



Asia Orient Holdings Limited  
Annual Report 2005



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# Corporate Information

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## Directors

### Executive

Mr. Fung Siu To, Clement (*Chairman*)  
Mr. Lim Yin Cheng (*Deputy Chairman*)  
Mr. Poon Jing (*Managing Director and Chief Executive*)  
Mr. Lun Pui Kan  
Mr. Kwan Po Lam, Phileas

### Non-executive

Mr. Chan Sze Hung

### Independent non-executive

Mr. Cheung Kwok Wah, Ken  
Mr. Wong Chi Keung  
Mr. Hung Yat Ming

## Audit committee

Mr. Hung Yat Ming (*Chairman*)  
Mr. Cheung Kwok Wah, Ken  
Mr. Wong Chi Keung

## Remuneration committee

Mr. Fung Siu To, Clement (*Chairman*)  
Mr. Wong Chi Keung  
Mr. Hung Yat Ming

## Authorised representatives

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

## Company secretary

Ms. Chiu Yuk Ching

## Registered office

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

## Principal office in Hong Kong

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

Telephone 2866 3336  
Facsimile 2866 3772  
Website <http://www.asiaorient.com.hk>  
Email [ao\\_info@asia-standard.com.hk](mailto:ao_info@asia-standard.com.hk)

## Principal bankers

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

## Legal advisers

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

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

## Auditors

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

## Share registrar in Bermuda

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

## Hong Kong branch share registrar and transfer office

Computershare Hong Kong Investor Services Limited  
46th Floor, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

# Financial Highlights

For the year ended 31st March (HK\$million, except otherwise indicated)	2005	2004	Change (%)
Group turnover	<b>553</b>	767	-28%
Finance costs	<b>73</b>	118	-38%
Loss attributable to shareholders	<b>161</b>	228	-29%
Loss per share (HK\$)			
Basic	<b>0.86</b>	1.49	-42%
Diluted	<b>0.89</b>	n/a	n/a
Dividend / distribution per share (HK cents)			
Interim	<b>2.0</b>	–	n/a
Final	<b>4.3</b>	–	n/a
Total assets	<b>2,108</b>	7,716	-73%
Shareholders' funds	<b>2,002</b>	2,090	-4%
Shareholders' funds per share (HK\$)	<b>8.54</b>	12.05	-29%
Net cash / (debt)	<b>71</b>	(2,748)	n/a
Net debt to equity (shareholders' funds plus minority interests)	<b>Net cash</b>	62%	n/a

**Note:**

The Group's shareholding in Asia Standard International Group Limited ("Asia Standard") has reduced from 52.8% to 40.5%. Asia Standard changed from subsidiary to associated company in January 2005. Accordingly, results of Asia Standard was only consolidated up to December 2004 and then equity accounted for thereafter.

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# Chairman's Statement

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"The Group's two major businesses in the property and hotel sectors have both recorded exciting results."

I am delighted to report that the Group's two major businesses in the property and hotel sectors have both recorded exciting results.

Asia Standard has recorded a profit of HK\$202 million. In the coming year Asia Standard intends to sell two residential projects. One is situated at water front facing tourist destination Lei Yue Mun in Kowloon urban area while the other is next to west rail station at Ping Shan in New Territories. When completely sold, these will bring over HK\$1.1 billion proceeds to Asia Standard.

Hotel business was equally exciting and registered HK\$85 million profit for the year. We are confident of an even better result for the coming year as Disney Theme Park opens, CEPA phase I & II, gaming industries ever

expanding in nearby Macau are all but marking Hong Kong unique as business and leisure, shopping, family holidays destination for Mainland and Asia.

During the year, we have dropped our shareholdings in Asia Standard from 52.8% to 40.5% mainly as a result of dilution from a placement exercise by Asia Standard and a 2.8% shareholdings sold in the open market. The dilution and sale have recorded an accounting loss of HK\$150 million, and has transformed Asia Standard into an associated company from a subsidiary company.

Also, the debts of Asia Standard were no longer consolidated following its change from a subsidiary to an associated company. The Group is in a net cash position at financial year end.

All the convertible notes were fully converted in the year. The Company raised HK\$84 million capital through a share placement.

The Group has ventured into technology investments over the years, which results have not entirely been satisfactory. Accordingly, we have written off goodwills from these investments completely.

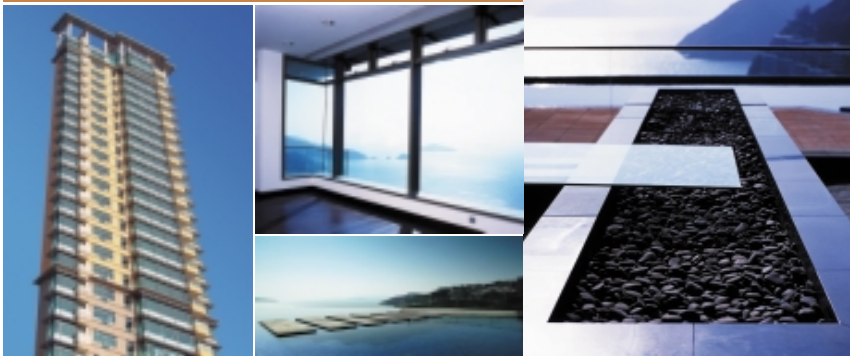
Potential for residential development in second tier urban cities in Mainland is currently under appraisal.

By Order of the Board  
**Fung Siu To, Clement**  
*Chairman*

19 July 2005

# Business and Financial Review

## Grosvenor Place



### Change of shareholdings in Asia Standard

During the year, the Group's shareholdings in Asia Standard International Group Limited ("Asia Standard") has reduced from 52.8% at 1st April 2004 to 40.5% at 31st March 2005. The decrease have resulted in accounting losses of HK\$150 million.

### Results and Appropriations

As mentioned above, Asia Standard changed from subsidiary to associated company in January 2005. Accordingly, results of Asia Standard was only consolidated up to December 2004 and then equity accounted for thereafter. This explained the majority of the 28% decrease in turnover from last year's HK\$767 million to this year's HK\$553 million. Mainly affected by the losses arising from the reduction of interests in Asia Standard described above, the Group reported a loss attributable to shareholders of HK\$161 million, which is lower than the loss of HK\$228 million last year.

The Board of Directors has declared to pay to shareholders whose names appear on the Register of Members of the Company on 26th August 2005 ('Record Date') a distribution of HK4.3 cents (2004: Nil) per share in scrip ("Distribution").

The Distribution will be subject to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days prior to and including the Record Date. Full details of the Distribution will be set out in a circular to shareholders. New shares certificates will be posted on or about 14th October 2005.

### Property sales and leasing

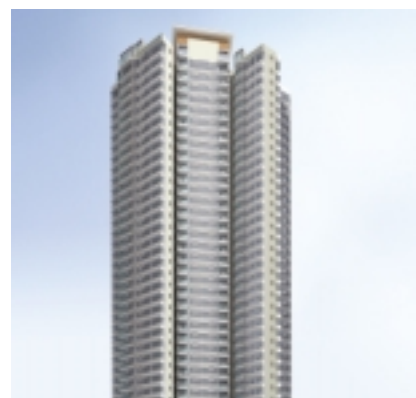
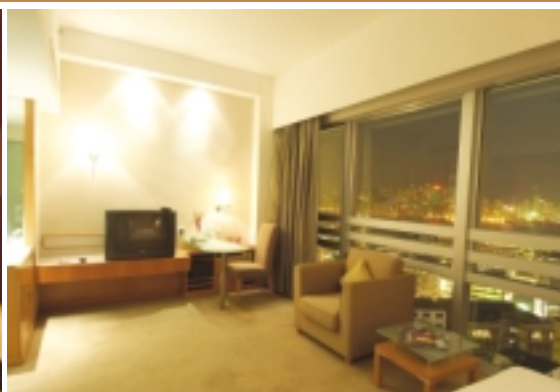
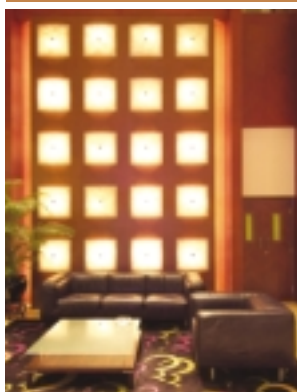
With the positive market sentiment nourished by the supportive government land and housing policy, Asia Standard was able to capitalise from this favourable environment and recorded a profit attributable to shareholders of HK\$202 million, turnaround from last year's HK\$142 million loss.

Market spotlight was shed on Grosvenor Place, the joint venture luxury residential development in Repulse Bay, when it was sold in April 2004 for HK\$940 million, approximately HK\$15,500 per sq.ft., and equally exciting when it won an MIPIM award in Europe.

In late 2004, Asia Standard acquired a residential development site at Castle Peak Road, Ting Kau for HK\$261 million. Gross floor area is approximately 195,000 sq.ft. Land premium negotiations of two other residential development sites totaling approximately 750,000 sq.ft. gross floor area continue. The Group currently holds about 1.1 million sq.ft. gross floor area residential land bank in Hong Kong.

## Business and Financial Review

### Empire Hotel Kowloon



### Lei Yue Mun residential development

Asia Standard is currently under preparation for the marketing of a sea-view residential development of 190,000 sq.ft. gross floor area in Kowloon urban area. Another low-rise residential development in Ping Shan of 43,000 sq.ft. gross floor area is expected to follow towards beginning of 2006. If fully sold, these two projects will generate a total proceeds of over HK\$1.1 billion.

Rental income of Asia Standard decreased slightly by 5% as compared to last year due to sales of inventory. Occupancies remained high at an average of 89%. We hold a positive outlook upon coming renewal of tenancies given strong demand in the market place. We are also positioned to benefit from the very good quality investment portfolio of some 440,000 sq.ft. of retail and offices.

### Hotel

Hotel group's performance is both exciting and encouraging compared with last year. It achieved a HK\$569 million (34% increase) turnover and HK\$85 million profit compared with HK\$426 million turnover and HK\$12 million loss last year.

A very strong revival is experienced by the local hotel business. Visitor's arrivals reached a record high of 21.8 million for the year to December 2004, 40% higher than 2003. Mainland visitors continue to dominate while visitors from elsewhere and Asia Pacific increases, as a result of CEPA and the gaming industry attractions in Macau, also play a role. Hong Kong based hotels achieved a combined occupancy of 86% against 66% of last year. Average room rate also recorded a 30% growth from last year.

Empire Hotel at Hong Kong Island is currently continuing with upgrading its guest room renovation programme and is expected to be finished before this year. Expected average room rates will accordingly escalate.

Our Canadian hotel in Vancouver shows improvement with turnover increase by 14%. Improvement in turnover and corresponding rate is anticipated in the coming year.

### Investments

Various ventures in information technology, energy conservation apparatus, medical and health were largely disappointing. Our listed associate Q9 technology recorded a 31% drop in sales and HK\$7.8 million loss for the year 2004.





Left Asia Standard Tower  
Middle Empire Hotel  
Right Asia Orient Tower

Accordingly, we have written off the remaining goodwill of these ventures completely against previously adopted policy to amortise over periods of 3 to 5 years. Total impairment charge of HK\$87 million was therefore recorded.

#### Financial review

These was no gearing as at 31st March 2005 compared to a gearing (net debt to equity) of 62% in 2004.

All of the outstanding convertible notes were converted.

During the year, the company through a share placement issue raised HK\$84 million with HK\$70 million to repay revolving loans and the balance for working capital.

The Group is in a net cash position at 31st March 2005 (2004: net debt HK\$2,748 million).

Net asset value decreased by 4.2% to HK\$2.0 billion. This decrease was due to loss for the year, decrease in capital reserve and share of Asia Standard's property revaluation reserves resulting from reduction in its shareholdings, partly offset by the current year property revaluation surplus. Coupled with the increase in the number of shares issued, net asset value per share decreased from HK\$12.05 at 31st March 2004 to HK\$8.54 at 31st March 2005.

As at 31st March 2005, no properties (2004: HK\$6,055 million) were pledged to secure banking facilities of the Group. The Group did not provide any guarantees to banks and financial institutions on credit facilities to jointly controlled entities, associated companies and third parties (2004: HK\$246 million).

#### New accounting policies

The Group will adopt the new financial reporting and accounting standards issued by the Hong Kong Institute of Certified Public Accountants which are effective for the 2005/06 financial year. The resulting changes in accounting policies have no impact on the Group's cash flow. However, these changes will affect the Group's results and net assets in the following areas.

Most of these changes will not affect the Company and its subsidiaries directly, but will indirectly affect the Group through the share of results and net assets of the major associated company, Asia Standard.



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## Business and Financial Review

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|--|---|
| <p>1. Revaluation movements of investment properties will be recorded in the profit and loss account, instead of the revaluation reserve.</p> <p>2. Deferred tax has to be provided on revaluation surplus of investment properties, notwithstanding that there is no capital gain tax applicable to Hong Kong.</p> <p>3. Owner-operated hotel properties and self-occupied buildings will be stated at cost less accumulated depreciation and any provision for impairment with annual depreciation charged to profit and loss account. Currently they are stated at open market values.</p> <p>4. Leasehold land on which these properties are situated will be reclassified as a separate class of non-current assets and stated at cost less accumulated amortisation with annual amortisation charged to profit and loss account.</p> <p>5. Convertible bonds will be split between liability component and equity component.</p> | <p>6. Stage completion method will no longer be used to recognise revenue from presale of development properties, instead revenue will be recognised upon completion of those properties.</p> <p>7. Share options granted are to be expensed over the vesting period.</p> <p><b>Employees and remuneration policies</b></p> <p>At 31st March 2005, the Group employed 203 full time employees all working 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.</p> <p>There were also 395 employees employed by the 40.5% owned Asia Standard group. During the year the Company granted 5,400,000 share options at an exercise price of HK\$2.895 per share to employees.</p> |
|--|---|

# Ten-year Financial Summary

Year ended 31st March	2005 HK\$M	2004 HK\$M	2003 HK\$M	2002 HK\$M	2001 HK\$M	2000 HK\$M	1999 HK\$M	1998 HK\$M	1997 HK\$M	1996 HK\$M
<b>Results</b>										
Turnover	<b>553</b>	767	1,214	867	749	1,420	1,074	2,887	1,218	542
Profit / (loss) attributable to shareholders	<b>(161)</b>	(228)	(374)	(154)	(468)	(461)	(44)	453	168	33
<b>Assets and Liabilities</b>										
Total assets	<b>2,108</b>	7,716	7,914	9,179	9,699	9,574	9,952	10,120	10,368	7,819
Total liabilities	<b>(106)</b>	(3,381)	(3,493)	(3,829)	(3,687)	(3,723)	(5,077)	(4,047)	(4,023)	(3,641)
Minority interests	–	(2,245)	(2,179)	(2,580)	(3,117)	(2,725)	(1,796)	(2,367)	(2,292)	(1,426)
Shareholders' funds	<b>2,002</b>	2,090	2,242	2,770	2,895	3,126	3,079	3,706	4,053	2,752

## Notes:

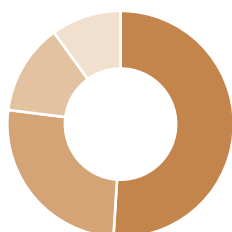
- Subsequent to the reduction of interests in Asia Standard to below 50% in January 2005, Asia Standard changed from a subsidiary to an associated company. Accordingly the results and assets and liabilities of Asia Standard were consolidated up to December 2004 and equity accounted for thereafter.
- Over the past ten years, the Group has changed some of its accounting policies following changes in the accounting standards in Hong Kong. However, certain prior year figures have not been restated as explained below since the Director consider that this would involve undue delay and expense.
  - The revised Statement of Standard Accounting Practice ("SSAP") 12 "Income taxes" which changed the basis of recognition of deferred tax assets and liabilities was adopted in 2004 with the 2003 figures restated according to the changed standard. The figures prior to 2003 have not been restated.
  - SSAP 24 "Accounting for investment in securities" which requires other investments to be stated at fair value, as well as the Interpretation No. 9 to revise SSAP 1 which required pre-operating expenses to be expensed rather than to be deferred and amortised, were adopted since 2000 with the 1999 comparative figures restated accordingly. The figures prior to 1999 have not been restated.
  - The 2001 comparatives have been restated as a result of the adoption of SSAP 30 "Business combinations" and SSAP 31 "Impairment of assets" in 2002 whereby goodwill was charged to the profit and loss account in 2001 when impairment had occurred.

# Principal Properties

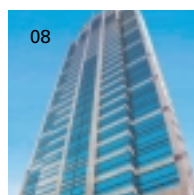
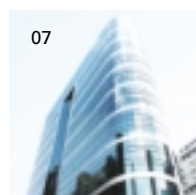
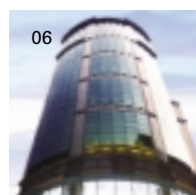
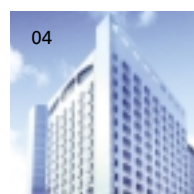
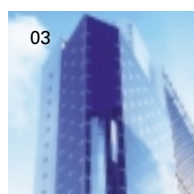
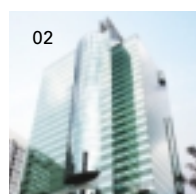
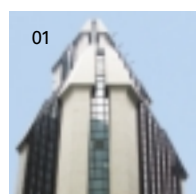
As at 31st March 2005

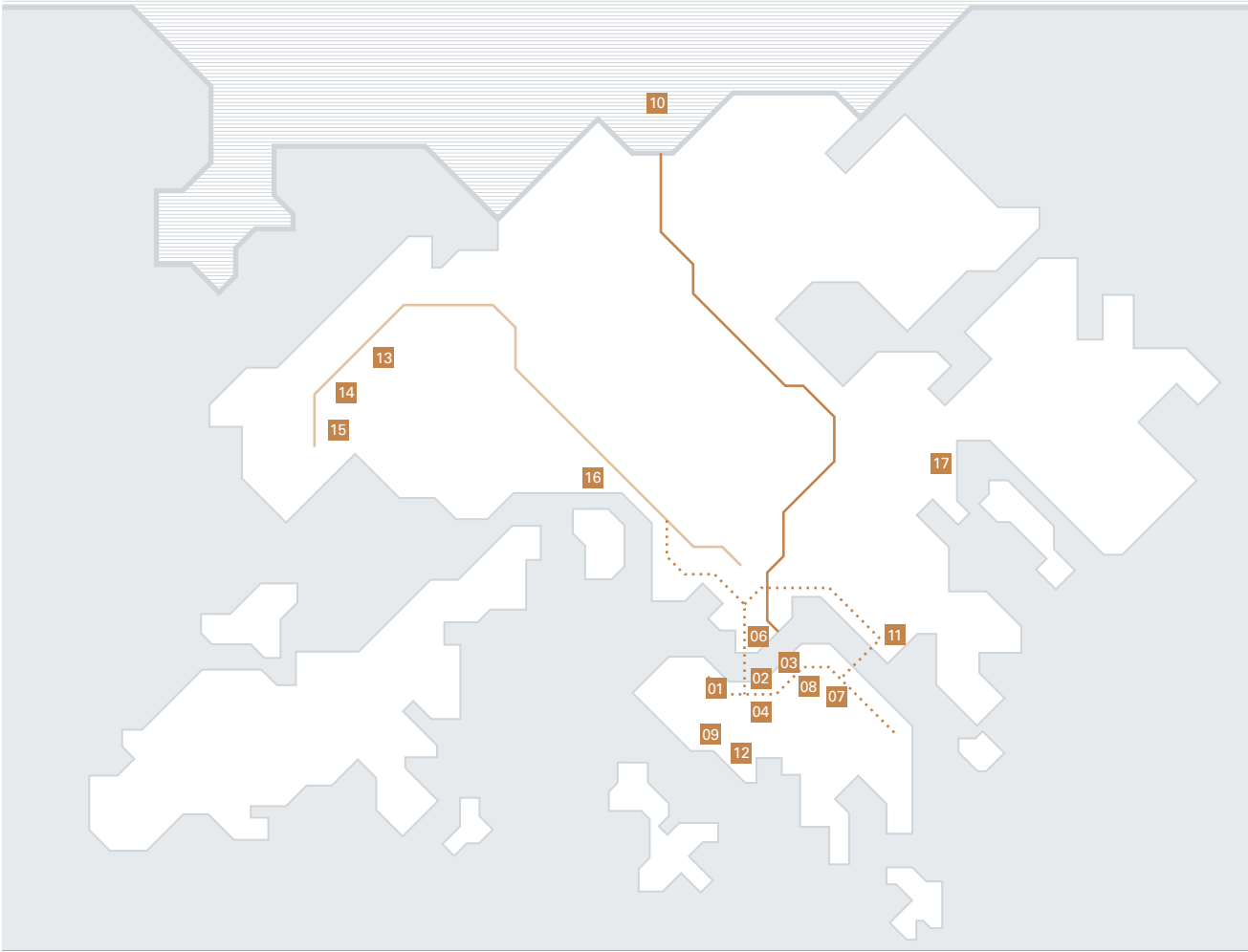
The principal properties are held through Asia Standard, the Group's 40.5% held listed associated company.

- Properties held for/under development for sale (51%)
- Hotel properties (26%)
- Investment properties (13%)
- Completed properties held for sale (10%)



Attributed GFA to Asia Standard (sq. ft.)	
Investment properties	282,000
Hotel properties	577,000
Completed properties held for sale	218,000
Properties held for/under development for sale	1,119,000
<b>Total</b>	<b>2,196,000</b>





— East Rail    - - - West Rail    . . . MTR

01	Asia Standard Tower
02	Asia Orient Tower
03	Goldmark
04	Empire Hotel
05	Empire Landmark Hotel, Vancouver
06	Empire Hotel Kowloon
07	28 Marble Road
08	8 Wing Hing Street
09	Bayshore Apartments

10	Oriental Garden
11	Lei Yue Mun
12	238-242 Aberdeen Main Road
13	Ping Shan
14	Hung Shui Kiu
15	Lam Tei
16	Castle Peak Road
17	Sha Ha

# Principal Properties

As at 31st March 2005

The principal properties are held through Asia Standard, the Group's 40.5% held listed associated company

Properties	Group's interest	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type
I Investment properties				
01 Asia Standard Tower 59-65 Queen's Road Central, Hong Kong.	40.5%	7,800	133,000	Commercial
02 Asia Orient Tower Town Place, 33 Lockhart Road, Wanchai, Hong Kong.	40.5%	7,300	114,000	Commercial
03 Goldmark 502 Hennessy Road, Causeway Bay, Hong Kong.	13.4%	6,300	106,000	Commercial
II Hotel properties				
04 Empire Hotel 33 Hennessy Road, Wanchai, Hong Kong.	31.5%	10,600	184,000 (360 rooms)	Hotel
05 Empire Landmark Hotel 1400 Robson Street, Vancouver B.C., Canada.	31.5%	41,000	420,000 (358 rooms)	Hotel
06 Empire Hotel Kowloon 62 Kimberley Road, Tsimshatsui, Kowloon.	31.5%	11,400	220,000 (315 rooms)	Hotel
Properties	Group's interest	Approx. gross floor area (sq. ft.)	Type	
III Completed properties held for sale				
Hong Kong				
07 Portion of office floors at 28 Marble Road, North Point, Hong Kong.	32.4%	76,000	Commercial	
08 8 Wing Hing Street, Causeway Bay, Hong Kong.	40.5%	108,000	Commercial	
09 Bayshore Apartments 244 Aberdeen Main Road, Hong Kong.	36.4%	10,000	Residential	
People's Republic of China ("PRC")				
10 Oriental Garden Nos. H212-28 Dong Feng Fang, Luo Hu District, Shenzhen, PRC.	10.7%	154,000	Commercial/ Residential	

	Group's interest	Approx. site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Type	Stage and estimated date of completion
<b>IV Properties held for/under development for sale</b>					
11 8 Shung Shun Street, Lei Yue Mun, (Previously known as 19 Sze Shan Street, Yau Tong), Kowloon.	40.5%	26,500	190,000	Commercial/ Residential	Superstructure (2006)
12 238-242 Aberdeen Main Road, Hong Kong.	40.5%	16,200	150,000	Commercial/ Residential	Foundation (2006)
13 Ping Shan, Yuen Long, New Territories.	40.5%	35,400	43,000	Residential	Foundation (2006)
14 Hung Shui Kiu, Yuen Long, New Territories.	32.4%	94,000	595,000	Commercial/ Residential	Planning (2008)
15 Lam Tei, Tuen Mun, New Territories.	40.5%	19,700	79,000	Commercial/ Residential	Planning (2008)
16 Castle Peak Road, Yau Kam Tau, New Territories.	20.2%	74,000	195,000	Residential	Planning (2008)
17 Sha Ha, Sai Kung, New Territories.	3.0%	508,300	1,118,000	Residential	Planning (2009)



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# Corporate Governance Report

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## Corporate governance practices

The Company is committed to raise its corporate governance standards by emphasising transparency, independence, accountability, responsibility and fairness. The Company exercises corporate governance through the Board of Directors ("Board") and various Committees. During the year, the Company has taken a series of steps to promote the level of corporate governance including the appointment of additional Independent Non-executive Directors and establishment of Remuneration Committee.

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## Board of Directors

The Board consists of five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The posts of Chairman and Chief Executive are separate and are not held by the same individual. The Chairman, is responsible for overseeing the functioning of the Board and the strategies and policies of the Group. The Chief Executive is responsible for managing the Group's business. The relationship of the directors are disclosed in the biography of directors set out in the Directors' Profile section.

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

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

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## Remuneration Committee

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

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## Audit Committee

The Company has established the Audit Committee in December 1999. The committee members currently comprises all the Independent Non-executive Directors, Mr. Hung Yat Ming (as Chairman), Mr. Cheung Kwok Wah, Ken and Mr. Wong Chi Keung. The terms of reference adopted by the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee meets at least twice a year for review of the audited annual accounts and the unaudited interim accounts. The principal duties of the Audit Committee include the review of the Company's financial reporting, the recommendation by the auditors on the issues of internal control and compliance and financial risk management. During the year, the Committee met twice and all the members had attended the meetings.

The Audit Committee has reviewed the audited results for the year ended 31st March 2005.

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## Code of conduct

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

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

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

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## Corporate Governance Report

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### Auditors' remuneration

PricewaterhouseCoopers has been appointed as the auditors of the Company by the shareholders at the Annual General Meeting. The services provided by PricewaterhouseCoopers include audit, taxation related and other services. An amount of HK\$2,933,000 was charged to the 2004/2005 financial statement of the Group for their statutory audit services. During the year, PricewaterhouseCoopers provided additional audit services for certain notifiable transactions of the Group, at total services fees of HK\$2,064,000. Taxation related services, review on interim results and other services provided by PricewaterhouseCoopers to the Group amounted to HK\$732,000.

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### Investor relationship

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

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

# Directors' Profile

## Executive Directors



### FUNG Siu To, Clement

Age 57. Chairman of the Company and the listed associated company, Asia Standard International Group Limited ("Asia Standard"). He is also an Executive Director of the listed associated companies, Asia Standard Hotel Group Limited ("Asia Standard Hotel"), Q9 Technology Holdings Limited ("Q9"). Mr. Fung is a holder of a Bachelor of Applied Science (Civil Engineering) degree. He joined the Company and its subsidiaries (together the "Group") in 1988 and has over 20 years of experience in project management and construction. He is the brother-in-law of Mr. Poon Jing, Managing Director.



### LIM Yin Cheng

Age 60. Deputy Chairman of the Company and Asia Standard. Deputy Chairman and Chief Executive of Asia Standard Hotel, Executive Director and Chief Executive Officer of Q9. Mr. Lim is a holder of Bachelor of Science (Chemical Engineering) and Doctor of Philosophy degrees. He has over 25 years of experience in engineering, project management and administration. He joined the Group in 1992. He is the brother-in-law of Mr. Poon Jing, Managing Director.



### POON Jing

Age 50. Managing Director and Chief Executive of the Company and Asia Standard, Chairman of Asia Standard Hotel. Mr. Poon is the founder of the Group and is an Independent Non-executive Director of GZI Transport Limited. He is the brother-in-law of Mr. Fung Siu To, Clement and Mr. Lim Yin Cheng, the Chairman and Deputy Chairman respectively.

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## Directors' Profile

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### **LUN Pui Kan**

Age 42. 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 Institute of Certified Public Accountants ("HKICPA") and a fellow member of The Association of Chartered Certified Accountants ("ACCA"). He joined the Group in 1994.



### **KWAN Po Lam, Phileas**

Age 47. 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.

**Non-executive Director****CHAN Sze Hung**

Age 52. 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 joined the Group in 1996.

**Independent Non-executive Director****CHEUNG Kwok Wah, Ken**

Age 48. A member of Audit Committee of the Company. Mr. Cheung received a bachelor degree of Civil Laws from University College, Dublin. Mr. Cheung has over 15 years of experience in the finance field. He joined the Group in 1996.

**WONG Chi Keung**

Aged 50. A member of Audit Committee of the Company. Mr Wong holds a master's degree in business administration from the University of Adelaide in Australia. He is a fellow member of HKICPA, ACCA and CPA Australia; an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants.

Mr. Wong was as an Executive Director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited, which is a listed company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), for over ten years. He is the Managing Director of two companies which engaged in corporate consultancy services. He is also an Independent Non-executive Director and a member of the audit committee of Asia Standard, Century City International Holdings Limited, China Special Steel Holdings Company Limited, China Treasure (Greater China) Investments Limited, FU JI Food and Catering Services Holdings Limited, Great Wall Automobile Holding Company Limited, International Entertainment Corporation, PacMOS Technology Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of these companies are listed on the Stock Exchange. Mr. Wong has over 29 years of experience in finance, accounting and management. He joined the Group in 2004.

**HUNG Yat Ming**

Age 53. A member of Audit Committee of the Company. Mr. Hung graduated from the University of Hong Kong with a Bachelor degree in Mathematics and obtained a post-graduate diploma in Accountancy from the University of Strathclyde, Scotland. He has over 25 years of experience in audit, accounting and financial management in several firms in Sydney and Hong Kong and was executive director heading the accounting department of a Hong Kong listed company. He is a member of the Institute of Chartered Accountants of Scotland and HKICPA. He is an Independent Non-executive Director and a member of Audit Committee of Asia Standard Hotel. He join the Group in 2004.

**Note:**

Mr. Poon Jing, Mr. Fung Siu To, Clement and Mr. Lun Pui Kan are directors of Teddington Holdings Limited and Heston Holdings Limited. Both companies have interests in the share capital of the Company disclosable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.



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# Report of the Directors

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

## **Principal activities and geographical analyses of operations**

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries, jointly controlled entities and associated companies are set out in note 36 to the accounts.

The activities of the Group are mainly based in Hong Kong. Analyses of the Group's turnover and contribution to operating result by principal activities and by principal markets are set out in note 3 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 29.

An interim dividend of HK2.0 cents per share was paid to shareholder on 1st March 2005. The Board recommends the payment of a distribution of HK4.3 cents (2004: nil) per share in scrip for the year ended 31st March 2005.

## **Financial summary**

A ten-year financial summary of the results and of the assets and liabilities of the Group is set out on page 9.

## **Fixed assets**

Details of the movements in fixed assets of the Group are set out in note 13 to the accounts.

## **Share capital**

Details of the movements in share capital of the Company during the year are set out in note 25 to the accounts.

## **Reserves**

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the accounts.

## **Principal properties**

Details of the principal properties of an associated company are set out on pages 10 to 13.

## **Donations**

During the year, the Group made charitable and other donations of HK\$900,000 (2004: HK\$20,000).

## **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  
Mr. Wong Chi Keung (appointed on 23rd September 2004)  
Mr. Hung Yat Ming (appointed on 23rd September 2004)

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In accordance with Bye-Law 99 and 102(B) of the Company's Bye-Laws, one third of the Directors and the Directors appointed by the Board during the year retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The Managing Director and the Chairman shall not be subject to retirement by rotation.

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

### **Biographical details of directors**

Biographical details of Directors are set out on pages 17.

### **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.

### **Connected transaction**

On 8th December 2004, Asia Standard International Group Limited ("Asis Standard"), a then listed subsidiary of the Company, sold the equity interest of its wholly owned subsidiary, Viewell Investments Limited ("Viewell"), to Grosvenor Asset Management Limited ("GAML"). GAML is a connected party by virtue of it being a substantial shareholder of Asia Standard. Total consideration paid by GAML for the shares and loan assignment was HK\$71,514,000. The sole business of Viewell is holding an indirect interest in a property development in Yau Kam Tau.

Asia Standard subsequently entered into a shareholder's agreement with GAML to jointly redevelop Yau Kam Tau project. Both parties will make proportionate shareholder's loan and will act as guarantors to banking facilities in proportion to their shareholding interests for the redevelopment of the site.

### **Arrangements to purchase shares or debentures**

Apart from the share option scheme of the Company as disclosed on page 23, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Report of the Directors

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

As at 31st March 2005, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Hong Kong Securities and Futures Ordinance (the "SFO") which (a) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

#### (I) Long positions in shares

##### (a) The Company

Director	Number of shares held				Percentage of shares in issue (%)
	Personal interest	Corporate interest	Family Interest	Total	
Poon Jing	34,352,396	38,011,695	1,396,520	73,760,611	31.45
Fung Siu To, Clement	3,949,400	–	–	3,949,400	1.68

##### (b) Associated companies

Director	Associated Company	Number of shares held			Percentage of shares in issue (%)
		Personal interest	Corporate interest	Total	
Poon Jing	Asia Standard	4,445,650	2,055,469,712*	2,059,915,362*	40.58
Poon Jing	Asia Standard Hotel	248,937	3,699,148,774*	3,699,397,711*	73.22
Poon Jing and Fung Siu To, Clement	Centop Investment Limited	–	20	20	20
Fung Siu To, Clement	Mark Honour Limited	9	–	9	9

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

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

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

On 12th February 2004, options to subscribe for 1,718,000 shares of the Company were granted to each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Lun Pui Kan and Kwan Po Lam, Phileas, all being the Directors of the Company, at exercise price of HK\$3.3 per share. These options are exercisable from 12th February 2004 to 11th February 2014. During the year, no option was granted to the Directors and the options granted to the Directors has not been exercised, cancelled or lapsed. Each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Lun Pui Kan and Kwan Po Lam, Phileas had option to subscribe for 1,718,000 shares of the Company at 1st April 2004 and 31st March 2005 respectively.

The options granted are not recognised in the financial statements until they are exercised. Valuation of share options would require the application of different option pricing models. These models have various limitations and involve the use of different assumptions. As a result, such valuation contains a lot of uncertainty and subjectivity. Therefore, the Directors considered that the value so calculated would not be meaningful and may be misleading to the shareholders. Consequently, the value of options granted are not disclosed.

***b) Associated company – Asia Standard***

Options to subscribe for 1,750,000 shares of Asia Standard were granted to Mr. Lun Pui Kan on 27th February 1995. The options are exercisable from 27th March 1995 to 27th March 2005 at exercise price of HK\$0.384 per share. These options were fully exercised during the year. The closing price of the shares immediately before the date on which the options were exercised was HK\$0.42 per share. Apart from the forementioned, no option to subscribe for shares of Asia Standard was held by any Director of the Company at 1st April 2004.

On 30th March 2005, options to subscribe for 20 million shares of Asia Standard were granted to each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Lun Pui Kan and Kwan Po Lam, Phileas and options to subscribe for 5 million shares of Asia Standard were granted to Mr. Poon Jing, at exercise price of HK\$0.325 per shares. These options were exercisable from 30th March 2005 to 29th March 2015. During the year, no option was cancelled or lapsed. Each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Lun Pui Kan and Kwan Po Lam, Phileas had options to subscribe for 20 million shares of Asia Standard and Mr. Poon Jing had option to subscribe for 5 million shares of Asia Standard at 31st March 2005. The closing price of the shares of Asia Standard immediately before the date of grant of the options was HK\$0.32.

***c) Associated company – Q9 Technology Holdings Limited***

As at 31st March 2005, 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 2004 and 31st March 2005	
		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

## Report of the Directors

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

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

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

Save as disclosed above, as at 31st March 2005, none of the Directors or Chief Executive (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

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

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31st March 2005, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

#### Long positions in shares of the company

Name	Number of shares held	Percentage (%)
Teddington Holdings Limited ("Teddington")	15,856,581	6.76
Heston Holdings Limited ("Heston")	13,209,717	5.63

#### Notes

Mr. Poon Jing, his family interest and the companies wholly owned by him namely Teddington, Heston and Full Speed Investment Ltd. together hold 73,760,611 shares. The interest of Teddington and Heston duplicate the interest of Mr. Poon Jing disclosed under the heading "Directors and Chief Executive's interests and short positions in shares, underlying shares and debentures" above.

### Share option schemes

#### Company

Pursuant to an ordinary resolution passed at the Special General Meeting of the Company held on 11th November 2002, the Company adopted a new option scheme to replace an 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 6.39% 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.



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## Report of the Directors

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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.

The following table discloses details of the Company's options granted under the new option scheme held by employees (including Directors):

Grantee	Outstanding as at 1st April 2004	Outstanding as at 31st March 2005
Directors	6,872,000	6,872,000 (note 1)
Employees of Invested Entity	–	5,400,000 (note 2)

Notes:

1. The options were granted on 12th February 2004 and exercisable from 12th February 2004 to 11th February 2014 at an exercise price of HK\$3.3 per share
2. These options were granted on 25th February 2005 and exercisable from 25th February 2005 to 24th February 2015 at an exercise price of HK\$2.895 per share. The closing price of the shares immediately before the date of grant of such options was HK\$2.9 per share.
3. No option was cancelled, lapsed nor exercised during the year.

### Purchase, sale or redemption of listed securities

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

### Pre-emptive rights

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

### Management contracts

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

### Major customers and suppliers

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

Percentage of purchases attributable to the Group's largest supplier	22.3%
Percentage of purchases attributable to the Group's five largest suppliers	44.7%
Percentage of sales attributable to the Group's largest customer	2.5%
Percentage of sales attributable to the Group's five largest customers	9.6%

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.

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### **Non-executive directors**

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

### **Auditors**

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

On behalf of the Board  
**Fung Siu To, Clement**  
*Chairman*

HONG KONG, 19th July 2005

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# Report of the Auditors

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## **To the shareholders of Asia Orient Holdings Limited**

(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 29 to 72 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **Respective responsibilities of directors and auditors**

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

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

### **Basis of opinion**

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

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

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st March 2005 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PRICEWATERHOUSECOOPERS**  
*Certified Public Accountants*

Hong Kong, 19th July 2005

# Consolidated Profit and Loss Account

For the year ended 31st March 2005

	<i>Note</i>	<b>2005 HK\$'000</b>	2004 HK\$'000
Turnover	3	<b>553,180</b>	767,390
Cost of sales		<b>(382,783)</b>	(582,988)
Gross profit		<b>170,397</b>	184,402
Administrative expenses		<b>(95,065)</b>	(127,234)
Other income and charges	4	<b>(54,460)</b>	(84,651)
Operating profit / (loss)	5	<b>20,872</b>	(27,483)
Finance costs	6	<b>(73,283)</b>	(117,843)
Share of profits less losses of			
Jointly controlled entities		<b>162,359</b>	(45,296)
Associated companies		<b>(80,061)</b>	(111,486)
Profit / (loss) before taxation		<b>29,887</b>	(302,108)
Taxation (charge) / credit	9	<b>(45,358)</b>	908
Loss after taxation		<b>(15,471)</b>	(301,200)
Minority interests		<b>(145,499)</b>	72,955
Loss attributable to shareholders	10	<b>(160,970)</b>	(228,245)
Dividend and distribution	11	<b>14,081</b>	–
Loss per share			
Basic	12	<b>HK\$0.86</b>	HK\$1.49
Diluted	12	<b>HK\$0.89</b>	N/A

# Consolidated Balance Sheet

As at 31st March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Fixed assets	13	1,362	4,643,036
Jointly controlled entities	15	7,832	263,382
Associated companies	16	1,735,697	456,294
Long term investments	17	68,633	1,601
Goodwill	18	–	30,887
Mortgage loans receivable	19	–	40,160
Deferred tax assets	30	5,303	62,517
Current assets			
Properties held for / under development for sale	20	–	1,029,149
Completed properties held for sale	20	–	608,082
Hotel and restaurant inventories		–	2,615
Debtors and prepayments	21	131,426	329,043
Other investments	22	28,654	91,933
Tax recoverable		–	321
Bank balances and cash	23	128,843	157,409
		288,923	2,218,552
Current liabilities			
Creditors and accruals	24	39,347	305,877
Short term bank loans and overdrafts			
Secured		14,676	158,150
Unsecured		–	31,941
Convertible notes	28	–	77,600
Current portion of long term loans	29	37,372	118,446
Taxation		–	9,452
		91,395	701,466
Net current assets		197,528	1,517,086
		2,016,355	7,014,963
Financed by:			
Share capital	25	23,452	17,349
Reserves	26	1,978,355	2,073,074
Shareholders' funds		2,001,807	2,090,423
Convertible bonds	27	–	290,000
Long term loans	29	6,226	2,229,216
Deferred tax liabilities	30	11	53,401
Minority interests and loans	31	8,311	2,351,923
		2,016,355	7,014,963

Fung Siu To, Clement  
Director

Lun Pui Kan  
Director

# Balance Sheet

As at 31st March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Subsidiaries	14	3,429,508	3,617,785
Deferred tax assets	30	171	196
Current assets			
Debtors and prepayments		109	583
Bank balances and cash		39,098	3
		39,207	586
Current liabilities			
Creditors and accruals		695	885
Convertible notes	28	–	31,600
		695	32,485
Net current assets / (liabilities)		38,512	(31,899)
		3,468,191	3,586,082
Financed by:			
Share capital	25	23,452	17,349
Reserves	26	3,444,739	3,568,733
Shareholders' funds		3,468,191	3,586,082

Fung Siu To, Clement  
Director

Lun Pui Kan  
Director



# Consolidated Cash Flow Statement

For the year ended 31st March 2005

	Note	2005 HK\$'000	2004 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash (used in) / generated from operations	35(a)	(337,105)	5,864
Net tax refunded		98	433
Interest paid		(67,097)	(124,649)
Net cash used in operating activities		(404,104)	(118,352)
<b>Cash flows from investing activities</b>			
Interest received		6,487	38,103
Dividends received from an jointly controlled entity		165,330	–
Dividends received from other investments		142	1,207
Proceeds on disposal of other investments		18,640	90,528
Purchase of other investments		(20,116)	(50,484)
Addition to fixed assets		(1,954)	(258)
Disposal of subsidiaries	35(b)	(7,493)	–
Proceeds on partial disposal of interest in a listed subsidiary		27,100	6,570
Repurchase of own share by a listed subsidiary		–	(867)
Proceeds on disposal of fixed assets		2,900	–
Proceeds on disposal of an associated companies		–	2,000
(Increase) / decrease in advances to associated companies		(25,274)	90,754
Acquisition of associated companies		–	(4,000)
Acquisition of a jointly controlled entity		–	(11,631)
Decrease in advances to jointly controlled entities		126,838	17,608
Net cash from investing activities		292,600	179,530
Net cash (used in) / generated before financing activities		(111,504)	61,178
<b>Cash flows from financing activities</b>			
Decrease in restricted bank balances		6,350	1,228
Drawdown of long term bank loans		1,449,052	295,600
Repayment of long term bank loans		(1,209,303)	(476,351)
Issue of convertible notes		–	46,000
Redemption of convertible notes		(46,000)	–
Placement of new shares		84,146	–
Exercise of share options of a listed subsidiary		668	–
Dividend paid to shareholders		(3,743)	–
Dividend paid to minority shareholders		(4,042)	–
Decrease in short term bank loans		(102,599)	(9,452)
Increase / (decrease) in loans from minority shareholders of subsidiaries		2,206	(4,412)
Net cash generated from / (used in) financing activities	35(c)	176,735	(147,387)

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>65,231</b>	(86,209)
Cash and cash equivalents at beginning of the year	<b>24,798</b>	111,152
Changes in exchange rates	<b>977</b>	(145)
Cash and cash equivalents at end of the year	<b>91,006</b>	24,798
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances (excluding pledged deposits and balances held in trust)	<b>95,682</b>	92,291
Bank overdrafts	<b>(4,676)</b>	(67,493)
	<b>91,006</b>	24,798

# Consolidated Statement of Changes in Equity

For the year ended 31st March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Balance at beginning of the year		2,090,423	2,241,763
Exchange differences arising on translation of accounts of overseas subsidiaries, jointly controlled entities and associated companies	26	7,778	10,105
Revaluation surplus on investment properties	26	39,994	—
Revaluation surplus on hotel properties, net of taxation	26	32,015	44,580
Deemed disposal of interest in a listed associated company	26	(92,108)	—
Disposal of a listed subsidiary	26	(8,253)	—
Partial disposal of interest in a listed subsidiary	26	(19,075)	(6,179)
Net (losses) / gains not recognised in the profit and loss account		(39,649)	48,506
Conversion of convertible notes	25, 26	31,600	28,399
Scrip dividend	25, 26	254	—
Placement of new shares	25, 26	84,146	—
Dividends paid	26	(3,997)	—
Loss for the year attributable to shareholders	26	(160,970)	(228,245)
Balance at end of the year		2,001,807	2,090,423

# Notes to the Accounts

## 1 Change in composition of the group

During the year, the Group's interest in Asia Standard International Group Limited ("Asia Standard") decreased from 52.8% to 40.5% as the results of a series of transactions and events set out below:

- (a) In November 2004, the Group disposed of 80 million shares in Asia Standard and the Group's interest in Asia Standard decreased from 52.8% to 50.9%;
- (b) In January 2005, the Group further disposed of 35 million shares in Asia Standard with its interest decreased to 49.99%. Asia Standard has been reclassified and accounted for as an associated company instead of a subsidiary thereafter;
- (c) In February and March 2005, Asia Standard issued 820 million and 145 million new shares for the subscription by the third parties and a substantial shareholder of Asia Standard respectively. The Group's interest in Asia Standard was further diluted to 40.5%.

The results of Asia Standard has been consolidated into the profit and loss accounts of the Group up to the date of disposal. The results of Asia Standard after the date of disposal and the financial position of Asia Standard at balance sheet date have been equity accounted for in the accounts of the Group.

## 2 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.

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

The new HKFRSs mainly affecting the Group are:

HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HK-Int 2	The Appropriate Accounting Policies for Hotel Properties
HK-Int 3	Revenue – Pre-completion Contracts for the Sale of Development Properties
HKAS-Int 21	Income taxes – Recovery of Revalued Non-Depreciable Assets

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

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### 2 Principal accounting policies (continued)

#### (a) Basis of preparation (continued)

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

##### *(i) Investment properties*

The change in fair value of the investment properties and deferred taxation on the corresponding revaluation surplus or deficit will be recognised in the profit and loss account. Revaluation movement on a portfolio basis has been accounted for in the equity under the current accounting policy and no deferred taxation was provided for thereon.

##### *(ii) Hotel properties*

Land and buildings will be accounted for separately. Hotel buildings will be stated at cost less accumulated depreciation and impairment, while the underlying freehold land will be accounted for as property, plant and equipment and stated at cost less impairment, the underlying leasehold land will be accounted for as described in note (iii) below. Hotel properties have been stated at valuation without depreciation under the current accounting policy.

##### *(iii) Leasehold land in Hong Kong*

Leasehold land in Hong Kong will no longer be accounted for as property, plant and equipment. Instead, it will be accounted for as prepayment of lease and stated at cost and recognised as an expense on a straight-line basis over the lease term. Leasehold land has been stated at cost less impairment, if any, under the current accounting policy.

##### *(iv) Pre-sale of development properties*

Stage of completion method will no longer be used to recognise revenue from pre-sale of development properties, instead revenue will be recognised upon completion of those properties.

##### *(v) Share options*

The Group will be required to determine the fair value of all share options to employees and recognised as expense in the profit and loss account over the vesting period. This treatment will apply to share options granted after 7th November 2002 and had not yet vested on 1st January 2005. Under the current accounting policy, share options to employees were not recorded in the financial statement.

##### *(vi) Financial instruments*

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

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

## 2 Principal accounting policies (continued)

### (b) Basis of consolidation

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

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

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

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

### (c) Subsidiaries

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

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

### (d) Jointly controlled entities

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

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

### (e) Associated companies

An associated company is a company, not being a subsidiary or a jointly controlled entity, in which an equity interest is held for the long term and significant influence is exercised in its management. The Group's investments in associated companies are included in the consolidated balance sheet at the Group's share of net assets. The Group continues to share losses incurred by associated companies, which is over and above the carrying amounts of the investments, to the extent that the Group has guaranteed obligations or other commitments of these associated companies.

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

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### 2 Principal accounting policies (continued)

#### (f) Goodwill

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

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

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

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

#### (g) Other investments

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

#### (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.

## 2 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.

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.



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### 2 Principal accounting policies (continued)

#### (h) Fixed assets (continued)

##### *(iv) Properties under development for investment*

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

No depreciation is provided on properties under development for investment.

##### *(v) Other fixed assets*

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

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

##### *(vi) Impairment of fixed assets*

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

#### **(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.

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

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

### (o) Revenue recognition

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

#### (i) *Properties held for/under development for sale*

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

#### (ii) *Completed properties held for sale*

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

#### (iii) *Investment properties*

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

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## Notes to the Accounts

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### 2 Principal accounting policies (continued)

#### (o) Revenue recognition (continued)

##### *(iv) Hotel, travel agency and management services businesses*

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

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

Management fee income is recognised when services are rendered.

##### *(v) Investment and others*

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

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

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

#### (p) Foreign currencies

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

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

#### (q) Borrowing costs

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

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

#### (r) Operating leases

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

#### (s) Cash and cash equivalents

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

### 3 Turnover and segment information

The Group and its associated companies are 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 and its associated companies are organised into four main business segments, comprising property sales, property leasing, hotel and travel and investments. There is no other significant identifiable separate business segment. Segment revenue from external customers is after elimination of inter-segment revenues. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments. Segment assets consist primarily fixed assets, other non-current assets, hotel inventories, properties, debtors, prepayments and other receivables and investments. Segment liabilities comprise mainly creditors, accruals, bank and other loans. Following the change in composition of the Group as described in note 1, assets and liabilities of Asia Standard are reclassified under associated companies. Additional segment information of jointly controlled entities and associated companies was set out in supplementary notes.

<b>2005 (in HK\$'000)</b>	<b>Property sales</b>	<b>Property leasing</b>	<b>Hotel and travel</b>	<b>Investments</b>	<b>Other operations</b>	<b>Group</b>
Segment revenue	<b>36,165</b>	<b>37,725</b>	<b>439,054</b>	<b>18,782</b>	<b>21,454</b>	<b>553,180</b>
Contribution to segment results	<b>(19,126)</b>	<b>33,152</b>	<b>79,424</b>	<b>2,767</b>	<b>12,871</b>	<b>109,088</b>
Other income and charges	<b>11,400</b>	<b>–</b>	<b>(1,848)</b>	<b>(62,334)</b>	<b>(1,678)</b>	<b>(54,460)</b>
Unallocated corporate expenses						<b>(33,756)</b>
Operating profit						<b>20,872</b>
Finance costs						<b>(73,283)</b>
Share of results of						
Jointly controlled entities (note (i))						<b>162,359</b>
Associated companies (note (i))						<b>(80,061)</b>
Profit before taxation						<b>29,887</b>
Taxation charge						<b>(45,358)</b>
Loss after taxation						<b>(15,471)</b>
Minority interests						<b>(145,499)</b>
Loss attributable to shareholders						<b>(160,970)</b>

## Notes to the Accounts

### 3 Turnover and segment information (continued)

Primary reporting format – business segments (continued)

2004 (in HK\$'000)	Property sales	Property leasing	Hotel and travel	Investments	Other operations	Group
Segment revenue	167,813	53,155	425,966	91,735	28,721	767,390
Contribution to segment results	(3,132)	47,557	42,067	2,689	24,136	113,317
Other income and charges	(20,074)	34,990	(11,542)	(25,436)	(62,589)	(84,651)
Unallocated corporate expenses						(56,149)
Operating loss						(27,483)
Finance costs						(117,843)
Share of results of						
Jointly controlled entities (note (i))						(45,296)
Associated companies (note (i))						(111,486)
Loss before taxation						(302,108)
Taxation credit						908
Loss after taxation						(301,200)
Minority interests						72,955
Loss attributable to shareholders						(228,245)

Notes:

(i) Share of results of jointly controlled entities and associated companies

	2005		2004	
	Jointly controlled entities	Associated companies	Jointly controlled entities	Associated companies
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property sales	204,761	(1,461)	(3,189)	(15,972)
Property leasing	–	34,288	–	12,977
Hotel and travel	–	7,636	–	(713)
Investments	(42,402)	(104,719)	(42,107)	(107,606)
Other operations	–	(1,944)	–	(172)
Finance costs	–	(10,855)	–	–
Unallocated corporate expenses	–	(3,006)	–	–
	162,359	(80,061)	(45,296)	(111,486)

(ii) Certain comparative amounts have been reclassified to conform with current year's segment classification.

**3 Turnover and segment information** (continued)

Primary reporting format – business segments (continued)

<b>2005 (in HK\$'000)</b>	Property sales	Property leasing	Hotel and travel	Investments	Other operations	Group
Segment assets	<b>101,000</b>	–	–	<b>97,381</b>	<b>31,482</b>	<b>229,863</b>
Jointly controlled entities and associated companies (note (i))						<b>1,743,529</b>
Unallocated assets						<b>134,358</b>
						<b>2,107,750</b>
Segment liabilities	–	–	–	–	<b>35,817</b>	<b>35,817</b>
Minority interests and loans						<b>8,311</b>
Unallocated liabilities						<b>61,815</b>
						<b>105,943</b>
Capital expenditure	<b>22</b>	–	<b>140</b>	–	<b>1,792</b>	<b>1,954</b>
Depreciation	<b>15</b>	–	<b>680</b>	–	<b>369</b>	<b>1,064</b>
<b>2004 (in HK\$'000)</b>						
Segment assets	1,271,340	1,975,133	3,301,942	92,027	175,959	6,816,401
Jointly controlled entities and associated companies (note (i))	372,959	188,052	–	147,759	10,906	719,676
Unallocated assets						180,352
						7,716,429
Segment liabilities	654,102	883,794	1,356,818	–	69,522	2,964,236
Minority interests and loans						2,351,923
Unallocated liabilities						309,847
						5,626,006
Capital expenditure	25	–	154	–	79	258
Depreciation	40	246	3,243	–	518	4,047

Note: (i) Share of net assets of jointly controlled entities and associated companies

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Property sales	<b>342,042</b>	372,959
Property leasing	<b>603,143</b>	188,052
Hotel and travel	<b>603,380</b>	–
Investments	<b>56,213</b>	147,759
Other operations	<b>6,841</b>	10,906
Unallocated net assets	<b>131,910</b>	–
	<b>1,743,529</b>	719,676

## Notes to the Accounts

### 3 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:

2005 (in HK\$'000)	Segment revenue	Operating profit/(loss)	Total assets	Capital expenditure
Hong Kong	<b>490,442</b>	<b>1,731</b>	<b>1,883,563</b>	<b>1,950</b>
Mainland China	<b>6,252</b>	<b>732</b>	<b>124,506</b>	<b>4</b>
Canada	<b>56,486</b>	<b>18,409</b>	<b>99,681</b>	<b>–</b>
	<b>553,180</b>	<b>20,872</b>	<b>2,107,750</b>	<b>1,954</b>
2004 (in HK\$'000)				
Hong Kong	685,621	(40,557)	6,964,852	237
Mainland China	22,594	(560)	320,920	21
Canada	59,175	13,634	430,657	–
	767,390	(27,483)	7,716,429	258

### 4 Other income and charges

	2005 HK\$'000	2004 HK\$'000
Write-back of provision / (provision) for diminution in value of properties under development / held for sale	<b>11,400</b>	(20,074)
Revaluation surplus on investment properties	–	34,990
Unrealised gains / (losses) on other investments	<b>92,271</b>	(25,436)
Write-back of provision / (provision) for doubtful debts	<b>12,325</b>	(51,400)
Loss on disposal of subsidiaries	<b>(3,946)</b>	–
Loss on disposal of an associated company	–	(9,129)
Loss on partial disposal of interest in a listed subsidiary (note 1(a))	<b>(25,272)</b>	(8,220)
Loss on disposal of a listed subsidiary (note 1(b))	<b>(10,193)</b>	–
Loss on deemed disposal of interest in a listed associated company (note 1(c))	<b>(115,194)</b>	–
Negative goodwill recognised	–	1,031
Impairment loss of goodwill	<b>(10,002)</b>	–
Amortisation of goodwill	<b>(5,849)</b>	(6,413)
	<b>(54,460)</b>	(84,651)

## 5 Operating profit/(loss)

	2005 HK\$'000	2004 HK\$'000
Operating profit / (loss) is stated after crediting and charging the following:		
<b>Crediting</b>		
Net rental income (note (a))	<b>33,391</b>	46,039
Interest income		
Debt securities	<b>226</b>	226
Others	<b>9,682</b>	12,878
Dividends from listed investments	<b>142</b>	1,207
Gain / (loss) on disposal of fixed assets	<b>1,008</b>	(68)
Unrealised gain / (losses) on other investments	<b>92,271</b>	(25,436)
Net realised gains on other investments	<b>2,625</b>	1,482
<b>Charging</b>		
Operating lease rental expenses for land and buildings	<b>3,952</b>	6,235
Impairment loss of goodwill	<b>10,002</b>	–
Provision for long term investment	<b>1,601</b>	–
Amortisation of goodwill	<b>5,849</b>	6,413
Staff costs, including Director's emoluments (note 8)	<b>72,438</b>	91,493
Depreciation	<b>1,064</b>	4,047
Auditors' remuneration	<b>2,933</b>	3,343

Note:

### (a) Net rental income

	2005 HK\$'000	2004 HK\$'000
Gross rental income		
Investment properties	<b>24,130</b>	34,295
Properties held for sale	<b>13,595</b>	18,860
	<b>37,725</b>	53,155
Outgoings	<b>(4,334)</b>	(7,116)
	<b>33,391</b>	46,039



## Notes to the Accounts

### 6 Finance costs

	2005 HK\$'000	2004 HK\$'000
Interest expense		
Long term bank loans	46,390	66,623
Convertible bonds	23,291	30,999
Convertible notes	1,723	5,027
Loans from minority shareholders of subsidiaries	2,328	3,443
Short term bank loans and overdrafts	6,535	19,001
Other incidental borrowing costs	6,603	7,551
	86,870	132,644
Capitalised as cost of properties under development		
Interest expense	(11,175)	(13,671)
Other incidental borrowing costs	(2,412)	(1,130)
	73,283	117,843

To the extent funds are borrowed generally and used for the purpose of financing certain properties under development, the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation as part of the costs of these properties under development is 5.3% (2004: 5.5%) per annum.

### 7 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:

	2005 HK\$'000	2004 HK\$'000
Fees (i)	453	220
Salaries, housing allowances and benefits in kind (ii)	19,917	23,660
	20,370	23,880

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

- (ii) Other emoluments paid to executive Directors include HK\$9,667,000 (2004: HK\$12,960,000) paid by Asia Standard International Group Limited ("Asia Standard") and HK\$6,783,000 (2004: HK\$5,700,000) paid by Asia Standard Hotel Group Limited ("Asia Standard Hotel") prior to their changing from subsidiaries to associated companies.

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

The emoluments of individual Directors fell within the following bands:

Emoluments band	Number	
	2005	2004
HK\$nil – HK\$500,000	4	2
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	1	2
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	–	2
HK\$11,500,001 – HK\$12,000,000	1	–
HK\$12,000,001 – HK\$12,500,000	–	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 (2004: five) Directors whose emoluments are already reflected in the analysis presented above.

**8 Staff costs**

	2005 HK\$'000	2004 HK\$'000
Wages and salaries	72,372	89,969
Retirement benefits costs (note (a))	2,329	2,915
	74,701	92,884
Capitalised under properties under development	(2,263)	(1,391)
	72,438	91,493

Staff costs are stated inclusive of Directors' emoluments.

Notes:

**(a) Retirement benefits costs**

	2005 HK\$'000	2004 HK\$'000
Gross contributions	2,429	3,069
Forfeitures utilised	(100)	(154)
Net contributions	2,329	2,915

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.

## Notes to the Accounts

### 8 Staff costs (continued)

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

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

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

As at 31st March 2005, no forfeitures (2004: nil) were available to reduce the Group's future contributions to the ORSO schemes.

#### (b) Share options

The Company and Asia Standard (prior to its reclassification as an associated company) operate share option schemes whereby options may be granted to employees of the Group, including the executive Directors, to subscribe for shares of the Company and Asia Standard respectively. The consideration to be paid on each grant of option varies between HK\$1 and HK\$10. The share option scheme of Asia Standard had expired on 22nd January 2002.

Details of share options held under the schemes are as follows:

Grantee	Expiry date	Exercise price	2005 Number	2004 Number
<b>Company</b>				
Directors	11th February 2014	HK\$3.3	<b>6,872,000</b>	6,872,000
Staff	24th February 2015	HK\$2.895	<b>5,400,000</b>	–
<b>Asia Standard</b>				
Director	27th March 2005	HK\$0.384	–	1,750,000

During the year, 5,400,000 (2004: 6,872,000) share options to subscribe for shares of the Company were granted and 1,750,000 (2004: nil) share options to subscribe for shares of Asia Standard were exercised. No share options were cancelled or lapsed (2004: 4,950,000 and 300,000 share options to subscribe for shares of the Company were cancelled and lapsed respectively) during the year.

## 9 Taxation (charge)/credit

	2005 HK\$'000	2004 HK\$'000
Current taxation		
Hong Kong profits tax	–	(140)
Overprovisions in prior years	140	915
Deferred taxation		
Relating to the origination and reversal of temporary differences	(3,735)	(117)
Resulting from an increase in tax rate	–	2,168
	(3,595)	2,826
Share of taxation attributable to		
Jointly controlled entities	(36,464)	(287)
Associated companies	(5,299)	(1,631)
	(45,358)	908

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) 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.

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

	2005 HK\$'000	2004 HK\$'000
(Profit)/loss before taxation	(29,887)	302,108
Calculated at a taxation rate of 17.5% (2004: 17.5%)	(5,230)	52,869
Overprovisions in prior years	140	918
Effect of different taxation rates in other countries	272	844
Income not subject to taxation	35,974	15,188
Expenses not deductible for taxation purposes	(65,957)	(55,661)
Tax losses not recognised	(8,892)	(18,643)
Utilisation of previously unrecognised temporary difference	1,736	5,226
Recognition of previously unrecognised tax losses	1,212	1,775
Recognition of previously unrecognised temporary difference	(1,186)	–
Derecognition of deferred tax assets	(3,010)	(3,777)
Increase in opening net deferred tax assets resulting from an increase in tax rate	–	1,998
Others	(417)	171
Taxation (charge)/credit	(45,358)	908

## 10 Loss attributable to shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$229,894,000 (2004: HK\$112,806,000).

# Notes to the Accounts

## 11 Dividend and distribution

	2005 HK\$'000	2004 HK\$'000
Interim, paid, of HK2 cents (2004: nil) per share	3,997	—
Scrip distribution, proposed, of HK4.3 cents (2004: nil) per share	10,084	—
	<b>14,081</b>	<b>—</b>

Note: At a meeting held on 19th July 2005, the Board has declared a distribution of HK4.3 cents per share in scrip. This proposed distribution is not reflected as a payable in these accounts, but will be reflected as an appropriation of contributed surplus in the year ending 31st March 2006.

## 12 Loss per share

The calculation of loss per share is based on loss attributable to shareholders of HK\$160,970,000 (2004: HK\$228,245,000) and on the weighted average of 186,544,765 (2004: 153,152,913) shares in issue during the year.

The calculation of diluted loss per share is based on HK\$165,519,000 equalling to the loss attributable to shareholders of HK\$160,970,000 plus decreased share of profit after tax of listed associated companies of HK\$4,549,000 assuming the convertible bonds and notes of the listed associated companies had been converted and the weighted average number of 186,544,765 shares in issue during the year.

No diluted loss per share is presented for the year ended 31st March 2004 as the exercise of subscription rights attached to the share options and the conversion of the convertible bonds would not have a dilutive effect on the loss per share.

## 13 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
<b>Group</b>						
<b>Cost or valuation</b>						
At 31st March 2004	1,423,000	3,167,550	10,507	42,326	50,352	4,693,735
Translation differences	—	34,300	—	—	25	34,325
Additions	—	—	—	—	1,954	1,954
Disposals	—	—	(2,534)	—	(28)	(2,562)
Disposal of a listed subsidiary	(1,423,000)	(3,201,850)	(7,973)	(42,373)	(49,087)	(4,724,283)
Cost adjustment	—	—	—	47	—	47
<b>At 31st March 2005</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,216</b>	<b>3,216</b>
<b>Accumulated depreciation and impairment</b>						
At 31st March 2004	—	—	2,210	—	48,489	50,699
Translation differences	—	—	—	—	22	22
Charge for the year	—	—	162	—	902	1,064
Disposals	—	—	(642)	—	(28)	(670)
Disposal of a listed subsidiary	—	—	(1,730)	—	(47,531)	(49,261)
<b>At 31st March 2005</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,854</b>	<b>1,854</b>
<b>Net book value</b>						
<b>At 31st March 2005</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,362</b>	<b>1,362</b>
At 31st March 2004	1,423,000	3,167,550	8,297	42,326	1,863	4,643,036

**13 Fixed assets** (continued)

- (a) In 2004, investment properties comprised long term leasehold land and buildings of HK\$1,423,000,000 in Hong Kong. They were revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis.
- (b) In 2004, hotel properties comprised long term leasehold land and buildings situated in Hong Kong of HK\$1,400,000,000, medium term leasehold land and buildings in Hong Kong of HK\$1,350,000,000 and freehold land and buildings situated in Canada of HK\$417,550,000. 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 respectively.
- (c) In 2004, included in other properties are long term leasehold land and buildings of HK\$2,440,000 and medium term leasehold land and buildings of HK\$5,857,000, both of which were stated at cost less accumulated depreciation and impairment. All these properties were located in Hong Kong.
- (d) In 2004, properties under development comprise long term leasehold land and buildings of HK\$42,326,000 in Hong Kong and were stated at cost.
- (e) No fixed assets were pledged as securities for loans (2004: HK\$4,638,733,000).

**14 Subsidiaries**

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>2,823,639</b>	2,823,639
Amounts due by subsidiaries less provisions	<b>605,869</b>	794,146
	<b>3,429,508</b>	3,617,785

Details of the principal subsidiaries are set out in note [36].

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

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## Notes to the Accounts

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### 15 Jointly controlled entities

	Group	
	2005 HK\$'000	2004 HK\$'000
Share of net liabilities	<b>(37,841)</b>	(130,359)
Goodwill less amortisation and impairment	–	40,699
Advances to jointly controlled entities less provisions	<b>50,095</b>	357,464
Amount due to a jointly controlled entity	<b>(4,422)</b>	(4,422)
	<b>7,832</b>	263,382

In 2004, the shares in certain jointly controlled entities were pledged to secure loan facilities granted to those entities and advances to jointly controlled entities amounted to HK\$261,027,000 were subordinated to the repayment of the loans of those jointly controlled entities.

Advances are made to finance working capital of those jointly controlled entities. The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment.

Detail of the principal jointly controlled entities are set out in note 36.

## 16 Associated companies

	Group	
	2005 HK\$'000	2004 HK\$'000
Share of net assets / (liabilities)	<b>1,735,529</b>	(92,071)
Goodwill less amortisation and impairment	–	88,237
Advances to associated companies less provisions	<b>183</b>	511,293
Amounts due to associated companies	<b>(15)</b>	(51,165)
	<b>1,735,697</b>	456,294
Market value of listed shares	<b>691,512</b>	42,021

In 2004, the shares in certain associated companies were pledged to secure the loan facilities granted to those companies and advance to associated companies amounted to HK\$345,700,000 were subordinated to the repayment of the loans of those companies.

The Group equity accounted for the results and net assets of Asia Standard following the disposal of its interest in Asia Standard in January 2005 (note 1(b)). Extracts of Asia Standard's audited consolidated profit and loss account and balance sheet are shown on pages 73 to 74.

The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment. In 2004, advances to associated companies were made mainly to finance property development projects and an amount of HK\$8,565,000 due from an associated company was interest bearing at prime rate.

Details of the principal associated companies are set out in note 36.

## 17 Long term investments

	Group	
	2005 HK\$'000	2004 HK\$'000
Unlisted share, at cost	–	1
Advance to an investee company	–	1,600
	–	1,601
Share listed in Hong Kong, at cost	<b>68,633</b>	–
	<b>68,633</b>	1,601
Market value of listed shares	<b>62,717</b>	–

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



## Notes to the Accounts

### 18 Goodwill

	Group HK\$'000
<b>Cost</b>	
At 31st March 2004	44,647
Disposal of a listed subsidiary	(24,643)
<b>At 31st March 2005</b>	<b>20,004</b>
<b>Accumulated amortisation and impairment</b>	
At 31st March 2004	13,760
Amortisation charge	5,849
Impairment charge	10,002
Disposal of a listed subsidiary	(9,607)
<b>At 31st March 2005</b>	<b>20,004</b>
<b>Net book value</b>	
<b>At 31st March 2005</b>	<b>–</b>
At 31st March 2004	30,887

### 19 Mortgage loans receivable

At 31st March 2004, mortgage loans receivable of HK\$14,518,000 in aggregate were pledged as security for the Group's long term loans.

### 20 Properties held for/under development for sale and completed properties held for sale

At 31st March 2004, properties amounted to HK\$1,416,374,000 were pledged to banks to secure certain banking facilities of the Group.

At 31st March 2004, properties that were carried at net realisable values were HK\$721,712,000 and properties held for deployment in operating leases were HK\$538,212,000.

### 21 Debtors and prepayments

Debtors and prepayments include trade debtors, utility and other deposits, stakeholders' accounts, interest and other receivables. At 31st March 2004, there was a housing loan of HK\$1,088,000 granted to a Director, Mr. Kwan Po Lam, Phileas, in March 1995 and the loan was fully repaid in August 2004. The loan was secured by a legal mortgage over the subject property, carried interest at 2% below prime rate per annum and the principal was repayable by quarterly instalments of HK\$17,000 each. The maximum outstanding balance during the year was HK\$1,088,000 (2004: HK\$1,156,000).

Trade debtors amounted to HK\$349,000 (2004: HK\$37,905,000), 90% of which (2004: 100%) 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.

## 22 Other investments

	Group	
	2005 HK\$'000	2004 HK\$'000
Equity securities		
Listed in Hong Kong	<b>24,154</b>	78,418
Listed overseas	–	7,327
Unlisted	–	1,688
	<b>24,154</b>	87,433
Debt securities	<b>4,500</b>	4,500
	<b>28,654</b>	91,933

## 23 Bank balances and cash

In 2004, the balances include restricted bank balances of HK\$32,625,000 which were 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\$33,161,000 (2004: HK\$32,493,000) are held in trust in respect of buildings managed by the Group on behalf of third parties.

## 24 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\$3,779,000 (2004: HK\$26,012,000), 85% (2004: 100%) of which were aged under six months.

## Notes to the Accounts

### 25 Share capital

Shares of HK\$0.1 each	Number of shares		Amount HK\$'000	
Authorised:				
At 31st March 2004 and 2005	750,000,000		75,000	
	Number of shares		Amount	
	2005	2004	2005 HK\$'000	2004 HK\$'000
Issued and fully paid:				
At beginning of the year	<b>173,493,094</b>	149,826,429	<b>17,349</b>	14,983
Conversion of convertible notes (note (a))	<b>26,333,332</b>	23,666,665	<b>2,634</b>	2,366
Scrip dividend (note (b))	<b>89,784</b>	–	<b>9</b>	–
Placement of new shares (note (c))	<b>34,600,000</b>	–	<b>3,460</b>	–
At end of the year	<b>234,516,210</b>	173,493,094	<b>23,452</b>	17,349

Notes:

- (a) During the year, holders of HK\$31,600,000 (2004: HK\$28,400,000) convertible notes of the Company exercised the conversion rights attaching to the notes by converting those notes into 26,333,332 new shares of the Company at HK\$1.20 per share.
- (b) In March 2005, 89,784 new shares were allotted and issued in lieu of interim dividend.
- (c) Pursuant to a placing and subscription agreement dated 2nd March 2005, the Company issued 34.6 million shares at HK\$2.50 per share, a discount of approximately 9.9% to the closing price of HK\$2.775 per share as quoted on the Stock Exchange on 1st March 2005, to more than six independent third parties. The net proceeds from the subscription was approximately HK\$84.1 million representing HK\$2.43 per share, of which about HK\$70 million was used for the repayment of bank loan and the remaining balance is for general working capital purpose. The reasons for this share placement were to broaden the shareholder and capital base as well as to strengthen the financial position of the Company.

## 26 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			
<b>Group</b>							
At 31st March 2003	1,391,348	485,917	–	75,973	1,002,675	(729,133)	2,226,780
Translation differences	–	–	–	499	–	9,606	10,105
Conversion of convertible notes	26,033	–	–	–	–	–	26,033
Disposal of interest in a listed subsidiary	–	(6,179)	–	(896)	–	896	(6,179)
Surplus on revaluation							
Company and subsidiaries							
Gross	–	–	34,990	44,784	–	–	79,774
Taxation	–	–	–	(204)	–	–	(204)
Associated companies	–	–	7,669	–	–	–	7,669
Surplus on revaluation transfer to profit and loss account							
Company and subsidiaries	–	–	(34,990)	–	–	–	(34,990)
Associated companies	–	–	(7,669)	–	–	–	(7,669)
Loss for the year	–	–	–	–	–	(228,245)	(228,245)
At 31st March 2004	1,417,381	479,738	–	120,156	1,002,675	(946,876)	2,073,074
Company and subsidiaries	1,417,381	479,738	–	120,156	1,002,675	(313,138)	2,706,812
Jointly controlled entities	–	–	–	–	–	(224,044)	(224,044)
Associated companies	–	–	–	–	–	(409,694)	(409,694)
At 31st March 2004	1,417,381	479,738	–	120,156	1,002,675	(946,876)	2,073,074
At 31st March 2004	1,417,381	479,738	–	120,156	1,002,675	(946,876)	2,073,074
Translation differences	–	–	–	161	–	7,617	7,778
Conversion of convertible notes	28,966	–	–	–	–	–	28,966
Placement of new shares	80,686	–	–	–	–	–	80,686
Scrip dividend	245	–	–	–	–	–	245
Partial disposal of interest in a listed subsidiary	–	(19,075)	–	(4,499)	–	4,499	(19,075)
Disposal of a listed subsidiary	–	(8,253)	–	(1,945)	–	1,945	(8,253)
Deemed disposal of interest in a listed associated company	–	(92,108)	–	(21,713)	–	21,713	(92,108)
Surplus on revaluation							
Associated companies							
Gross	–	–	64,215	32,210	–	–	96,425
Taxation	–	–	–	(195)	–	–	(195)
Surplus on revaluation transfer to profit and loss account							
Associated companies	–	–	(24,221)	–	–	–	(24,221)
Dividend paid	–	–	–	–	–	(3,997)	(3,997)
Loss for the year	–	–	–	–	–	(160,970)	(160,970)
<b>At 31st March 2005</b>	<b>1,527,278</b>	<b>360,302</b>	<b>39,994</b>	<b>124,175</b>	<b>1,002,675</b>	<b>(1,076,069)</b>	<b>1,978,355</b>
Company and subsidiaries							
2005 proposed scrip distribution (note 11)	–	–	–	–	10,084	–	10,084
Others	1,527,278	360,302	–	–	992,591	(520,128)	2,360,043
Jointly controlled entities	–	–	–	–	–	(403,833)	(403,833)
Associated companies	–	–	39,994	124,175	–	(152,108)	12,061
<b>At 31st March 2005</b>	<b>1,527,278</b>	<b>360,302</b>	<b>39,994</b>	<b>124,175</b>	<b>1,002,675</b>	<b>(1,076,069)</b>	<b>1,978,355</b>

At 31st March 2005, the capital reserve included goodwill of HK\$37,721,000 (2004: HK\$37,721,000) which arose from acquisitions prior to 31st March 2001.

## Notes to the Accounts

### 26 Reserves (continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
<b>Company</b>				
At 31st March 2003	1,391,348	2,838,224	(574,066)	3,655,506
Conversion of convertible notes	26,033	–	–	26,033
Loss for the year	–	–	(112,806)	(112,806)
At 31st March 2004	1,417,381	2,838,224	(686,872)	3,568,733
At 31st March 2004	1,417,381	2,838,224	(686,872)	3,568,733
Conversion of convertible notes	28,966	–	–	28,966
Placement of new shares	80,686	–	–	80,686
Scrip dividend	245	–	–	245
Dividend paid	–	–	(3,997)	(3,997)
Loss for the year	–	–	(229,894)	(229,894)
<b>At 31st March 2005</b>	<b>1,527,278</b>	<b>2,838,224</b>	<b>(920,763)</b>	<b>3,444,739</b>
Representing:				
2005 proposed scrip distribution (note 11)	–	10,084	–	10,084
Others	1,527,278	2,828,140	(920,763)	3,434,655
<b>At 31st March 2005</b>	<b>1,527,278</b>	<b>2,838,224</b>	<b>(920,763)</b>	<b>3,444,739</b>

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is also distributable. Accordingly, total distributable reserves of the Company amount to HK\$1,917,461,000 (2004: HK\$2,151,352,000) as at 31st March 2005.

### 27 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 bore interest at 7% per annum payable semi-annually in arrears and were guaranteed by Asia Standard. In March 2003, the bond had been transferred from Westrata to Grosvenor Limited ("Grosvenor"), an indirect subsidiary of Grosvenor Group Limited.

Grosvenor had the option to convert the bonds into fully paid shares of HK\$0.01 each of Asia Standard at a conversion price of HK\$0.45 per share, subject to adjustment, at any time between 7th January 2002 and 7th January 2007. Following the completion of the placing new share of Asia Standard, the conversion price of the bonds was adjusted from HK\$0.45 per share to HK\$0.44 per share. ASICL may purchase 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 would be redeemed on 7th January 2007 at a redemption price equal to 118.3% of the principal amount together with accrued interest.

At 31st March 2004, provision of HK\$23,700,000 for the premium payable had 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.

## 28 Convertible notes

- (a) On 16th January 2003, the Company issued HK\$60,000,000 convertible notes which bear interest at 5% per annum payable annually in arrears. Each holder of the notes has the option to convert the notes into fully paid shares of HK\$0.10 each of the Company at (a) HK\$1.10 per share from the date of issue of the convertible notes and (b) HK\$1.20 per share after the first anniversary of the date of issue of the convertible notes to the business date last preceding the second anniversary of the date of issue of the convertible notes. The Company shall repay the outstanding principal amount of the convertible notes together with accrued interest on the business date last preceding the second anniversary of the date of issue of the convertible notes. Save for repayment upon maturity, the convertible notes cannot be redeemed. During the year, HK\$31,600,000 (2004: HK\$28,400,000) of these convertible notes were converted into fully paid share of the Company at HK\$1.20 (2004: HK\$1.20) per share and no convertible notes remained outstanding at 31st March 2005 (2004: HK\$31,600,000).
- (b) On 15th April 2003, Asia Standard Hotel issued convertible notes of the principal amount of HK\$46,000,000, which bore interest at Hong Kong prime rate per annum payable semi-annually in arrears. Each holder of the notes had the option to convert the notes into fully paid shares of HK\$0.02 each of 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. On 14th October 2004, Asia Standard Hotel had fully redeemed all the convertible notes.

## 29 Long term loans

	Group	
	2005 HK\$'000	2004 HK\$'000
Bank loans, secured		
Repayable within one year	37,372	118,446
Repayable between one and two years	6,226	145,220
Repayable between two and five years	–	751,362
Repayable after five years	–	1,332,634
	43,598	2,347,662
Current portion included in current liabilities	(37,372)	(118,446)
	6,226	2,229,216

In 2004, the Group refinanced bank loans outstanding of approximately HK\$1,469 million. The terms of repayment at 31st March 2004 in respect of these bank loans had been reclassified according to the new loan agreements. As a result, the amount of liabilities which had been excluded from current liabilities amounted to approximately HK\$65 million.

## Notes to the Accounts

### 30 Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

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

#### Group

##### Deferred tax liabilities

	Accelerated tax depreciation		Revaluation of properties		Deferred assets		Fair value adjustments on acquisitions		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	(105,618)	(87,404)	(2,993)	(2,218)	(649)	(878)	(94,702)	(99,957)	(203,962)	(190,457)
(Charged)/credited to profit and loss account	(4,672)	(15,671)	–	–	138	229	(391)	5,255	(4,925)	(10,187)
Charged to equity	–	–	–	(509)	–	–	–	–	–	(509)
Exchange differences	(573)	(2,543)	(89)	(266)	–	–	–	–	(662)	(2,809)
Disposal of a listed subsidiary	110,852	–	3,082	–	511	–	95,093	–	209,538	–
At end of the year	(11)	(105,618)	–	(2,993)	–	(649)	–	(94,702)	(11)	(203,962)

##### Deferred tax assets

	Decelerated tax depreciation		Provisions		Tax losses		Difference in cost base of properties		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	428	290	620	310	168,685	145,750	43,345	53,762	213,078	200,112
(Charged) / credited to profit and loss account	(377)	138	(2)	310	(16,698)	22,207	18,267	(10,417)	1,190	12,238
Exchange differences	–	–	–	–	–	728	–	–	–	728
Disposal of subsidiaries	–	–	–	–	(7,925)	–	–	–	(7,925)	–
Disposal of a listed subsidiary	–	–	(618)	–	(138,810)	–	(61,612)	–	(201,040)	–
At end of the year	51	428	–	620	5,252	168,685	–	43,345	5,303	213,078

#### Company

##### Deferred tax assets

	Tax losses	
	2005	2004
	HK\$'000	HK\$'000
At beginning of the year	196	291
Charged to profit and loss account	(25)	(95)
At end of the year	171	196

**30 Deferred taxation** (continued)

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group had unrecognised tax losses of HK\$6 million (2004: HK\$434 million) to carry forward against future taxable income. These tax losses have no expiry date (2004: HK\$364 million). In 2004, tax losses of HK\$70 million would expire at various dates up to and including 2011.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Deferred tax assets	5,303	62,517	171	196
Deferred tax liabilities	(11)	(53,401)	–	–
	5,292	9,116	171	196

**31 Minority interests and loans**

	Group	
	2005 HK\$'000	2004 HK\$'000
Minority interests	–	2,245,000
Loans from minority shareholders of subsidiaries, unsecured	8,311	106,923
	8,311	2,351,923

Loans from minority shareholders are to finance property projects of subsidiaries, and interest free and have no specific terms of repayment. In 2004, loans of HK\$86,570,000 bore interest at 1.5% above prime rate.

**32 Capital commitments**

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



## Notes to the Accounts

### 33 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 2005, the future aggregate minimum rental receipts receivable under non-cancellable operating leases were as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
In respect of land and buildings:		
Within one year	–	56,795
In the second to fifth year inclusive	–	59,968
After the fifth year	–	7,915
	–	124,678

#### (b) Lessee

At 31st March 2005, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
In respect of land and buildings:		
Within one year	259	3,110
In the second to fifth year inclusive	87	6,898
After the fifth year	–	–
	346	10,008

### 34 Contingent liabilities

#### (a) Guarantee

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Guarantees for the banking and loan facilities of:				
Subsidiaries	–	–	58,274	135,150
Jointly controlled entities	–	146,693	–	–
Associated companies	–	97,068	–	–
Third parties	–	1,785	–	–
	–	245,546	58,274	135,150

**34 Contingent liabilities** (continued)

(b) In May 2003, the Group received a writ in respect of 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. In November 2004, both parties entered into an agreement under which the plaintiff withdrew their claims and agreed to refrain from commencing fresh legal proceedings against the Group on the subject matter.

**35 Notes to consolidated cash flow statement**

(a) Reconciliation of profit / (loss) before taxation to net cash generated from operations

	2005 HK\$'000	2004 HK\$'000
Profit / (loss) before taxation	29,887	(302,108)
Share of profits less losses of		
Jointly controlled entities	(162,359)	45,296
Associated companies	80,061	111,486
Depreciation	1,064	4,047
Amortisation of goodwill	5,849	6,413
(Gain) / loss on disposal of fixed assets	(1,008)	68
Provision for long term investments	1,601	–
Impairment loss of goodwill	10,002	–
Loss on disposal of an associated company	–	9,129
Loss on disposal of a subsidiary	3,946	–
Loss on partial disposal of interest in a listed subsidiary	25,272	8,220
Loss on disposal of a listed subsidiary	10,193	–
Loss on deemed disposal of interest in a listed associated company	115,194	–
Net realised and unrealised (gains) / losses on other investments	(94,896)	23,954
(Write-back of provision) / provision for diminution in value of		
properties under development/held for sale	(11,400)	20,074
Revaluation surplus on investment properties	–	(34,990)
Dividends from other investments	(142)	(1,207)
Negative goodwill recognised	–	(1,031)
Interest income	(9,908)	(13,104)
Interest expense	69,092	111,422
Operating profit / (loss) before working capital changes	72,448	(12,331)
Decrease / (increase) in mortgage loans receivable	9,113	(12,839)
(Increase) / decrease in properties held for / under development		
for sale (excluding interest expense capitalised)	(400,346)	111,089
(Increase) / decrease in hotel and restaurant inventories	(480)	295
Decrease / (increase) in debtors and prepayments	63,388	(110,572)
(Decrease) / increase in creditors and accruals	(81,228)	30,222
Net cash (used in) / generated from operations	(337,105)	5,864

## Notes to the Accounts

### 35 Notes to consolidated cash flow statement (continued)

#### (b) Disposal of subsidiaries

	Asia Standard 2005 HK\$'000	Other subsidiaries 2005 HK\$'000	Total 2005 HK\$'000
Net assets disposed			
Fixed assets	4,675,022	–	4,675,022
Jointly controlled entities	164,750	–	164,750
Associated companies	379,886	–	379,886
Goodwill	15,036	–	15,036
Mortgage loans receivable	31,220	–	31,220
Deferred tax assets	49,036	7,925	56,961
Properties held for / under development for sale	1,232,026	273,017	1,505,043
Completed properties held for sale	555,109	–	555,109
Hotel and restaurant inventories	3,095	–	3,095
Debtors and prepayments	125,324	–	125,324
Other investments	171,801	–	171,801
Tax recoverable	224	–	224
Restricted bank balances	26,275	–	26,275
Bank balances and cash	99,501	28	99,529
Creditors and accruals	(199,147)	(37)	(199,184)
Bank overdraft	(7,362)	–	(7,362)
Short term bank loans	(9,999)	–	(9,999)
Long term bank loans	(2,426,024)	(130,000)	(2,556,024)
Taxation	(9,313)	–	(9,313)
Convertible bonds	(290,000)	–	(290,000)
Deferred tax liabilities	(57,534)	–	(57,534)
Minority interests and loans	(2,573,111)	–	(2,573,111)
	1,955,815	150,933	2,106,748
Less: Capital reserve	(8,253)	–	(8,253)
Loss on disposal	(10,193)	(3,946)	(14,139)
	1,937,369	146,987	2,084,356
Satisfied by:			
Cash proceeds received less expenses	13,160	71,514	84,674
Reclassified to			
Associated company	1,855,576	–	1,855,576
Long term investments	68,633	–	68,633
Jointly controlled entity	–	75,473	75,473
	1,937,369	146,987	2,084,356

**35 Notes to consolidated cash flow statement** (continued)**(b) Disposal of subsidiaries** (continued)

	Asia Standard 2005 HK\$'000	Other subsidiaries 2005 HK\$'000	Total 2005 HK\$'000
Cash consideration	<b>13,160</b>	<b>71,514</b>	<b>84,674</b>
Bank balances and cash disposed	<b>(99,501)</b>	<b>(28)</b>	<b>(99,529)</b>
Bank overdrafts disposed	<b>7,362</b>	<b>–</b>	<b>7,362</b>
	<b>(78,979)</b>	<b>71,486</b>	<b>(7,493)</b>

**(c) Analysis of changes in financing**

	Share capital (including premium) HK\$'000	Revenue reserve 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 2003	1,406,331	(729,133)	2,511,261	132,050	290,000	60,000	2,290,611	(33,853)	5,927,267
Conversion of notes	28,399	–	–	–	–	(28,400)	–	–	(1)
Minority interests' share of revaluation reserve	–	–	–	–	–	–	105,291	–	105,291
Minority interests' share of loss and exchange reserve of subsidiaries	–	–	–	–	–	–	(58,638)	–	(58,638)
Partial disposal of interest in a listed subsidiary	–	896	–	–	–	–	–	–	896
Net decrease of interest in a listed subsidiary	–	–	–	–	–	–	19,071	–	19,071
Exchange differences	–	9,606	17,152	–	–	–	–	–	26,758
Loss for the year	–	(228,245)	–	–	–	–	–	–	(228,245)
Net cash from/(used in) financing activities	–	–	(180,751)	(9,452)	–	46,000	(4,412)	1,228	(147,387)
At 31st March 2004	1,434,730	(946,876)	2,347,662	122,598	290,000	77,600	2,351,923	(32,625)	5,645,012
Conversion of notes	31,600	–	–	–	–	(31,600)	–	–	–
Scrip dividend	254	(254)	–	–	–	–	–	–	–
Minority interests' share of profit and exchange reserve of subsidiaries	–	–	–	–	–	–	159,216	–	159,216
Disposal of a listed subsidiary	–	1,945	(2,426,024)	(9,999)	(290,000)	–	(2,573,111)	26,275	(5,270,914)
Disposal of subsidiaries	–	–	(130,000)	–	–	–	–	–	(130,000)
Deemed disposal of interest in a listed associated company	–	21,713	–	–	–	–	–	–	21,713
Partial disposal of interest in a listed subsidiary	–	4,499	–	–	–	–	71,451	–	75,950
Exchange differences	–	7,617	12,211	–	–	–	–	–	19,828
Loss for the year	–	(160,970)	–	–	–	–	–	–	(160,970)
Net cash from/(used in) financing activities	84,146	(3,743)	239,749	(102,599)	–	(46,000)	(1,168)	6,350	176,735
At 31st March 2005	<b>1,550,730</b>	<b>(1,076,069)</b>	<b>43,598</b>	<b>10,000</b>	<b>–</b>	<b>–</b>	<b>8,311</b>	<b>–</b>	<b>536,570</b>

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## Notes to the Accounts

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### 36 Principal subsidiaries, jointly controlled entities and associated companies

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

#### Subsidiaries

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

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Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest %
<i>Incorporated in the British Virgin Islands</i>			
Asia Orient Holdings (BVI) Limited*	Investment holding	US\$100	100
Finnex Limited	Securities investment	US\$1	100
Impetus Holdings Limited	Investment holding	US\$1	100
Innovision Gateway Limited	Investment holding	US\$1	100
Jetcom Capital Limited	Investment holding	US\$1	100
Mega Fusion Limited	Investment holding	US\$1	100
New Day Holdings Ltd.	Investment holding	US\$1	100
Persian Limited	Investment holding	US\$49,050	100
Sunrich Holdings Limited	Securities investment	US\$1	100
Superise Limited	Research and development of healthcare food and beverage	US\$1	100
Telemail Group Inc.	Investment holding	US\$1	100
United Resources Associates Limited	Investment holding	US\$6	83.3

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**36 Principal subsidiaries, jointly controlled entities and associated companies** (continued)

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest %
<i>Incorporated in Hong Kong</i>			
Asia Orient Company Limited	Investment holding	US\$26,964,837	100
Good Year Engineering Services Limited	Engineering and maintenance services	HK\$2	100
Hitako Limited	Investment holding	HK\$20	100
Ocean Hand Investments Limited	Investment holding	HK\$2	100
Pan Bright Investment Limited	Investment holding	HK\$20	100
Pan Harbour Investment Limited	Investment holding	HK\$2	100
Pan Inn Investment Limited	Investment holding	HK\$20	100
Pan Kite Investment Limited	Investment holding	HK\$20	100
Pan Pearl Investment Limited	Investment holding	HK\$20	100
Pan Spring Investment Limited	Investment holding	HK\$20	100
Prosperity Land Cleaning Service Limited	Cleaning services	HK\$100 and non-voting deferred share capital of HK\$100	100
Prosperity Land Estate Management Limited	Property management	HK\$150 and non-voting deferred share capital of HK\$1,500,000	100
Union Home Development Limited	Investment holding	HK\$2	100
<i>Incorporated in Liberia</i>			
Bassindale Limited	Investment holding	US\$500	100

\* Direct subsidiary of the Company

## Notes to the Accounts

### 36 Principal subsidiaries, jointly controlled entities and associated companies (continued)

#### Jointly controlled entities

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest %
<i>Incorporated in British Virgin Islands</i>			
Fresh Outlook Property Limited	Investment holding	US\$100	50.0
<i>Incorporated in Hong Kong</i>			
China INFOBANK Limited	Internet content provider	HK\$27,000,000	40.0
Express Wind Limited	Investment holding	HK\$10,000	25.0
<i>Incorporated in the People's Republic of China ("PRC")</i>			
Cultural Palace Entertainment Company Limited <sup>#</sup>	Leasing of an entertainment complex	US\$4,750,000	25.0
北京康標科技有限公司 <sup>##</sup>	Investment and distribution of medical equipment	RMB1,311,923	34.5

<sup>#</sup> Cooperative Joint Venture operates in the PRC

<sup>##</sup> Wholly owned Foreign Enterprises operates in the PRC

**36 Principal subsidiaries, jointly controlled entities and associated companies** (continued)**Associated companies**

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest %
<i>Incorporated in Bermuda</i>			
Asia Standard Hotel Group Limited	Hotel, catering services and travel	HK\$101,042,000	31.5
Asia Standard International Group Limited	Property development, property leasing, hotel and travel	HK\$50,760,000	40.5
<i>Incorporated in Hong Kong</i>			
Asia Standard Development (Holdings) Limited	Investment holding	HK\$10 and non-voting deferred share capital of HK\$362,892,949	40.5
Asia Standard Finance Company Limited	Financing services	HK\$1,000,000	40.5
Asia Standard International Limited	Investment holding	HK\$1,214,916,441	40.5
Asia Standard Management Services Limited	Management services	HK\$2	40.5
Full Union Development Limited	Property development	HK\$2	40.5
Get Rich Enterprises Limited	Property development	HK\$2	32.4
Hoi Chak Properties Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$2	40.5
JBC Travel Company Limited	Travel agency	HK\$2,500,000	31.5
Lucky New Investment Limited	Property development	HK\$1	20.3
Paramount Shine Limited	Property development	HK\$2	20.3
Master Asia Enterprises Limited	Property development	HK\$10,000	40.5
Stone Pole Limited	Hotel holding	HK\$10	31.5
Tilpifa Company Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$10,000	40.5
Tonlok Limited	Property development	HK\$1,000	40.5
Union Rich Resources Limited	Property development	HK\$2	32.4
Vinstar Development Limited	Hotel holding	HK\$2	31.5
Vitasalin Asia Limited	Distribution of health care and beauty products	HK\$10,000	17.5
Weststar Enterprises Limited	Property development	HK\$2	20.3
Winfast Engineering Limited	Construction	HK\$2	40.5



## Notes to the Accounts

### 36 Principal subsidiaries, jointly controlled entities and associated companies (continued)

#### Associated companies (continued)

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest %
<i>Incorporated in British Virgin Islands</i>			
Enrich Enterprises Limited	Hotel holding	US\$1	31.5
Global Gateway Corp.	Hotel operation	US\$1	31.5
Glory Ventures Enterprises Inc.	Hotel holding	US\$1	31.5
Goldmax International Limited	Investment holding	US\$1,000	20.3
<i>Incorporated in Cayman Islands</i>			
Asia Standard International Capital Limited	Financing services	US\$2	40.5
Q9 Technology Holdings Limited	Investment holding	HK\$12,463,500	32.0
<i>Incorporated in the PRC</i>			
美聲節能科技(珠海)有限公司 <sup>#</sup>	Distribution of energy saving devices	RMB2,119,400	20.0
漁陽房地產開發(深圳)有限公司 <sup>#</sup>	Property development	RMB40,000,000	10.7

<sup>#</sup> Wholly owned Foreign Enterprises operates in the PRC

### 37 Approval of accounts

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

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

Asia Standard International Group Limited ("Asia Standard") is a principal associated company 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 2005.

## Consolidated profit and loss account

For the year ended 31st March

	2005 HK\$'000	2004 HK\$'000
Turnover	705,297	725,658
Cost of sales	(479,741)	(543,683)
Gross profit	225,556	181,975
Administrative expenses	(118,779)	(116,123)
Other income / (charges)	59,294	(94,979)
Operating profit / (loss)	166,071	(29,127)
Finance costs	(93,141)	(106,785)
Share of profits less losses of		
Jointly controlled entities	200,850	(3,189)
Associated companies	2,868	(11,549)
Profit / (loss) before taxation	276,648	(150,650)
Taxation (charge)/credit	(50,120)	2,310
Profit / (loss) after taxation	226,528	(148,340)
Minority interests	(24,487)	6,338
Profit / (loss) attributable to shareholders	202,041	(142,002)
Dividend	28,526	–
Earnings / (loss) per share		
Basic	4.79 cents	(3.46) cents
Diluted	4.68 cents	N/A

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

## Consolidated balance sheet

As at 31st March 2005

	2005 HK\$'000	2004 HK\$'000
Fixed assets	<b>4,901,263</b>	4,642,900
Jointly controlled entities	<b>145,409</b>	213,994
Associated companies	<b>413,552</b>	357,923
Long term investment	–	1,601
Goodwill	<b>3,548</b>	16,883
Mortgage loans receivable	<b>12,409</b>	40,160
Deferred tax assets	<b>54,848</b>	55,388
Current assets		
Properties held for / under development for sale	<b>1,242,046</b>	1,029,149
Completed properties held for sale	<b>579,763</b>	608,082
Hotel and restaurant inventories	<b>2,690</b>	2,615
Debtors and prepayments	<b>113,876</b>	176,058
Other investments	<b>104,838</b>	70,233
Tax recoverable	<b>224</b>	238
Bank balances and cash	<b>461,743</b>	93,308
	<b>2,505,180</b>	1,979,683
Current liabilities		
Creditors and accruals	<b>153,019</b>	268,662
Short term bank loans and overdrafts		
Secured	–	23,000
Unsecured	<b>8,778</b>	31,941
Convertible notes	–	46,000
Current portion of long term loans	<b>127,673</b>	118,446
Taxation	<b>19,916</b>	9,452
	<b>309,386</b>	497,501
Net current assets	<b>2,195,794</b>	1,482,182
	<b>7,726,823</b>	6,811,031
Financed by:		
Share capital	<b>50,760</b>	41,093
Reserves	<b>4,222,403</b>	3,426,487
Shareholders' funds	<b>4,273,163</b>	3,467,580
Convertible bonds	<b>290,000</b>	290,000
Long term loans	<b>2,260,761</b>	2,229,216
Deferred tax liabilities	<b>64,840</b>	53,395
Minority interests and loans	<b>838,059</b>	770,840
	<b>7,726,823</b>	6,811,031