



# ASIA ORIENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)  
(Stock code 214)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2006

The Directors of Asia Orient Holdings Limited (the “Company”) announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2006 together with the comparative figures for the year ended 31st March 2005 were as follows:

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2006

	Note	2006 HK\$'000	2005 HK\$'000 (restated)
Turnover	4, 6	45,090	553,180
Cost of sales	6	<u>(49,802)</u>	<u>(382,783)</u>
Gross (loss)/profit		(4,712)	170,397
Administrative expenses	6	(11,872)	(91,282)
Other income and charges	5, 6	<u>2,419</u>	<u>(6,495)</u>
Operating (loss)/profit		(14,165)	72,620
Finance costs	7	(1,363)	(75,522)
Share of profits less losses of			
Jointly controlled entities		6,334	125,798
Associated companies		<u>65,599</u>	<u>(65,037)</u>
Profit before income tax		56,405	57,859
Income tax credit	8	<u>–</u>	<u>3,830</u>
Profit for the year		<u>56,405</u>	<u>61,689</u>
Attributable to:			
Shareholders of the Company		56,405	(51,899)
Minority interests		<u>–</u>	<u>113,588</u>
		<u>56,405</u>	<u>61,689</u>
Dividend and distribution	9	<u>–</u>	<u>14,081</u>

Earnings/(loss) per share			
Basic	10	<u>23.4 cents</u>	<u>(27.4) cents</u>
Diluted	10	<u>23.4 cents</u>	<u>(30.6) cents</u>

## CONSOLIDATED BALANCE SHEET

As at 31st March 2006

	Note	2006 HK\$'000	2005 HK\$'000 (restated)
<b>Non-current assets</b>			
Property, plant and equipment		2,646	1,362
Jointly controlled entities		11,694	12,254
Associated companies		1,453,079	1,371,705
Deferred income tax assets		3,902	5,303
		<u>1,471,321</u>	<u>1,390,624</u>
<b>Current assets</b>			
Trade and other receivables	11	102,977	131,426
Financial assets at fair value through profit or loss		45,943	28,654
Bank balances and cash		105,505	128,843
		<u>254,425</u>	<u>288,923</u>
<b>Current liabilities</b>			
Trade and other payables	12	40,659	39,347
Amounts due to jointly controlled entities		4,422	4,422
Amounts due to associated companies		18	15
Amounts due to minority shareholders		8,311	8,311
Short term bank loans and overdrafts, secured		–	14,676
Current portion of long term loans		–	37,372
		<u>53,410</u>	<u>104,143</u>
Net current assets		<u>201,015</u>	<u>184,780</u>
Total assets less current liabilities		<u>1,672,336</u>	<u>1,575,404</u>
<b>Non-current liabilities</b>			
Long term bank loans		–	6,226
Deferred income tax liabilities		135	11
		<u>135</u>	<u>6,237</u>
Net assets		<u>1,672,201</u>	<u>1,569,167</u>
<b>Equity</b>			
Share capital		25,456	23,452
Reserves		1,646,745	1,545,715
		<u>1,672,201</u>	<u>1,569,167</u>

## NOTES

### 1 Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss and investment properties of associated companies, which are carried at fair value and in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

### 2 Change in accounting policies

Commencing from 1st April 2005, the Group adopted the new/revised standards and interpretations of HKFRS set out below, which are relevant to its operations and have significant effect on the financial statements. The changes mainly affect the Group through its associated companies. The comparatives have been amended as required, in accordance with the relevant provisions of these new/revised standards and interpretations.

HKAS 1	Presentation of Financial Statements
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HK-Int 3	Pre-completion Contracts for the Sale of Development Properties
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

#### (i) *Presentation of Financial Statements*

HKAS 1 has affected the presentation of minority interests, share of net after-tax results of jointly controlled entities, associated companies and other disclosures.

#### (ii) *Hotel properties*

The adoption of HKAS 16 and HKAS 40 has resulted in a change in the accounting policy for the hotel properties, which are now stated at cost less accumulated depreciation and impairment loss. In prior years, hotel properties were stated at valuation and were not depreciated.

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

The adoption of revised HKAS 17 and HK-Int 4 has resulted in a change in the accounting policy relating to the reclassification of leasehold land to prepaid operating leases. The up-front prepayments made for the leasehold land are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land was stated at cost.

#### (iv) *Goodwill*

The adoption of HKAS 36, HKAS 38 and HKFRS 3 results in a change in the accounting policy for goodwill. Amortisation of goodwill ceased from 1st April 2005; accumulated amortisation as at 31st March 2005 has been eliminated with a corresponding decrease in the cost of goodwill and from the year ended 31st March 2006 onwards, goodwill is tested at least annually for impairment, as well as when there is indication of impairment.

(v) **Financial instruments**

The adoption of HKASs 32 and 39 has resulted in a change in the classification of financial assets at fair value through profit or loss and the measurement of financial liabilities.

While there is no change in their measurement basis and the treatment of subsequent fair value changes, financial assets at fair value through profit or loss were previously classified as other investments.

Borrowings are now recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the profit and loss account over the period of the borrowing using the effective interest method. Borrowings were previously carried at cost.

The adoption has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

(vi) **Investment properties**

The adoption of revised HKAS 40 has resulted in a change in the accounting policy in respect of which the changes in fair values of investment properties are recorded in the profit and loss account as part of other income. In prior years, the changes in fair value were credited or charged to revaluation reserve.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred income tax liabilities arising from the revaluation of investment properties. Such deferred income tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use.

(vii) **Share options**

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. The Group now expenses the cost of share options in the profit and loss account whereas no cost was recognised in the past.

(viii) **Pre-completion sale of development properties**

The adoption of HK-Int 3 has resulted in a change in the accounting policy for the revenue recognition of pre-completion sale of development properties. The stage of completion method would no longer be used to recognise revenue from pre-completion sale of development properties and revenue is now recognised after the completion of those properties.

The adoption of new/revised HKASs 2, 7, 8, 10, 21, 23, 24, 27, 28, 31, 33 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All the new/revised standards and interpretations adopted by the Group require retrospective application other than those stated below:

- (a) HKAS 39 – the adjustments to recognise all derivatives at fair value and to remeasure those financial assets or financial liabilities are adjusted to the opening balance of the revenue reserve at 1st April 2005;
- (b) HKFRS 2 – only retrospective application for all equity instruments granted after 7th November 2002 and not vested on 1st January 2005.
- (c) HKFRS 3 and HK-Int 3 – prospectively after the adoption date.

A summary of effects of the change in accounting policies between the Statements of Standard Accounting Practices in effect until 31st December 2004 (the "Old Hong Kong Accounting Standards") and the new HKFRS which has been applied in the financial statements for the year ended 31st March 2006 is set out in note 3.

Certain new standards and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning or after 1st April 2006 or later periods but which the Group has not early adopted, as follows:

- (a) HKAS 39 and HKFRS 4 (Amendment) – Financial Guarantee Contracts (effective from 1st April 2006);
- (b) HKFRS 7 – Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statement – Capital Disclosures (effective from 1st April 2007).

These new standard and amendments have no material effect on the Group's financial statements.

### 3 Summary of effects of the change in accounting policies

#### (a) *Effects of the change in accounting policies on consolidated profit and loss account*

	<b>Profit/(loss) attributable to shareholders of the Company HK\$'000</b>	<b>Basic EPS HK cents</b>
<b>Year ended 31st March 2006</b>		
<b>Reported under the Old Hong Kong Accounting Standards</b>	<b>(60,885)</b>	<b>(25.2)</b>
<b>Increase/(decrease) in share of profits less losses of associated companies</b>		
HKAS 16		
Increase in depreciation	(21,319)	(8.8)
Renovation costs of hotel property capitalised	9,647	4.0
Reversal of revaluation deficit of a hotel property	6,285	2.6
Net effect of increase in rental income and administrative expenses	429	0.2
Decrease in income tax expenses	4,282	1.8
Decrease in loss on deemed disposal of interest in a listed associated company	49,227	20.4
HKAS 17 and HK-Int 4		
Amortisation of leasehold land	(10,657)	(4.4)
Increase in income tax expenses	(350)	(0.1)
Decrease in loss on deemed disposal of interest in a listed associated company	11,004	4.5
HKAS 32 and HKAS 39		
Decrease in net interest expenses	1,269	0.5
Increase in income tax expenses	(301)	(0.1)
HKAS 36 and HKAS 38		
Decrease in goodwill amortisation	104	–
HKAS 40		
Surplus on revaluation of investment properties	122,703	50.8
HKAS-Int 3		
Decrease in profit from sale of development properties	(39,228)	(16.2)
Decrease in income tax expenses	6,106	2.5
HK-Int 21		
Increase in income tax expenses	(21,636)	(9.0)
HKFRS 2		
Increase in employee share option expenses	(5,074)	(2.1)
Decrease in income tax expenses	1,394	0.6

**Increase/(decrease) in profit of the Company and Subsidiaries**

HKAS 16		
Decrease in loss on deemed disposal of interest in a listed associated company	5,439	2.3
HKAS 17		
Decrease in loss on deemed disposal of interest in a listed associated company	1,215	0.5
HKAS 39		
Decrease in realised gain on financial assets at fair value through profit and loss	(8,712)	(3.6)
HKFRS 2		
Increase in employee share option expenses	(3,348)	(1.4)
HKFRS 3		
Negative goodwill recognised on acquisition of additional interest in a listed associated company	8,811	3.6
	<u>117,290</u>	<u>48.6</u>
<b>Reported under new HKFRS</b>	<u><b>56,405</b></u>	<u><b>23.4</b></u>
	<b>Profit/(loss) attributable to shareholders of the Company HK\$'000</b>	<b>Basic EPS HK cents</b>

Year ended 31st March 2005

<b>Reported under the Old Hong Kong Accounting Standards</b>	<u>(160,970)</u>	<u>(84.9)</u>
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**Increase/(decrease) in profit of the Company and subsidiaries**

HKAS 16		
Increase in depreciation	(36,984)	(19.5)
Decrease in loss on partial disposal of interest in a listed subsidiary	9,980	5.3
Decrease in loss on disposal of a listed subsidiary	4,418	2.3
Decrease in loss on deemed disposal of a listed associated company	49,309	26.0
Renovation costs of hotel property capitalised	2,718	1.4
Decrease in income tax expenses	7,097	3.7
Decrease in profit attributable to minority interests	16,363	8.6
HKAS 17 and HK-Int 4		
Amortisation of leasehold land	(22,290)	(11.7)
Decrease in loss on partial disposal of interest in a listed subsidiary	5,195	2.7
Decrease in loss on disposal of a listed subsidiary	2,260	1.2
Decrease in loss on deemed disposal of a listed associated company	25,246	13.3
Increase in interest expenses	(1,678)	(0.9)
Decrease in income tax expenses	328	0.2
Decrease in share of profits less losses of jointly controlled entities	(97)	(0.1)
Decrease in profit attributable to minority interests	15,218	8.0
HKAS 32 and HKAS 39		
Increase in interest expenses	(561)	(0.3)
Decrease in loss on partial disposal of interest in a listed subsidiary	(58)	–
Decrease in loss on disposal of a listed subsidiary	(25)	–
Decrease in loss on deemed disposal of a listed associated company	(278)	(0.1)
Decrease in profit attributable to minority interests	330	0.2
HKAS 40		
Decrease in loss on partial disposal of interest in a listed subsidiary	258	0.1
Decrease in loss on disposal of a listed subsidiary	153	0.1
Decrease in loss on deemed disposal of interest in a listed associated company	1,710	0.9

HKAS-Int 21		
Decrease in loss on partial disposal of interest in a listed subsidiary	1,619	0.9
Decrease in loss on disposal of a listed subsidiary	700	0.4
Decrease in loss on deemed disposal of interest in a listed associated company	7,817	4.1
	<u>88,748</u>	<u>46.8</u>
<b>Increase/(decrease) in share of profits less losses of associated companies</b>		
HKAS 16	(1,383)	(0.7)
HKAS 17	(5,467)	(2.9)
HKAS 32 and HKAS 39	(10)	-
HKAS 40	38,087	20.0
HKAS-Int 21	(10,904)	(5.7)
	<u>20,323</u>	<u>10.7</u>
<b>Reported under new HKFRS</b>	<u>(51,899)</u>	<u>(27.4)</u>

(b) *Effects of the change in accounting policies on consolidated balance sheet*

	HKAS 17 and HKAS 16	HKAS 32 and HK-Int 4	HKAS 36 and HKAS 39	HKAS 38 and HKAS 38	HKAS 40 HKAS 40	HKAS- Int 21	HKAS- Int 3	HKFRS 2	HKFRS 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 31st March 2006</b>										
Increase/(decrease) in net assets/equity										
Associated companies and net assets	<u>(315,692)</u>	<u>(115,925)</u>	<u>859</u>	<u>104</u>	<u>(11,738)</u>	<u>(65,845)</u>	<u>(33,125)</u>	<u>793</u>	<u>8,811</u>	<u>(531,758)</u>
Investment properties revaluation reserves	-	-	-	-	(165,217)	-	-	-	-	(165,217)
Hotel properties revaluation reserves	(189,836)	-	-	-	-	-	-	-	-	(189,836)
Share option reserves	-	-	-	-	-	-	-	3,420	-	3,420
Revenue reserves	<u>(125,856)</u>	<u>(115,925)</u>	<u>859</u>	<u>104</u>	<u>153,479</u>	<u>(65,845)</u>	<u>(33,125)</u>	<u>(2,627)</u>	<u>8,811</u>	<u>(180,125)</u>
<b>Equity</b>	<u>(315,692)</u>	<u>(115,925)</u>	<u>859</u>	<u>104</u>	<u>(11,738)</u>	<u>(65,845)</u>	<u>(33,125)</u>	<u>793</u>	<u>8,811</u>	<u>(531,758)</u>

	<b>HKAS 16</b> <i>HK\$'000</i>	<b>HKAS 17 and HK-Int 4</b> <i>HK\$'000</i>	<b>HKAS 32 and HKAS 39</b> <i>HK\$'000</i>	<b>HKAS 40</b> <i>HK\$'000</i>	<b>HKAS- Int 21</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 31st March 2005						
Increase/(decrease) in net assets/equity						
Associated companies and net assets	<u>(264,460)</u>	<u>(115,921)</u>	<u>1,174</u>	<u>(9,227)</u>	<u>(44,206)</u>	<u>(432,640)</u>
Investment properties revaluation reserves	-	-	-	(39,994)	-	(39,994)
Hotel properties revaluation reserves	(124,175)	-	-	-	-	(124,175)
Revenue reserves	<u>(140,285)</u>	<u>(115,921)</u>	<u>1,174</u>	<u>30,767</u>	<u>(44,206)</u>	<u>(268,471)</u>
Equity	<u>(264,460)</u>	<u>(115,921)</u>	<u>1,174</u>	<u>(9,227)</u>	<u>(44,206)</u>	<u>(432,640)</u>
At 1st April 2005						
Increase in equity	<u>-</u>	<u>-</u>	<u>7,466</u>	<u>-</u>	<u>-</u>	<u>7,466</u>
At 1st April 2004						
Increase/(decrease) in equity						
Hotel properties revaluation reserves	(120,156)	-	-	-	-	(120,156)
Revenue reserve	(160,726)	(137,088)	1,413	(6,913)	(43,439)	(346,753)
Minority interests	<u>(409,038)</u>	<u>(195,444)</u>	<u>1,582</u>	<u>(6,175)</u>	<u>(38,801)</u>	<u>(647,876)</u>
Equity	<u>(689,920)</u>	<u>(332,532)</u>	<u>2,995</u>	<u>(13,088)</u>	<u>(82,240)</u>	<u>(1,114,785)</u>



#### 4 Segment information

An analysis of turnover and contribution to the Group's results by business segments and geographical segments is set out below:

##### *Business segments*

2006 (in HK\$'000)	Property sales	Property leasing and management	Hotel and travel	Investment	Other operations	Group
Segment revenue	-	11,263	-	27,727	6,100	45,090
Contribution to segment results	-	2,946	-	(13,758)	6,100	(4,712)
Other income/(charges)	-	-	-	2,889	(470)	2,419
Unallocated corporate expenses						(11,872)
Operating loss						(14,165)
Finance costs						(1,363)
Share of results of						
Jointly controlled entities (note i)						6,334
Associated companies (note i)						65,599
Profit before income tax						56,405
Income tax						-
Profit for the year						56,405
2005 (restated) (in HK\$'000)						
Segment revenue	36,165	49,038	439,054	18,782	10,141	553,180
Contribution to segment results	(19,126)	35,883	82,823	2,767	10,140	112,487
Other income/(charges)	4,336	(258)	(54,482)	45,972	(2,063)	(6,495)
Unallocated corporate expenses						(33,372)
Operating loss						72,620
Finance costs						(75,522)
Share of results of						
Jointly controlled entities (note i)						125,798
Associated companies (note i)						(65,037)
Profit before income tax						57,859
Income tax credit						3,830
Profit for the year						61,689

Note i: Share of results of jointly controlled entities and associated companies

	2006		2005			
	Jointly controlled entities HK\$'000	Associated companies HK\$'000	Jointly controlled entities HK\$'000	Associated companies HK\$'000		
Property sales	–	(13,597)	168,200	(4,978)		
Property leasing	–	144,758	–	34,288		
Hotel and travel	–	12,835	–	7,636		
Investments	6,334	(7,428)	(42,402)	(86,178)		
Other operations	–	7,766	–	(1,944)		
Finance costs	–	(49,537)	–	(10,855)		
Unallocated corporate expenses	–	(29,198)	–	(3,006)		
	<b>6,334</b>	<b>65,599</b>	<b>125,798</b>	<b>(65,037)</b>		
<b>2006 (in HK\$'000)</b>	<b>Property sales</b>	<b>Property leasing and management</b>	<b>Hotel and travel</b>	<b>Investments</b>	<b>Other operations</b>	<b>Group</b>
Segment assets	101,000	2,105	–	45,943	2,519	151,567
Jointly controlled entities and associated companies (note ii)						1,464,773
Unallocated assets						109,406
						<b>1,725,746</b>
Segment liabilities	–	35,575	–	–	8,311	43,886
Unallocated liabilities						9,659
						<b>53,545</b>
Capital expenditure	–	77	–	–	1,677	1,754
Depreciation	–	42	–	–	428	470
<b>2005 (restated) (in HK\$'000)</b>						
Segment assets	101,000	546	–	28,748	30,936	161,230
Jointly controlled entities and associated companies (note ii)						1,383,959
Unallocated assets						134,358
						<b>1,679,547</b>
Segment liabilities	–	35,817	–	–	8,311	44,128
Unallocated liabilities						66,252
						<b>110,380</b>
Capital expenditure	22	88	2,858	–	1,704	4,672
Depreciation	15	88	37,537	–	408	38,048
Amortisation of goodwill	–	–	1,848	4,001	–	5,849

Note ii: Share of net segment assets less liabilities of jointly controlled entities and associated companies

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Property sales	<b>315,367</b>	293,661
Property leasing	<b>708,162</b>	603,376
Hotel and travel	<b>319,485</b>	326,863
Investments	<b>50,009</b>	60,659
Other operations	<b>20,044</b>	8,016
Unallocated net assets	<b>51,706</b>	91,384
	<b><u>1,464,773</u></b>	<b><u>1,383,959</u></b>

### *Geographical segments*

For the year ended 31st March 2006, the activities of the Group are mainly based in Hong Kong. The Group incurred its capital expenditure, derived all of its revenue and operating loss from Hong Kong. Over 90% of its total assets are located in Hong Kong.

A summary of geographical segments for last year is set out as follows:

	<b>Segment revenue 2005</b> <i>HK\$'000</i>	<b>Operating profit 2005</b> <i>HK\$'000</i>	<b>Total assets 2005</b> <i>HK\$'000</i>	<b>Capital expenditure 2005</b> <i>HK\$'000</i>
Hong Kong	490,442	53,479	1,455,360	4,668
Mainland China	6,252	732	124,506	4
Canada	56,486	18,409	99,681	–
	<b><u>553,180</u></b>	<b><u>72,620</u></b>	<b><u>1,679,547</u></b>	<b><u>4,672</u></b>

### **5 Other income and charges**

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i> (restated)
Write-back of provision for diminution in value of properties under development/held for sale	–	11,400
Unrealised (losses)/gains on financial assets at fair value through profit or loss	<b>(4,556)</b>	92,271
Write-back of provision for impairment of doubtful debts	–	12,325
Depreciation	<b>(470)</b>	(38,048)
Amortisation of leasehold land	–	(22,290)
Loss of disposal of subsidiaries	–	(3,946)
Loss on partial disposal of interest in a listed subsidiary	–	(8,278)
Loss on disposal of a listed subsidiary	–	(2,688)
Loss on deemed disposal of interest in a listed associated company	<b>(1,366)</b>	(31,390)
Negative goodwill on acquisition of additional interest in a listed associated company	<b>8,811</b>	–
Impairment loss of goodwill	–	(10,002)
Amortisation of goodwill	–	(5,849)
	<b><u>2,419</u></b>	<b><u>(6,495)</u></b>

## 6 Income and expenses by nature

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (restated)
<b>Income</b>		
Interest income		
Financial assets at fair value through profit or loss	274	226
Others	5,440	9,682
Dividends from listed financial assets at fair value through profit or loss	–	142
Gain on disposal of property, plant and equipment	–	1,008
Unrealised gains on financial assets at fair value through profit or loss	–	92,271
Net realised gains on financial assets at fair value through profit or loss	–	2,625
	<u>                    </u>	<u>                    </u>
<b>Expenses</b>		
Impairment loss of goodwill	–	10,002
Provision for long term investment	–	1,601
Amortisation of goodwill	–	5,849
Depreciation	470	38,048
Amortisation of leasehold land	–	22,290
Unrealised loss on financial assets at fair value through profit or loss	4,556	–
Net realised loss on financial assets at fair value through profit or loss	13,758	–
	<u>                    </u>	<u>                    </u>

## 7 Finance costs

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (restated)
Interest expense		
Long term bank loans	1,284	52,519
Convertible bonds	–	23,362
Convertible notes	–	2,687
Loans from minority shareholders of subsidiaries	–	2,328
Short term bank loans and overdrafts	79	6,535
	<u>                    </u>	<u>                    </u>
	1,363	87,431
Capitalised as cost of properties under development		
Interest expense	–	(11,909)
	<u>                    </u>	<u>                    </u>
	1,363	75,522
	<u>                    </u>	<u>                    </u>

In 2005, certain funds were 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% per annum.

## 8 Income tax credit

No provision for Hong Kong profits tax and overseas income tax have been made as the Group has no estimated assessable profit for the year.

Share of income tax of jointly controlled entities and associated companies for the year of nil (2005: HK\$36,464,000) and HK\$15,551,000 (2005: HK\$15,438,000) are included in the profit and loss account as share of profits less losses of jointly controlled entities and associated companies respectively.

## 9 Dividend and distribution

No final dividend is declared for the year (2005: Interim dividend of HK 2 cents per share and final scrip distribution of HK 4.3 cents per share).

## 10 Earnings/(loss) per share

The calculation of earnings/(loss) per share is based on profit attributable to shareholders of the Company of HK\$ 56,405,000 (2005 restated: loss of HK\$51,899,000) and on the adjusted weighted average of 241,494,958 (2005: adjusted 189,759,765) shares in issue during the year.

The basic and diluted earnings per share are the same for the year ended 31st March 2006 as the exercise of subscription rights attached to the share options and the conversion of the convertible bonds of Asia Standard would not have a dilutive effect on the earnings per shares.

The calculation of diluted loss per share for the year ended 31st March 2005 is based on HK\$58,134,000 equalling to the loss attributable to shareholders of the Company of HK\$51,899,000 with a decrease in share of profit after tax of HK\$6,235,000 from Asia Standard and the adjusted weighted average number of 189,759,765 shares in issue during the year.

## 11 Trade and other receivables

Trade and other receivables of the Group include trade receivables, utility and other deposits, interest and other receivables. Trade receivables amounted to HK\$159,000 (2005: HK\$349,000). The credit terms given to the customers vary and are generally based on the financial strengths of individual customers.

Ageing analysis of trade receivables net of provision for impairment of doubtful debts at the balance sheet date is as follows:

	<b>Group</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 day to 60 days	<b>98</b>	283
61 days to 120 days	<b>11</b>	24
More than 120 days	<b>50</b>	42
	<b>159</b>	349

## 12 Trade and other payables

Trade and other payables of the Group include trade payables, rental and management fee deposits, interest and other payables and various accruals. Trade payables amounted to HK\$2,173,000 (2005: HK\$3,779,000).

Ageing analysis of trade payables is as follows:

	<b>Group</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 day to 60 days	<b>1,807</b>	3,029
61 days to 120 days	<b>12</b>	122
More than 120 days	<b>354</b>	628
	<b>2,173</b>	3,779

## 13 Subsequent events

- (a) In April 2006, the Company issued 127.3 million shares at HK\$1.30 each for a gross amount of HK\$165.5 million pursuant to a rights issue of 1 rights share for 2 shares held.

- (b) In May 2006, Asia Standard Hotel Holdings Limited, a listed associated company of the Group has issued 3,154.1 million shares at HK\$0.09 each for a gross amount of HK\$283.9 million pursuant to a rights issue of 1 rights share for 2 shares held. The Group had subscribed for its entitlement fully and an additional 33,000,000 shares.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Shareholdings in Asia Standard International Group Limited (“Asia Standard”)*

Asia Standard remained the Group’s significant investment with shareholdings increased from 40.49% at beginning of year to 40.98% at the end of year.

Asia Standard became an associated company of the Group in January 2005, following a decrease of its shareholdings in Asia Standard to below 50%, the results and net assets since then were equity accounted for by the Group.

Asia Standard was an associated company for the whole financial year 2006 while it was consolidated as a subsidiary for 9 months in last year.

### **Result**

With the turnover of Asia Standard no longer being consolidated, the Group’s turnover for the year was reduced to HK\$45 million, whilst it was HK\$553 million last year.

The Group reported a profit attributable to shareholders of HK\$56 million as compared to a loss of HK\$52 million last year, which has been restated due to changes in various accounting policies during the year.

The directors do not recommend the payment of a final dividend (2005: final scrip distribution of HK4.3 cents per share).

### ***New accounting policies***

The Group adopted the new/revised Hong Kong Financial Reporting standards issued by the Hong Kong Institute of Certified Public Accountants which are effective for accounting periods commencing on or after 1st January 2005.

Most of these changes do not affect the Company and its subsidiaries directly, but indirectly affect the Group through the share of results and net assets of its major associated company, Asia Standard. The more important changes affecting the Group are:

1. Revaluation surplus of investment properties are recorded in the profit and loss account, instead of the revaluation reserve.
2. Deferred income tax is provided on revaluation surplus of investment properties, notwithstanding that there is no capital gain tax applicable to Hong Kong.
3. Owner-operated hotel properties are stated at cost less accumulated depreciation, with annual depreciation charged to profit and loss account. In prior year, they are stated at open market values without depreciation charges.
4. Leasehold land on which these properties are situated is amortised over the lease period with annual amortisation charged to profit and loss account.
5. Share options granted are expensed to the profit and loss account.

6. Presale of properties will only be recognised after completion. In prior years, stage completion method is adopted.

These changes in accounting policies have no impact on the Group's cash flow. However, the effect of all the changes is to increase the profit for the current year by HK\$117 million and decrease the net asset value at year end by HK\$532 million.

### ***Properties sales and leasing***

Asia Standard achieved a HK\$168 million profit attributable to shareholders compared with HK\$279 million of last year, which has been restated in light of the new accounting policies. Turnover increased by 5% to HK\$744 million from last year's HK\$707 million.

In February 2006, the residential development in Lei Yue Mun, Canaryside was launched for presale, with 60% of its residential units sold. The development is now at superstructure stage and completion is expected towards the end of 2006, when the second phase of sales campaign will commence. Profit from this sales were not recognised until completion of development as explained in the section 'new accounting policies' above, while development profit from Grosvenor Place was recorded last year, explaining a major reason for the decrease in profit.

Low-rise development in Ping Shan is about to complete and will be put to market in second half of year 2006.

During the year, land premium for the luxury residential project at Castle Peak Road was paid and land exchange was processed, construction is at foundation stage. Land premium for mass residential project at Aberdeen was close to acceptance and tender for superstructure construction is in progress.

Asia Standard has over 1.1 million sq.ft gross floor area of properties under development.

Rental income improved by 6% compared with last year, with average occupancy increased from 89% to 91%. Unit rent has been rising and the full year effect is to be experienced in coming years. With continuing improving market environment, the investment properties portfolio recorded a revaluation surplus which was reflected in the profit and loss account.

### ***Hotel***

Hotel performance for the year continue to be very promising as a result of economic recovery, opening of Disney Theme Park, various large scale conferences and exhibitions hosted by Hong Kong, and the addition of more PRC cities into the Individual Visit Scheme. Visitors' arrivals register a record high of 23 million, 7% higher than last year. Hong Kong based hotels achieved a combined revenue increment of 18% against that of last year, mostly due to increased room rate.

Empire Landmark in Canada also experienced a 14% revenue increase, with 4% attributable to exchange rate increment.

Hotel group's gross operating profit increased by HK\$31 million (30%) to HK\$136 million. With the adoption of the new accounting policies, the hotel group reported a HK\$21 million loss compared with HK\$29 million profit (restated) of last year. Annual depreciation and amortisation charge of HK\$73 million was provided for the hotel properties.

The hotel group's financial position was enhanced through the raising of HK\$246 million new equity during the year and all were used to repay its bank borrowings.

In May 2006, it has completed a rights issue and raised HK\$283 million further capital. The proceeds from the rights issue has also been applied towards loan repayment.

## ***Financial review***

The Group was at net cash position at both 31st March 2006 and 31st March 2005.

Following the adoption of new/revised accounting standards, net asset value of the Group at 31st March 2005 was restated and decreased by HK\$433 million, due to the decrease in its share of net assets of Asia Standard, which is substantially the result of changing the carrying value of hotel buildings from fair value to cost less accumulated depreciation and amortisation of the underlying leasehold land. During the year, the Group broadens its capital base with a HK\$29.6 million share placement to independent investors. At 31st March 2006, the Group's net asset value rose to HK\$1.67 billion, an increase of HK\$100 million (6.4%) from last year's restated value of HK\$1.57 billion.

In February 2006, the Group announced a rights issue in the proportion of 1 rights share for 2 then existing shares held at HK\$1.30 each. The issue was completed in April 2006, increasing net asset value by net proceeds of HK\$160 million.

Certain listed securities were pledged to secure general 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.

## ***Employees and remuneration policies***

At 31st March 2006, the Group employed 201 full time employees with most of them working for building management and cleaning services. Their remuneration package, which commensurate with their job nature and experience level, include basic salary, annual bonus, retirement and other benefits.

## **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.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

During the year, the Company has complied with the Code Provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company 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 for Securities Transactions by Directors of Listed Issuers (Appendix 10) of the Listing Rules. The Company has also made specific enquiry to the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its Code for Securities Transactions by Directors.



## AUDIT COMMITTEE

The Audit Committee members are Mr. Hung Yat Ming, Mr. Cheung Kwok Wah, Ken and Mr. Wong Chi Keung. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The audited financial statements of the Group for the year ended 31st March 2006 have been reviewed by the Audit Committee.

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

Hong Kong, 13th July 2006

*As at the date of this announcement, the executive directors of the Company are Mr. Fung Siu To Clement, Dr. Lim Yin Cheng, Mr. Poon Jing, Mr. Lun Pui Kan and Mr. Kwan Po Lam Phileas; the non-executive director is Mr. Chan Sze Hung; and the independent non-executive directors are Mr. Cheung Kwok Wah Ken, Mr. Hung Yat Ming and Mr. Wong Chi Keung.*