,465)
	139,139	117,336

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 5.9% (2002: 6.2%) 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:

	2003 HK\$'000	2002 HK\$'000
Fees (i)	220	220
Salaries, housing allowances and benefits in kind (ii)	25,176	19,520
	25,396	19,740

- (i) Fees paid by the Company to Independent Non-executive Directors.
- (ii) Other emoluments paid to executive Directors include HK\$12,676,000 (2002: HK\$11,520,000) paid by subsidiaries of Asia Standard International Group Limited ("Asia Standard") and HK\$8,500,000 (2002: HK\$2,000,000) paid by subsidiaries of Asia Standard Hotel Group Limited ("Asia Standard Hotel"), both being the Company's listed subsidiaries.

6 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

The emoluments of individual Directors fell within the following bands:

Emoluments band	Number	
	2003	2002
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	2
HK\$3,000,001 - HK\$3,500,000	–	1
HK\$3,500,001 - HK\$4,000,000	1	–
HK\$4,000,001 - HK\$4,500,000	1	–
HK\$9,500,001 - HK\$10,000,000	–	1
HK\$12,500,001- HK\$13,000,000	1	–

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

- (b) The five highest paid individuals in the Group for the year include five (2002: five) Directors whose emoluments are already reflected in the analysis presented above.

7 STAFF COSTS

	2003 HK\$'000	2002 HK\$'000
Wages and salaries	100,352	103,091
Retirement benefits costs (note (i))	3,028	2,995
	103,380	106,086
Capitalised under properties under development	(2,537)	(5,091)
	100,843	100,995

Staff costs are stated inclusive of Directors' emoluments.

Notes:

- (i) Retirement benefits costs

	2003 HK\$'000	2002 HK\$'000
Gross contributions	3,407	3,479
Forfeitures utilised	(379)	(484)
Net contributions	3,028	2,995

7 STAFF COSTS (continued)

(i) Retirement benefits costs (continued)

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

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

The Group also participates in the MPF scheme which are available to all employees not joining the ORSO schemes in Hong Kong and in the CPP organised by the Canadian Government for all employees in Canada. Monthly contributions to the MPF scheme and CPP are made equal to 5% and 4.95% (2002: 4.7%), respectively, of the employee's relevant income in accordance with the local legislative requirements.

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

As at 31st March 2003, forfeitures of HK\$31,000 (2002: HK\$270,000) were available to reduce the Group's future contributions to the ORSO schemes.

(ii) Share options

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

Details of share options held are as follows:

Grantee	Expiry date	Exercise price	2003 Number	2002 Number
Company				
Directors	13th February 2010	HK\$17.33	1,200,000	1,200,000
Former Director of Asia Standard	21st January 2004	HK\$17.33	300,000	300,000
Employees	13th February 2010	HK\$17.33	3,750,000	3,750,000
			5,250,000	5,250,000
Asia Standard				
Director	27th March 2005	HK\$0.384	1,750,000	1,750,000

No share option was granted, exercised, cancelled nor lapsed during the year (2002: nil).

8 TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2002: 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.

	2003 HK\$'000	2002 HK\$'000
Company and subsidiaries		
Hong Kong profits tax	(70)	(493)
Overseas tax	–	(2,323)
(Under) / over provision in prior years	(1,793)	831
	(1,863)	(1,985)
Associated companies		
Hong Kong profits tax	(1,160)	(963)
	(3,023)	(2,948)

Tax losses available at 31st March 2003 to reduce future taxable profits of the subsidiaries to which they relate amounted to approximately HK\$877,000,000 (2002: HK\$864,000,000). 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\$2,100,000 (2002: HK\$2,000,000) as at 31st March 2003. 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.

9 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$646,403,000 (2002: HK\$6,092,000).

10 DIVIDEND

No dividend was declared or proposed for the year (2002: nil).

11 LOSS PER SHARE

The calculation of loss per share is based on loss attributable to shareholders of HK\$375,355,000 (2002: HK\$154,050,000) and on the weighted average of 149,826,429 (2002: 149,826,429) shares in issue during the year. The comparatives have been restated due to consolidation of 50 shares into 1 share during the year.

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

12 FIXED ASSETS

	Investment properties HK\$'000	Hotel properties HK\$'000	Other properties HK\$'000	Properties under development HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Group						
Cost or valuation						
At 31st March 2002	1,469,000	3,221,040	136,814	43,088	63,914	4,933,856
Translation differences	–	29,580	–	–	39	29,619
Reclassification	32,422	–	(32,422)	–	–	–
Additions	1,059	603	–	–	192	1,854
Disposals	–	–	–	–	(5,952)	(5,952)
Cost adjustment	–	(6,726)	–	(618)	–	(7,344)
Elimination against cost on revaluation	–	–	(3,268)	–	–	(3,268)
Deficit on revaluation	(220,681)	(233,877)	(15,417)	–	–	(469,975)
At 31st March 2003	1,281,800	3,010,620	85,707	42,470	58,193	4,478,790
Accumulated depreciation						
At 31st March 2002	–	–	1,725	–	52,604	54,329
Translation differences	–	–	–	–	20	20
Charge for the year	–	–	3,538	–	6,258	9,796
Disposals	–	–	–	–	(5,952)	(5,952)
Elimination against cost on revaluation	–	–	(3,268)	–	–	(3,268)
At 31st March 2003	–	–	1,995	–	52,930	54,925
Net book value						
At 31st March 2003	1,281,800	3,010,620	83,712	42,470	5,263	4,423,865
At 31st March 2002	1,469,000	3,221,040	135,089	43,088	11,310	4,879,527

12 FIXED ASSETS (continued)

- (a) Investment properties comprise long term leasehold land and buildings of HK\$1,281,800,000 (2002: HK\$1,469,000,000) in Hong Kong. They were revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 31st March 2003.
- (b) Hotel properties comprise long term leasehold land and buildings situated in Hong Kong of HK\$1,350,000,000 (2002: HK\$1,480,000,000), medium term leasehold land and buildings in Hong Kong of HK\$1,290,000,000 (2002: HK\$1,400,000,000) and freehold land and buildings situated in Canada of HK\$370,620,000 (2002: HK\$341,040,000). The hotel properties in Hong Kong and Canada were revalued by Knight Frank and Grant Thornton Management Consultants, independent professional valuers, on an open market value basis as at 31st March 2003 respectively.
- (c) Included in other properties is a long term leasehold property stated at valuation of HK\$75,200,000 (2002: HK\$120,998,000). The property was revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 31st March 2003. The carrying amount would have been HK\$70,504,000 (2002: HK\$89,294,000) had it been stated at cost less accumulated depreciation. Also included in other properties are long term leasehold land and buildings of HK\$2,782,000 (2002: HK\$4,634,000) and medium term leasehold land and buildings of HK\$5,730,000 (2002: HK\$9,457,000), both of which are stated at cost less accumulated depreciation and impairment. All these properties are located in Hong Kong.
- (d) Properties under development comprise long term leasehold land and buildings of HK\$42,470,000 (2002: HK\$43,088,000) 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\$4,418,602,000 (2002: HK\$4,868,217,000).

13 SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	2,823,639	2,823,639
Amounts due by subsidiaries less provision	906,589	1,553,029
	3,730,228	4,376,668

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

Details of the principal subsidiaries are set out in note 35.

14 JOINTLY CONTROLLED ENTITIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net liabilities	(173,486)	(138,318)
Goodwill less amortisation	80,932	101,164
Advances to jointly controlled entities less provision	375,072	369,419
Amount due to a jointly controlled entity	(4,422)	(4,422)
	278,096	327,843

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\$265,697,000 (2002: HK\$230,753,000) are subordinated to the repayment of the loans of those jointly controlled entities.

The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment.

Detail of the principal jointly controlled entities are set out in note 35.

15 ASSOCIATED COMPANIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net (liabilities) / assets	(69,795)	94,488
Goodwill less amortisation	82,166	65,484
Advances to associated companies less provision	578,543	537,925
Deposit on acquisition of an associated company	121,000	–
Amounts due to associated companies	(51,184)	(21,965)
	660,730	675,932
Market value of listed shares	12,006	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\$416,796,000 (2002: HK\$372,569,000) are subordinated to the repayment of the loans of those companies.

Except for an amount of HK\$125,000 (2002: HK\$3,035,000) 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 35.

16 LONG TERM INVESTMENT

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

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

17 GOODWILL

	Group HK\$'000
Cost	
At 31st March 2002	29,349
Acquisition of a subsidiary (note 33 (b))	20,004
Cost adjustment (note)	(4,706)
	<u>44,647</u>
At 31st March 2003	44,647
Accumulated amortisation	
At 31st March 2002	2,934
Charge for the year	4,413
	<u>7,347</u>
At 31st March 2003	7,347
Net book value	
At 31st March 2003	37,300
	<u>26,415</u>
At 31st March 2002	<u>26,415</u>

Note:

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

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

18 MORTGAGE LOANS RECEIVABLE

At 31st March 2003, mortgage loans receivable of HK\$16,438,000 (2002: HK\$40,748,000) in aggregate were pledged as security for the Group's long term loans.

19 PROPERTIES HELD FOR / UNDER DEVELOPMENT FOR SALE AND COMPLETED PROPERTIES HELD FOR SALE

At 31st March 2003, properties amounting to HK\$1,478,614,000 (2002: HK\$1,343,462,000) were pledged to banks to secure certain banking facilities of the Group.

At 31st March 2003, properties that were carried at net realisable values were HK\$830,539,000 (2002: HK\$842,289,000) and properties held for deployment in operating leases were HK\$516,212,000 (2002: HK\$611,466,000).

20 DEBTORS AND PREPAYMENTS

Debtors and prepayments include trade debtors, utility and other deposits, stakeholders' accounts, interest and other receivables, receivable of HK\$4,605,000 (2002: HK\$4,144,000) from a Director, Mr. Poon Jing (note 17) and a housing loan of HK\$1,156,000 (2002: HK\$1,224,000) 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 (2002: 2% below prime rate) per annum and the principal is repayable by quarterly instalments of HK\$17,000 each. The maximum outstanding balance during the year was HK\$1,224,000 (2002: HK\$1,292,000).

Trade debtors amounted to HK\$33,260,000 (2002: HK\$55,953,000) of which 81% (2002: 87%) were aged under six months. The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

21 OTHER INVESTMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Equity securities		
Listed in Hong Kong	139,239	174,915
Listed overseas	3,997	16,232
Unlisted	8,195	51,879
	151,431	243,026
Debt securities	4,500	157,260
	155,931	400,286

22 BANK BALANCES AND CASH

The balances include restricted bank balances of HK\$33,853,000 (2002: HK\$8,293,000) 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\$30,612,000 (2002: HK\$29,704,000) are held in trust in respect of buildings managed by the Group on behalf of third parties.

23 CREDITORS AND ACCRUALS

Creditors and accruals include trade creditors, rental and management fee deposits, interest and other payables, retentions payable of construction costs and various accruals. Trade creditors amounted to HK\$30,812,000 (2002: HK\$48,552,000), all of which (2002: 100%) were aged under six months.

24 SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 31st March 2001 and 2002	15,000,000,000	75,000
Decrease due to share consolidation (note (i))	(14,250,000,000)	–
At 31st March 2003	750,000,000	75,000

	Number of shares		Amount	
	2003	2002	2003 HK\$'000	2002 HK\$'000
Issued and fully paid:				
At beginning of the year	7,491,321,498	7,491,321,498	37,457	37,457
Decrease due to share consolidation (note (i))	(7,341,495,069)	–	(22,474)	–
At end of the year	149,826,429	7,491,321,498	14,983	37,457

Note:

Company:

- (i) By ordinary and special resolutions passed on 11th November 2002:
- The Company's issued and unissued shares capital of HK\$0.005 each were consolidated on the basis of 50 shares into 1 share of HK\$0.25 ("consolidated share");
 - The paid up capital and nominal value of all the issued consolidated shares were reduced from HK\$0.25 per issued consolidated share to HK\$0.10 per new share by the cancellation of HK\$0.15 paid up capital on each issued consolidated share;
 - The sum of HK\$22,474,000 arising from the capital reduction on the basis of 7,491,321,498 shares in issue, which were consolidated into 149,826,429 new shares, was credited to the contributed surplus account of the Company; and
 - Each of the 150,173,570 unissued consolidated shares was subdivided into 2.5 new shares; and the authorised share capital was restored from HK\$52,526,000 divided into 525,260,354 new shares to HK\$75,000,000 divided into 750,000,000 new shares by the creation of 224,739,646 new unissued shares.

Subsidiaries:

- During the year, Asia Standard repurchased 42,000 of its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK\$10,394. All the shares repurchased were subsequently cancelled. An amount equal to the nominal value of those shares cancelled of HK\$420 was transferred from the revenue reserve to capital redemption reserve.
- During the year, Asia Standard Hotel repurchased 110,000 of its own shares on the Stock Exchange at an aggregate consideration of HK\$16,082. The repurchased shares were cancelled.

25 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 2001	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 company	-	-	(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
At 31st March 2002	1,391,348	485,917	61,803	170,547	15,398	980,201	(373,120)	2,732,094
Translation differences	-	-	-	335	-	-	6,618	6,953
Increase due to share consolidation (Note 24 (ii))	-	-	-	-	-	22,474	-	22,474
Reclassification	-	-	9,999	-	(9,999)	-	-	-
Deficit on revaluation								
Company and subsidiaries	-	-	(117,858)	(94,009)	(5,399)	-	-	(217,266)
Associated company	-	-	(28,198)	-	-	-	-	(28,198)
Deficit on revaluation transfer to profit and loss account								
Company and subsidiaries	-	-	59,010	-	-	-	-	59,010
Associated company	-	-	15,244	-	-	-	-	15,244
Loss for the year	-	-	-	-	-	-	(375,355)	(375,355)
At 31st March 2003	1,391,348	485,917	-	76,873	-	1,002,675	(741,857)	2,214,956
Company and subsidiaries	1,391,348	485,917	-	76,873	-	1,002,675	(268,630)	2,688,183
Jointly controlled entities	-	-	-	-	-	-	(176,937)	(176,937)
Associated companies	-	-	-	-	-	-	(296,290)	(296,290)
At 31st March 2003	1,391,348	485,917	-	76,873	-	1,002,675	(741,857)	2,214,956

At 31st March 2003, the capital reserve included goodwill of HK\$37,721,000 (2002: HK\$37,721,000) which arose from acquisitions prior to 31st March 2001.

25 RESERVES (continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
Company				
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
Increase due to share consolidation (note 24 (i))	–	22,474	–	22,474
Loss for the year	–	–	(646,403)	(646,403)
At 31st March 2003	1,391,348	2,838,224	(574,357)	3,655,215

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\$2,263,867,000 (2002: HK\$2,887,796,000) as at 31st March 2003.

26 CONVERTIBLE BONDS

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

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

Provision of HK\$13,057,000 (2002: 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.

27 CONVERTIBLE NOTES

On 16th January 2001, the Company issued HK\$60,000,000 convertible notes which bore interest at 5% per annum payable annually in arrears. Each holder of the notes had the options 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 repaid the outstanding principal amount of the convertible notes together with accrued interest on 16th January 2003.

On 16th January 2003, the Company issued HK\$60,000,000 new convertible notes which bear interest at 5% per annum payable annually in arrears. Each holder of these new notes has the option to convert the notes into fully paid shares of HK\$0.10 each of the Company at (a) HK\$1.10 per share from the date of issue of the convertible notes and (b) HK\$1.20 per share after the first anniversary of the date of issue of the convertible notes to the business date last preceding the second anniversary of the date of issue of the convertible notes. The Company shall repay the outstanding principal amount of the convertible notes together with accrued interest on the business date last preceding the second anniversary of the date of issue of the convertible notes. Save for repayment upon maturity, the convertible notes cannot be redeemed.

28 LONG TERM LOANS

	Group	
	2003 HK\$'000	2002 HK\$'000
Bank loans, secured		
Repayable within one year	316,085	314,085
Repayable between one and two years	509,317	313,739
Repayable between two and five years	660,233	935,997
Repayable after five years	1,025,626	1,203,657
	2,511,261	2,767,478
Current portion included in current liabilities	(316,085)	(314,085)
	2,195,176	2,453,393

Subsequent to the year end, the Group refinanced bank loans outstanding at 31st March 2003 of approximately HK\$118 million (2002: HK\$125 million). The terms of repayment at 31st March 2003 in respect of these bank loans have been reclassified according to the new loan agreements. As a result, the amount of liabilities which has been excluded from current liabilities amounts to approximately HK\$115 million (2002: HK\$15 million).

29 MINORITY INTERESTS AND LOANS

	Group	
	2003 HK\$'000	2002 HK\$'000
Minority interests	2,183,256	2,580,499
Loans from minority shareholders of subsidiaries, unsecured	111,335	111,161
	2,294,591	2,691,660

Loans from minority shareholders are to finance property projects of subsidiaries and have no specific terms of repayment. Loans of HK\$83,482,000 (2002: HK\$80,366,000) bear interest at 1.5% (2002: 1.5%) above prime rate and the remaining balance is interest free.

30 CAPITAL COMMITMENTS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Contracted but not provided for	19,207	21,296	–	–
Authorised but not contracted for	–	–	–	–
	19,207	21,296	–	–

31 OPERATING LEASE ARRANGEMENTS**(a) Lessor**

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

At 31st March 2003, the future aggregate minimum rental receipts receivable under non-cancellable operating leases were as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
In respect of land and buildings:		
Within one year	56,807	63,925
In the second to fifth year inclusive	48,621	63,304
After the fifth year	10,031	8,997
	115,459	136,226

31 OPERATING LEASE ARRANGEMENTS (continued)**(b) Lessee**

At 31st March 2003, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
In respect of land and buildings :		
Within one year	6,386	7,660
In the second to fifth year inclusive	8,746	13,120
After the fifth year	864	3,148
	15,996	23,928

32 CONTINGENT LIABILITIES

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees for the banking and loan facilities of:				
Subsidiaries	–	–	102,360	109,000
Jointly controlled entities	211,027	163,869	–	–
Associated companies	269,080	219,720	–	–
Third parties	1,886	32,036	–	–
	481,993	415,625	102,360	109,000

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

	2003 HK\$'000	2002 HK\$'000
Loss before taxation	(505,181)	(389,113)
Share of profits less losses of		
Jointly controlled entities	59,873	72,013
Associated companies	150,170	95,790
Depreciation	9,796	6,980
Amortisation of goodwill	4,413	2,934
Gain on deemed disposal of interest in a jointly controlled entity	–	(26,472)
Loss on disposal of interest in the Panyu development	–	39,230
Exchange reserve realised upon liquidation of a subsidiary	–	4,915
Gain on partial disposal of catering business	–	(4,181)
Loss on disposal of fixed assets	–	1,128
Net realised and unrealised losses on other investments	87,291	13,294
Provision for diminution in value of		
Properties under development / held for sale	136,048	122,314
Other properties	5,307	–
Revaluation deficit on investment properties	59,010	–
Dividends from other investments	(2,676)	(947)
Interest income	(28,576)	(44,479)
Interest expense	132,639	107,937
Operating profit before working capital changes	108,114	1,343
Decrease in mortgage loans receivable	18,326	40,761
Decrease in properties held for / under development for sale (excluding interest expense capitalised)	247,751	118,098
Decrease / (increase) in hotel and restaurant inventories	791	(306)
Decrease / (increase) in debtors and prepayments	96,550	(12,018)
(Decrease) / increase in creditors and accruals	(16,748)	3,865
Net cash generated from operations	454,784	151,743

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

	2003 HK\$'000	2002 HK\$'000
Net assets acquired		
Fixed assets	–	472
Investment in jointly controlled entities	–	101,164
Investment in associated companies	29,926	65,695
Debtors and prepayments	–	12,718
Bank balances and cash	–	20,664
Bank overdrafts	–	(8,367)
Creditors and accruals	(5,930)	(22,974)
Taxation	–	(100)
	23,996	169,272
Goodwill	20,004	33,493
Consideration satisfied by cash	44,000	202,765

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

	2003 HK\$'000	2002 HK\$'000
Cash consideration paid	44,000	202,765
Bank balances and cash acquired	–	(20,664)
Bank overdrafts acquired	–	8,367
	44,000	190,468

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

	2003 HK\$'000	2002 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)
	–	152,468
Loss on disposal of interest in the Panyu development	–	(39,230)
Cash consideration received	–	113,238

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

	2003 HK\$'000	2002 HK\$'000
Cash consideration received	–	113,238
Bank balances and cash disposed of	–	(5,566)
	–	107,672

33 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Analysis of changes in financing

	Share capital (including premium) HK\$'000	Long term loans HK\$'000	Short term bank loans HK\$'000	Convertible bonds HK\$'000	Convertible notes HK\$'000	Minority interests and loans HK\$'000	Restricted bank balances HK\$'000	Total HK\$'000
At 31st March 2001	1,428,805	2,731,077	165,000	251,290	60,000	3,242,165	(49,718)	7,828,619
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 interest 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	68,250	38,710	-	(14,006)	41,425	186,439
At 31st March 2002	1,428,805	2,767,478	233,250	290,000	60,000	2,691,660	(8,293)	7,462,900
Decrease due to the share consolidation (note 24(i))	(22,474)	-	-	-	-	-	-	(22,474)
Minority interests' share of revaluation reserve	-	-	-	-	-	(272,004)	-	(272,004)
Minority interests' share of loss and exchange reserve	-	-	-	-	-	(125,239)	-	(125,239)
Exchange differences	-	12,634	-	-	-	-	-	12,634
Net cash from / (used in) financing activities	-	(268,851)	(101,200)	-	-	174	(25,560)	(395,437)
At 31st March 2003	1,406,331	2,511,261	132,050	290,000	60,000	2,294,591	(33,853)	6,660,380

34 SUBSEQUENT EVENTS

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

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

35 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

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

Subsidiaries

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

Name	Issued and fully paid ordinary share capital except otherwise stated	Principal activity	Percentage of equity held by the Group %
<i>Incorporated in Bermuda</i>			
Asia Standard Hotel Group Limited	HK\$101,042,000	Investment holding	40.6
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
Superise Limited	US\$1	Research and development of healthcare food and beverage	100
Telemail Group Inc.	US\$1	Investment holding	100
United Resources Associates Limited	US\$6	Investment holding	83.3

35 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 the Cayman Islands</i>			
Asia Standard International Capital Limited	US\$2	Financing services	53.4
<i>Incorporated in Hong Kong</i>			
Asia Orient Company Limited	US\$26,964,837	Investment holding	100
Good Year Engineering Services Limited	HK\$2	Engineering and maintenance services	100
Hitako Limited	HK\$20	Investment holding	100
Ocean Hand Investments Limited	HK\$2	Investment holding	100
Pan Bright Investment Limited	HK\$20	Investment holding	100
Pan Harbour Investment Limited	HK\$2	Investment holding	100
Pan Inn Investment Limited	HK\$20	Investment holding	100
Pan Kite Investment Limited	HK\$20	Investment holding	100
Pan Pearl Investment Limited	HK\$20	Investment holding	100
Pan Spring Investment Limited	HK\$20	Investment holding	100
Prosperity Land Cleaning Service Limited	HK\$100 and non-voting deferred share capital of HK\$100	Cleaning services	100
Prosperity Land Estate Management Limited	HK\$150 and non-voting deferred share capital of HK\$1,500,000	Property management	100
Union Home Development Limited	HK\$2	Investment holding	100
Asia Standard (Beijing) Company Limited	HK\$2	Investment holding	53.4
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

35 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 (continued)</i>			
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
Crystal Rich Limited	HK\$2	Property development	53.4
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
Goodview Express Holdings Limited	HK\$2	Property trading	53.4
Grace Profit Enterprises Limited	HK\$2	Investment holding	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
Ocean Victory Investment Limited	HK\$2	Property trading	53.4
Paramount Shine Limited	HK\$2	Property development	53.4
Perfect Wave Limited	HK\$2	Restaurant operation	40.6

35 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 (continued)</i>			
Rich Kinghood Limited	HK\$2	Property development	53.4
Stone Pole Limited	HK\$10	Hotel holding	40.6
Tilpifa Company Limited	HK\$10 and non-voting deferred share capital of HK\$10,000	Property investment	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
<i>Incorporated in Liberia</i>			
Bassindale Limited	US\$500	Investment holding	100

* *Direct subsidiary of the Company*

Operates in Canada

35 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 operated 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 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
Ocean Champion Development Limited	Property development	26.7
Sheeniy Enterprises Limited	Property development	26.7
Weststar Enterprises Limited	Property development	26.8
Wideway Limited	Financing services	26.7
北京康標科技有限公司 ## (incorporated in the PRC)	Investment and distribution of medical equipment	34.5

Cooperative Joint Venture operates in the PRC

Wholly Owned Foreign Enterprise operates in the PRC

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

Name	Principal activity	Group equity interest
		%
Associated companies		
(Unless indicated otherwise, they are all incorporated and operated 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
Eastern Tours (China) Limited	Travel agency	20.3
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	Web-based software developer	50.0
Ocean Strong Industrial Limited	Property development	26.7
Perfect Pearl Company Limited	Property investment	17.6
Q9 Technology Holdings Limited (incorporated in the Cayman Islands)	Investment holding	32.0
Sheen Finance Limited	Financing services	26.7
Super Location Limited	Property development	26.7
Vitasalin Asia Limited	Distribution of health care and beauty products	17.5

36 APPROVAL OF ACCOUNTS

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

Five Year Financial Summary

	Year ended 31st March				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
RESULTS					
Turnover	1,214,263	866,888	748,937	1,420,351	1,074,492
Gross profit	256,523	221,801	212,213	290,211	424,700
Administrative expenses	(142,750)	(147,564)	(145,598)	(158,694)	(160,936)
Provisions and other charges	(269,772)	(178,211)	(445,513)	(463,174)	(110,001)
Operating (loss) / profit	(155,999)	(103,974)	(378,898)	(331,657)	153,763
Finance costs	(139,139)	(117,336)	(151,136)	(176,892)	(199,914)
Share of profits less losses of jointly controlled entities and associated companies	(210,043)	(167,803)	(113,103)	(67,722)	(16,317)
Loss before taxation	(505,181)	(389,113)	(643,137)	(576,271)	(62,468)
Taxation (charge) / credit	(3,023)	(2,948)	5,956	(17,319)	2,895
Loss after taxation	(508,204)	(392,061)	(637,181)	(593,590)	(59,573)
Minority interests	132,849	238,011	168,978	132,377	15,979
Loss attributable to shareholders	(375,355)	(154,050)	(468,203)	(461,213)	(43,594)
ASSETS AND LIABILITIES					
Total assets	7,866,933	9,179,092	9,699,119	9,573,730	9,951,529
Total liabilities	(3,453,738)	(3,829,042)	(3,687,111)	(3,722,670)	(5,076,797)
Minority interests	(2,183,256)	(2,580,499)	(3,116,841)	(2,724,687)	(1,795,778)
Shareholders' funds	2,229,939	2,769,551	2,895,167	3,126,373	3,078,954

Proforma Combined Balance Sheet of Affiliated Companies

As At 31st March 2003

The Group had amounts due from and loans to certain affiliated companies in a total sum of HK\$1,185 million (before Group's provisions) and guarantees given to banks for facilities utilised of HK\$480 million totalling HK\$1,665 million as at 31st March 2003 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 2003 HK\$'000	Group's attributable interest 2003 HK\$'000
Fixed assets	20,080	5,350
Investment properties	788,000	260,040
Jointly controlled entities	84,614	42,303
Properties held for / under development for sale	1,750,333	875,596
Current assets	233,085	102,851
Current liabilities	(101,995)	(49,667)
Long term bank and other loans	(1,051,273)	(481,216)
Minority interests	10,053	4,949
Shareholders' advance	(2,378,304)	(1,184,989)
	(645,407)	(424,783)

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

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

To provide shareholders with further information on the financial performance and position of Asia Standard, the following is a summary of the audited consolidated accounts of Asia Standard for the year ended 31st March 2003.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2003

	2003 HK\$'000	2002 HK\$'000
Turnover	1,056,883	838,868
Cost of sales	(793,712)	(648,231)
Gross profit	263,171	190,637
Administrative expenses	(128,878)	(137,480)
Provisions and other charges	(151,548)	(279,755)
Operating loss	(17,255)	(226,598)
Finance costs	(128,343)	(107,844)
Share of profits less losses of		
Jointly controlled entities	(33,031)	(67,870)
Associated companies	(102,018)	(88,788)
Loss before taxation	(280,647)	(491,100)
Taxation	(3,026)	(3,416)
Loss after taxation	(283,673)	(494,516)
Minority interests	551	13,151
Loss attributable to shareholders	(283,122)	(481,365)
Loss per share	6.9 cents	11.7 cents

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2003

	2003 HK\$'000	2002 HK\$'000
Fixed assets	4,423,572	4,879,527
Jointly controlled entities	188,444	215,387
Associated companies	458,753	591,366
Long term investment	1,601	1,001
Goodwill	19,296	26,415
Mortgage loans receivable	34,277	52,603
Current assets		
Properties held for / under development for sale	992,134	1,224,082
Completed properties held for sale	729,515	867,923
Hotel and restaurant inventories	2,910	3,701
Debtors and prepayments	209,723	281,072
Other investments	92,596	106,818
Tax recoverable	744	1,716
Bank balances and cash	131,760	211,844
	2,159,382	2,697,156
Current liabilities		
Creditors and accruals	208,463	268,752
Short term bank loans and overdrafts		
Secured	59,531	129,924
Unsecured	30,002	33,000
Current portion of long term loans	316,085	314,085
Taxation	10,301	12,131
	624,382	757,892
Net current assets	1,535,000	1,939,264
	6,660,943	7,705,563
Financed by:		
Share capital	41,126	41,126
Reserves	3,386,212	4,102,612
Shareholders' funds	3,427,338	4,143,738
Convertible bonds	290,000	290,000
Long term loans	2,195,176	2,453,393
Minority interests and loans	748,429	818,432
	6,660,943	7,705,563

Principal Properties

As at 31st March 2003

Properties	Group's interest	Approx. site area (sq.ft.)	Approx. gross floor area (sq.ft.)	Type
I Investment properties				
1 Asia Standard Tower 59-65 Queen's Road Central, Hong Kong.	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 19,752 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 2003.				
II Hotel properties				
4 Empire Hotel 33 Hennessy Road, Wanchai, Hong Kong.	40.6%	11,000	184,000 (360 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 Kimberley Road, Tsimshatsui, Kowloon.	40.6%	11,400	220,000 (315 rooms)	Hotel

Principal Properties

As at 31st March 2003

Properties	Group's interest	Approx. gross floor area (sq. ft.)	Type
III Completed properties held for sale			
Hong Kong			
7	42.7%	78,000	Commercial
Portion of office floors and shops at 28 Marble Road, North Point, Hong Kong.			
8	53.4%	108,000	Commercial
8 Wing Hing Street, Causeway Bay, Hong Kong.			
9	48.1%	2,000	Residential
Bayshore Apartments 244 Aberdeen Main Road, Hong Kong.			
10	53.4%	5,000	Commercial
Westview Height 163 Belcher's Street, Hong Kong.			
11	26.7%	4,000	Commercial/ Residential
Bijou Court 171 Prince Edward Road, Mongkok, Kowloon.			
12	26.7%	6,000	Commercial
Hing Wah Apartments 38 Hing Wah Street, Shamshuipo, Kowloon.			
13	53.4%	16,000	Commercial
Royal Jubilee 88 San Shing Avenue, Sheung Shui, New Territories.			

As at 31st March 2003

Properties	Group's interest	Approx. gross floor area (sq. ft.)	Type
III Completed properties held for sale (continued)			
Hong Kong (continued)			
14 Royalton II 116 Pokfulam Road, Pokfulam, Hong Kong.	53.4%	12,000	Residential
15 The Oakridge Yiu Hing Road, Shaukeiwan, Hong Kong.	53.4%	15,000	Residential
Mainland China			
16 Palace Apartment Ya Bao Road, Chaoyang District, Beijing.	53.4%	28,000	Residential

Principal Properties

As at 31st March 2003

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						
Hong Kong						
17	238-242 Aberdeen Main Road, Hong Kong.	53.4%	16,200	150,000	Commercial/ Residential	Foundation (2004)
18	19 Sze Shan Street, Yau Tong, Kowloon.	53.4%	27,000	190,000	Commercial/ Residential	Foundation (2004)
19	Grosvenor Place 117 Repulse Bay Road, Hong Kong.	26.8%	17,180	55,000	Residential	Superstructure (2003)
20	Bijou Apartments 157 Prince Edward Road, Mongkok, Kowloon.	26.7%	7,400	57,000	Service Apartment	Superstructure (2003)
21	The Kingston 8A-8F Shiu Fai Terrace, Hong Kong.	26.7%	29,900	120,000	Residential	Superstructure (2003)
22	Hung Shui Kiu, Yuen Long, New Territories.	42.7%	94,000	533,000	Commercial/ Residential	Planning (2006)
23	Lam Tei, Tuen Mun, New Territories.	53.4%	19,700	79,000	Commercial/ Residential	Planning (2006)
24	Ping Shan, Yuen Long, New Territories.	53.4%	35,400	43,000	Residential	Planning (2005)
25	Sha Ha, Sai Kung, New Territories.	4%	508,300	1,118,000	Residential	Planning (2006)