



Asia Orient Holdings Limited
Interim Report 2005

Corporate Information

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

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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

(HK\$ million, except otherwise indicated)

	Six months ended 30th September		Change (%)
	2005	2004 (restated)	
Consolidated profit and loss account			
Group turnover*	11	361	-97
Finance costs*	1	51	-98
Profit attributable to shareholders of the Company	2	39	-95
Earnings per share (HK cents)			
Basic	0.88	22.3	-96
Diluted	0.86	17.5	-95
Consolidated Balance Sheet			
	30th September 2005	31st March 2005 (restated)	Change (%)
Total assets	1,657	1,675	-1
Equity attributable to the Company's shareholders	1,584	1,569	1
Net assets per share (HK\$)	6.75	6.69	1
Net debt to equity	Net cash	Net cash	n/a

* In January 2005, Asia Standard International Group Limited ("ASI") changed from a subsidiary into associated company of Asia Orient Holdings Limited ("AO"). Thereafter, the results of ASI was no longer consolidated into and have been equity accounted for in the accounts of the Group.

Management Discussion and Analysis

The Empire Hotel Kowloon



Asia Orient Tower

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

The Group’s shareholdings in Asia Standard remain unchanged at 40.5% throughout the current period under review.

In the last interim period, Asia Standard was a subsidiary and its results were fully consolidated by the Group. In January 2005, Asia Standard became an associated company of the Group, following a decrease of its shareholdings in Asia Standard to below 50%. Since then, the results and net assets of Asia Standard were equity accounted for by the Group.

Results

With the turnover of Asia Standard no longer being consolidated, the Group’s turnover for the period was reduced to HK\$11 million, as compared with HK\$361 million of last corresponding period.

The Group reported a profit attributable to shareholders of HK\$2 million as compared to a profit of HK\$39 million of the last interim period, which has been restated due to changes in various accounting policies during the period.

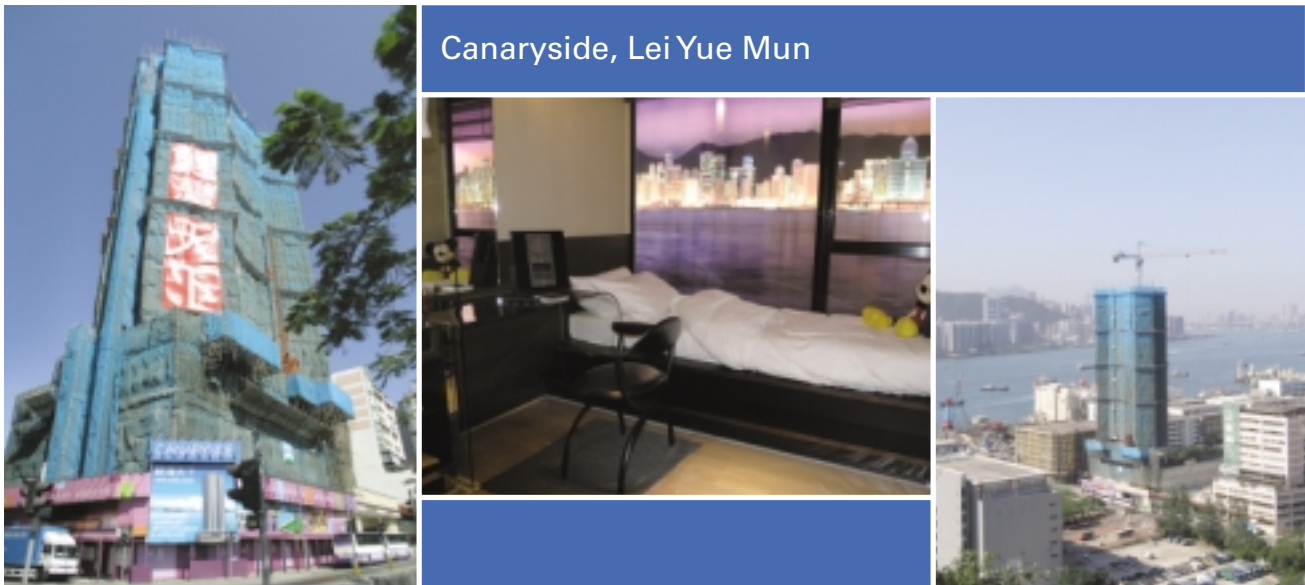
The directors do not recommend the payment of an interim dividend (2004: HK2 cents per share) for the period.

New accounting policies

The Group adopted the new/revised 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 major changes are as follows:

1. Revaluation movements of investment properties are recorded in the profit and loss account, instead of the revaluation reserve.
2. Deferred tax is to be provided on revaluation surplus of investment properties, notwithstanding that there is no capital gain tax applicable to Hong Kong.



Canaryside, Lei Yue Mun

3. Owner-operated hotel properties and self-occupied buildings are stated at cost less accumulated depreciation and any provision for impairment, with annual depreciation charged to profit and loss account. In the last interim period, they are stated at open market values without depreciation charges.
4. Leasehold land on which these properties are situated is stated at cost less accumulated amortisation with annual amortisation charged to profit and loss account.
5. Share options granted are expensed over the vesting period.

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 period by HK\$28 million and decrease the net asset value at 30th September 2005 by HK\$447 million.

Properties sales and leasing

Asia Standard achieved a HK\$52 million profit attributable to shareholders compared with HK\$148 million of last corresponding interim period. The associated company had yet to launch sales of new developments during the period.

The residential development in Lei Yue Mun, Canaryside is ready for presale, expecting a revenue of about HK\$1 billion when completely sold. Construction is now at superstructure stage and completion expected towards the end of 2006.

Low-rise development in Ping Shan is also at superstructure stage. Pre-sale consent will be applied shortly and will be the next put to market following Canaryside.

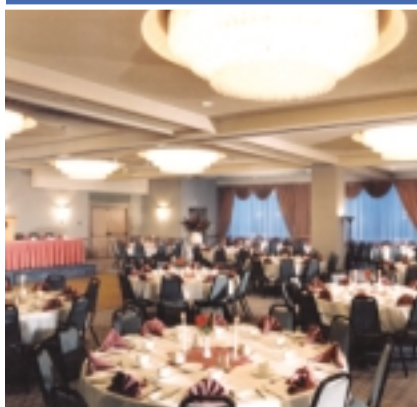
Land exchange and premium negotiation is on-going for developments in Ting Kau, Aberdeen, Hung Shui Kiu and Lam Tei.

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

Rental income improved by 8% over the last interim period. With the continuing renewal of tenancies, we expect its rental income will continue to increase. During the current period its investment properties portfolio recorded a HK\$114 million attributable surplus on its revaluation, which was reflected in the profit and loss account after deducting the associated deferred tax provision.

Management Discussion and Analysis

Empire Landmark Hotel, Vancouver



Hotel

Hotel group reported a HK\$290 million turnover and HK\$25 million loss compared with HK\$287 million turnover and HK\$11 million loss (restated) of last corresponding period.

The prior period's interim result was restated in light of the new accounting policies under which additional depreciation and amortisation charge of HK\$37 million was provided for the hotel properties.

Prospects for hotel performance 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. Hong Kong based hotels achieved a combined revenue increment of 14% against that of last corresponding period, mostly attributable to increased room rate.

Empire Landmark in Canada also experienced a 14% revenue increase, with 9% attributable to exchange rate increment.

The hotel group recently raised approximately HK\$192 million new equity and all were used to repay its bank borrowings.

Financial review

The Group was at net cash position at both 30th September 2005 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 market value to cost less accumulated depreciation and amortisation of the underlying leasehold land. Net asset value of the

Group at 30th September 2005 and 31st March 2005 remains approximately the same at HK\$1.6 billion.

Certain listed securities 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.

Employees and remuneration policies

At 30th September 2005, the Group employed 204 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.

Independent Review Report of the Auditors

**To the Board of Directors of
Asia Orient Holdings Limited**

(incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the company to review the interim financial information set out on pages 6 to 28.

Respective responsibilities of Directors and auditors

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial information to be in compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial information is the responsibility of, and has been approved by, the Directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial information.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial information for the six months ended 30th September 2005.

PRICEWATERHOUSECOOPERS
Certified Public Accountants

Hong Kong, 20th December 2005

Consolidated Profit and Loss Account – Unaudited

	<i>Note</i>	Six months ended 30th September	
		2005 HK\$'000	2004 HK\$'000 (restated)
Turnover	6	10,867	361,158
Cost of sales		(5,390)	(260,643)
Gross profit		5,477	100,515
Administrative expenses		(8,739)	(57,053)
Other charges	7	(22,003)	(35,077)
Operating (loss)/profit	8	(25,265)	8,385
Finance costs	9	(675)	(50,604)
Share of profits less losses of			
Jointly controlled entities		8,126	159,854
Associated companies		19,120	(18,477)
Profit before taxation		1,306	99,158
Taxation credit	10	753	3,464
Profit for the period		2,059	102,622
Attributable to:			
Shareholders of the Company		2,059	38,689
Minority interests		–	63,933
		2,059	102,622
Dividend	11	–	3,997
Earnings per share			
Basic	12	0.88 cents	22.3 cents
Diluted	12	0.86 cents	17.5 cents

Consolidated Balance Sheet – Unaudited

	<i>Note</i>	30th September 2005 HK\$'000	31st March 2005 HK\$'000 (restated)
Non-current assets			
Property, plant and equipment	13	1,182	1,362
Jointly controlled entities		7,951	7,832
Associated companies		1,393,676	1,371,690
Deferred tax assets		4,532	5,303
		1,407,341	1,386,187
Current assets			
Debtors and prepayments	14	154,181	131,426
Derivative financial instruments		4,302	–
Financial assets at fair value through profit and loss		19,497	28,654
Bank balances and cash		71,323	128,843
		249,303	288,923
Current liabilities			
Creditors and accruals	15	39,496	39,347
Short term bank loans and overdrafts, secured		12,817	14,676
Current portion of long term loans	18	12,452	37,372
		64,765	91,395
Net current assets		184,538	197,528
Total assets less current liabilities		1,591,879	1,583,715
Non-current liabilities			
Long term bank loans	18	–	6,226
Amounts due to minority shareholders		8,311	8,311
Deferred tax liabilities		11	11
		8,322	14,548
Net assets		1,583,557	1,569,167
Equity			
Share capital	16	23,452	23,452
Reserves	17	1,560,105	1,545,715
Equity attributable to the Company's shareholders		1,583,557	1,569,167

Condensed Consolidated Cash Flow Statement – Unaudited

	Six months ended	
	30th September	
	2005	2004
	HK\$'000	HK\$'000
Net cash used in operating activities	(23,319)	(280,959)
Net cash (used in)/from investing activities	(1,196)	287,764
Net cash (used in)/from financing activities	(30,221)	83,335
Net (decrease)/increase in cash and cash equivalents	(54,736)	90,140
Cash and cash equivalents at beginning of period	91,006	24,798
Changes in exchange rates	–	293
Cash and cash equivalents at end of period	36,270	115,231
Analysis of the balances of cash and cash equivalents		
Bank balances and cash (excluding pledged deposits)	37,087	123,285
Bank overdrafts	(817)	(8,054)
	36,270	115,231

Consolidated Statement of Changes in Equity – Unaudited

	Shareholders of the Company	Minority interests (Note)	Total
	HK\$'000	HK\$'000	HK\$'000
At 1st April 2004, as previously reported	2,090,423	2,245,000	4,335,423
Retrospective effects of changes in accounting policies (note 3)	(466,909)	(647,876)	(1,114,785)
At 1st April 2004, as restated	1,623,514	1,597,124	3,220,638
Currency translation differences and net income directly recognised in the equity	1,693	2,472	4,165
Profit for the period	38,689	63,933	102,622
Total recognised income for the period	40,382	66,405	106,787
Conversion of convertible notes	2,000	–	2,000
At 30th September 2004	1,665,896	1,663,529	3,329,425
At 1st April 2005, as previously reported	2,001,807	–	2,001,807
Retrospective effects of changes in accounting policies (note 3)	(432,640)	–	(432,640)
	1,569,167	–	1,569,167
Opening adjustment for the adoption of HKAS 39 (note 3)	7,466	–	7,466
At 1st April 2005, as restated	1,576,633	–	1,576,633
Currency translation differences and net income directly recognised in equity	1,517	–	1,517
Profit for the period	2,059	–	2,059
Total recognised income for the period	3,576	–	3,576
Employee share option reserve	3,348	–	3,348
At 30th September 2005	1,583,557	–	1,583,557

Note:

In prior years, minority interests were not classified as equity and were not presented in this statement.

Notes to the Interim Consolidated Accounts

1 Basis of preparation

This unaudited consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in the preparation of this consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st March 2005 except that the Group has changed certain of its accounting policies following its adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRS”) and HKAS which are effective for accounting periods commencing on or after 1st January 2005 as described in note 2 below. A summary of effects of the changes in accounting policies between Statements of Standard Accounting Practices (“SSAP”) in effect until 31st December 2004 (the “Old Hong Kong Accounting Standards”) and the new HKFRS which has been applied in the preparation of the financial statements for the six months ended 30th September 2005 is set out in note 3.

2 Changes in accounting policies

Commencing from 1st April 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The changes mainly affect the Group through its associated companies. The comparatives have been amended as required, in accordance with the relevant requirements.

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 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 2	The Appropriate Policies for Hotel Properties
HK-Int 3	Pre-completion Contracts for the Sale of Development Properties
HK-Int 4	Lease – 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.

2 Changes in accounting policies (continued)

(ii) Hotel properties

The adoption of HKAS 16 and HK-Int 2 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.

Depreciation is calculated to write off the carrying value of the assets on a straight line basis over the shorter of the unexpired period of the land lease and the anticipated remaining useful lives of the assets. The useful lives which have been adopted are summarised as follows:

Hotel building	Shorter of 50 years or the remaining lease period of the land on which the hotel building is located
Plant and machinery	10 years
Furniture, fixtures and equipment	5 years
Computer equipment	3 $\frac{1}{3}$ years

No depreciation is provided for freehold land.

(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 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 accounted for 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 ending 31st March 2006 onwards, goodwill is tested 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 and loss. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

Notes to the Interim Consolidated Accounts

2 Changes in accounting policies (continued)

(vi) Investment properties

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values 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 tax liabilities arising from the revaluation of investment properties. Such deferred 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 costs were recognised in the past.

(viii) Pre-completion sale of development properties

The adoption of HK-Int 3 has resulted in the 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 upon completion of those properties.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards 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 re-measure those financial assets or financial liabilities are adjusted to the opening balance of the revenue reserve at 1st April 2005;
- (b) HKFRS 3 and HK-Int 3 – prospectively after the adoption date.

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

3 Summary of effects of the changes in accounting policies

(a) Effects of the changes in accounting policies on consolidated profit and loss account

	Profit/(loss) attributable to shareholders of the Company HK\$'000	EPS HK cents
Period ended 30th September 2005		
Reported under the Old Hong Kong Accounting Standards	(26,390)	(11.25)
Increase/(decrease) in share of profits less losses of associated companies		
HKAS 16 and Int 2		
Net effect of increase in depreciation, renovation costs capitalised and revaluation deficit of hotel properties	3,085	1.32
HKAS 17 and HK-Int 4		
Amortisation of leasehold land	(5,917)	(2.53)
HKAS 32 and HKAS 39		
Decrease in net interest expense	80	0.03
HKAS 40		
Surplus on revaluation of investment properties	46,287	19.74
HK-Int 21		
Increase in taxation charge	(8,100)	(3.45)
Increase/(decrease) in profit of the Group		
HKAS 32 and HKAS 39		
Loss in fair value (net of tax)	(3,638)	(1.55)
HKFRS 2		
Increase in employee share option expense	(3,348)	(1.43)
	28,449	12.13
Reported under new HKFRS	2,059	0.88

Notes to the Interim Consolidated Accounts

3 Summary of effects of the changes in accounting policies (continued)

(a) Effects of the changes in accounting policies on consolidated profit and loss account (continued)

	Profit/(loss) attributable to shareholders of the Company HK\$'000	EPS HK cents
Period ended 30th September 2004		
Reported under the Old Hong Kong Accounting Standards	53,263	30.68
HKAS 16 and HK-Int 2		
Increase in depreciation	(24,354)	(14.02)
Renovation costs of hotel property capitalised	2,610	1.50
Decrease in taxation charge	4,411	2.54
Decrease in profit attributable to minority interests	10,373	5.97
HKAS 17 and HK-Int 4		
Amortisation of leasehold land	(14,901)	(8.57)
Increase in interest expense	(1,537)	(0.89)
Decrease in taxation charge	299	0.17
Decrease in share of profits less losses of		
Jointly controlled entities	(65)	(0.04)
Associated companies	(1,803)	(1.04)
Decrease in profit attributable to minority interests	10,600	6.10
HKAS 32		
Increase in interest expense	(502)	(0.29)
Decrease in profit attributable to minority interests	295	0.17
	(14,574)	(8.40)
Reported under new HKFRS	38,689	22.28

3 Summary of effects of the changes in accounting policies (continued)

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

	HKAS 16 and HK-Int 2 HK\$'000	HKAS 17 and HK-Int 4 HK\$'000	HKAS 32 and HKAS 39 HK\$'000	HKAS 40 HK\$'000	HKFRS 2 HK\$'000	HKAS- Int 21 HK\$'000	Total HK\$'000
At 30th September 2005							
Increase/(decrease) in net assets/equity							
Associated companies	(267,952)	(122,166)	1,547	(10,115)	–	(52,306)	(450,992)
Derivative financial instruments	–	–	4,302	–	–	–	4,302
Deferred tax assets	–	–	(753)	–	–	–	(753)
Net assets	(267,952)	(122,166)	5,096	(10,115)	–	(52,306)	(447,443)
Investment properties revaluation reserve	–	–	–	(87,169)	–	–	(87,169)
Hotel properties revaluation reserve	(131,026)	–	–	–	–	–	(131,026)
Share option reserve	–	–	–	–	3,348	–	3,348
Revenue reserve	(136,926)	(122,166)	5,096	77,054	(3,348)	(52,306)	(232,596)
Equity	(267,952)	(122,166)	5,096	(10,115)	–	(52,306)	(447,443)

Notes to the Interim Consolidated Accounts

3 Summary of effects of the changes in accounting policies (continued)

(b) Effects of the changes in accounting policies on consolidated balance sheet (continued)

	HKAS 16 and HK-Int 2 HK\$'000	HKAS 17 and HK-Int 4 HK\$'000	HKAS 32 and HKAS 39 HK\$'000	HKAS 40 HK\$'000	HKAS- Int 21 HK\$'000	Total HK\$'000
At 31st March 2005						
Increase/(decrease) in net assets/equity						
Associated companies and net assets	(264,460)	(115,921)	1,174	(9,227)	(44,206)	(432,640)
Investment properties revaluation reserve	–	–	–	(39,994)	–	(39,994)
Hotel properties revaluation reserve	(124,175)	–	–	–	–	(124,175)
Revenue reserve	(140,285)	(115,921)	1,174	30,767	(44,206)	(268,471)
Equity	(264,460)	(115,921)	1,174	(9,227)	(44,206)	(432,640)
At 1st April 2005						
Increase/(decrease) in net assets/equity						
Associated companies	–	–	279	–	–	279
Derivative financial instruments	–	–	8,712	–	–	8,712
Deferred tax assets	–	–	(1,525)	–	–	(1,525)
Net assets	–	–	7,466	–	–	7,466
Equity	–	–	7,466	–	–	7,466
Revenue reserve	–	–	7,466	–	–	7,466
At 1st April 2004						
Increase/(decrease) in equity						
Hotel properties revaluation reserve	(120,156)	–	–	–	–	(120,156)
Revenue reserve	(160,726)	(137,088)	1,413	(6,913)	(43,439)	(346,753)
Minority interests	(409,038)	(195,444)	1,582	(6,175)	(38,801)	(647,876)
Equity	(689,920)	(332,532)	2,995	(13,088)	(82,240)	(1,114,785)

4 Financial risk management

The Group and its associated companies' activities expose them to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group and its associated companies' overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's associated companies have used derivative financial instruments to hedge certain risk exposures.

5 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group and its associated companies makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Group and its associated companies within the next financial year include those related to investment properties, impairment of assets and income taxes.

6 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 and management, hotel and travel and investment. 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.

In January 2005, the Group's interest in Asia Standard International Group Limited ("Asia Standard") decreased to below 50% and Asia Standard then became an associated company of the Group. The result of Asia Standard was consolidated into the profit and loss accounts of the Group up to the date of disposal and was equity accounted for thereafter. Additional segment information of jointly controlled entities and associated companies was set out in supplementary notes.

Notes to the Interim Consolidated Accounts

6 Turnover and segment information (continued)

Primary reporting format – business segments (continued)

	Property sales HK\$'000	Property leasing and management HK\$'000	Hotel and travel HK\$'000	Investments HK\$'000	Other operations HK\$'000	Group HK\$'000
Six months ended 30th September 2005						
Segment revenue	–	5,620	–	1,604	3,643	10,867
Contribution to segment results	–	1,709	–	125	3,643	5,477
Other charges	–	(24)	–	(21,818)	(161)	(22,003)
Unallocated corporate expenses						(8,739)
Operating loss						(25,265)
Finance costs						(675)
Share of results of						
Jointly controlled entities (note i)						8,126
Associated companies (note i)						19,120
Profit before taxation						1,306
Taxation credit						753
Profit for the period						2,059
Six months ended 30th September 2004 (restated)						
Segment revenue	36,165	30,759	286,722	2,214	5,298	361,158
Contribution to segment results	(18,805)	23,649	53,060	127	5,298	63,329
Other income/ (charges)	6,691	(232)	(36,059)	(17,662)	12,185	(35,077)
Unallocated corporate expenses						(19,867)
Operating profit						8,385
Finance costs						(50,604)
Share of results of						
Jointly controlled entities (note i)						159,854
Associated companies (note i)						(18,477)
Profit before taxation						99,158
Taxation credit						3,464
Profit for the period						102,622

6 Turnover and segment information (continued)

Primary reporting format – business segments (continued)

Note (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	–	(3,755)	207,195	(2,226)
Property leasing	–	60,014	–	2,827
Hotel and travel	–	13,152	–	–
Investments	8,126	(1,114)	(10,876)	(18,568)
Other operations	–	(9,531)	–	–
Finance costs	–	(23,609)	–	–
Unallocated corporate expenses	–	(7,808)	–	–
Taxation	–	(8,229)	(36,465)	(510)
	8,126	19,120	159,854	(18,477)

Secondary reporting format – geographical segments

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

	Segment revenue		Operating (loss)/profit	
	Six months ended 30th September		Six months ended 30th September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000 (restated)
Hong Kong	10,867	313,381	(25,265)	(2,338)
Mainland China	–	4,013	–	386
Canada	–	43,764	–	10,337
	10,867	361,158	(25,265)	8,385

Notes to the Interim Consolidated Accounts

7 Other charges

	Six months ended	
	30th September	
	2005	2004
	HK\$'000	HK\$'000
		(restated)
Net fair value losses on financial assets at fair value through profit and loss	(21,818)	(15,662)
Write-back of provision for diminution in value of properties under development/held for sales	-	11,400
Amortisation of goodwill	-	(3,232)
Amortisation of leasehold land	-	(14,860)
Depreciation	(185)	(25,047)
Write-back of provision for doubtful debts	-	12,324
	(22,003)	(35,077)

8 Operating (loss)/profit

	Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000 (restated)
Operating (loss)/profit is stated after crediting and charging the following:		
Crediting		
Net rental income (note (a))	–	22,520
Interest income	3,382	5,238
Net realised gains on financial assets at fair value through profit and loss	125	–
Dividends from listed investments	–	142
Charging		
Staff costs, including Directors' emoluments (note (b))	10,527	46,659
Net realised losses on financial assets at fair value through profit and loss	–	15
Note:		
(a) Net rental income		
Gross rental income		
Investment properties	–	16,052
Properties held for sale	–	9,156
<hr/>		
Outgoings	–	25,208
	–	(2,688)
<hr/>		
	–	22,520
(b) Staff costs		
Wages and salaries	7,075	47,148
Retirement benefits costs	104	1,486
Employee share option benefits	3,348	–
<hr/>		
	10,527	48,634
Capitalised as properties under development	–	(1,975)
<hr/>		
	10,527	46,659

Notes to the Interim Consolidated Accounts

9 Finance costs

	Six months ended 30th September	
	2005 HK\$'000	2004 HK\$'000 (restated)
Interest expense		
Long term bank loans	404	28,285
Convertible bonds	–	15,547
Convertible notes	–	2,448
Loans from minority shareholders of subsidiaries	–	1,545
Short term bank loans and overdrafts	215	6,534
Other incidental borrowing costs	56	1,590
	675	55,949
Capitalised as cost of properties under development		
Interest expense	–	(4,805)
Other incidental borrowing costs	–	(540)
	675	50,604

10 Taxation credit

	Six months ended	
	30th September	
	2005	2004
	HK\$'000	HK\$'000
		(restated)
Current taxation		
Hong Kong profits tax	–	(136)
Overprovisions in prior years	–	140
Deferred taxation		
Relating to the origination and reversal of temporary differences	753	3,460
	753	3,464

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Share of tax of jointly controlled entities and associated companies for the six months ended 30th September 2005 of nil (2004: HK\$36,465,000) and HK\$8,229,000 (2004: HK\$510,000) are included in the profit and loss account as share of profits less losses of jointly controlled entities and associated companies respectively.

11 Dividend

No interim dividend was declared for the period (2004: HK\$3,997,000).

Notes to the Interim Consolidated Accounts

12 Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of the Company of HK\$2,059,000 (2004 restated: HK\$38,689,000) and on the weighted average of 234,516,210 (2004:173,629,706) shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30th September 2005 is based on HK\$2,009,000 equivalent to profit attributable to shareholders of HK\$2,059,000 less decreased share of profit of a listed associated company of HK\$50,000 assuming the share options of the listed associated company had been exercised and the weighted average number of 234,516,210 shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30th September 2004 is based on HK\$34,878,000 equivalent to the profit attributable to shareholders of HK\$38,689,000 plus after tax interest savings of HK\$13,724,000 less increase in profit attributable to minority interests of HK\$17,535,000 and, 199,826,426 shares equivalent to the weighted average number of 173,629,706 shares in issue during the period plus 26,196,720 shares deemed to be in issue assuming the convertible notes had been converted.

13 Property, plant and equipment

	Amount HK\$'000
Cost	
At 31st March 2005	3,216
Addition	5
At 30th September 2005	3,221
Accumulated depreciation	
At 31st March 2005	1,854
Charge for the year	185
At 30th September 2005	2,039
Net book value	
At 30th September 2005	1,182
At 31st March 2005	1,362

14 Debtors and prepayments

Debtors and prepayments include trade debtors, utility and other deposits, interest and other receivables.

Trade debtors amounted to HK\$411,000 (31st March 2005: HK\$349,000) and 87% of which (31st March 2005: 90%) 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.

15 Creditors and accruals

Creditors and accruals include trade creditors, interest and other payables and various accruals. Trade creditors amounted to HK\$3,799,000 (31st March 2005: HK\$3,779,000), 91% (31st March 2005: 85%) of which were aged under six months.

16 Share capital

Shares of HK\$ 0.1 each	Number of shares	Amount HK\$'000
Authorised		
At 31st March and 30th September 2005	750,000,000	75,000
Issued and fully paid		
At 31st March and 30th September 2005	234,516,210	23,452

Share options were granted to directors and to employees to subscribe for shares in accordance with the terms and conditions of the share option scheme. Movements in the number of share options outstanding, their exercise price and expiry dates are as follows:–

Grant date	Expiry date	Exercise price HK\$ per share	Share options	
			30th September 2005	31st March 2005
12th February 2004	11th February 2014	3.300	6,872,000	6,872,000
25th February 2005	24th February 2015	2.895	5,400,000	5,400,000
8th April 2005	7th April 2015	2.425	2,700,000	–
			14,972,000	12,272,000

Notes to the Interim Consolidated Accounts

16 Share capital (continued)

With the adoption of new accounting policies, fair value of options granted are to be expensed to profit and loss account over its vesting period. The policy is effective for all outstanding non-vested options at or new grants since the beginning of the period. The fair value of the options charged to profit and loss account of the current period using Binomial option pricing model is HK\$3,348,000. The following assumptions were used to calculate the fair values of share options granted on 8th April 2005:–

Closing share price at the date of grant (HK\$)	2.425
Exercise price (HK\$)	2.425
Expected life of options (years)	10
Expected volatility (%) – note (i)	50.59
Expected dividend yield (%) – note (ii)	2.60
Risk free rate (%)	4.24

Notes:

- (i) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over one year immediately preceding the grant date.
- (ii) It is based on prospective dividend yield of the shares at 8th April 2005.
- (iii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares.

17 Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Revaluation Reserve		Contributed surplus HK\$'000	Share option reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
			Investment properties HK\$'000	Hotel properties HK\$'000				
At 1st April 2005, as previously reported	1,527,278	360,302	39,994	124,175	1,002,675	-	(1,076,069)	1,978,355
Retrospective effects of changes in accounting policies (note 3)	-	-	(39,994)	(124,175)	-	-	(268,471)	(432,640)
	1,527,278	360,302	-	-	1,002,675	-	(1,344,540)	1,545,715
Opening adjustment for the adoption of HKAS 39 (note 3)	-	-	-	-	-	-	7,466	7,466
At 1st April 2005, as restated	1,527,278	360,302	-	-	1,002,675	-	(1,337,074)	1,553,181
Offsetting accumulated losses (note)	-	-	-	-	(920,762)	-	920,762	-
Profit for the period	-	-	-	-	-	-	2,059	2,059
Share options issued	-	-	-	-	-	3,348	-	3,348
Translation differences	-	-	-	-	-	-	1,517	1,517
At 30th September 2005	1,527,278	360,302	-	-	81,913	3,348	(412,736)	1,560,105
Representing:								
2005 declared and approved scrip distribution	-	-	-	-	10,084	-	-	10,084
Others	1,527,278	360,302	-	-	71,829	3,348	(412,736)	1,550,021
	1,527,278	360,302	-	-	81,913	3,348	(412,736)	1,560,105

Note:

Pursuant to a resolution passed in the Annual General Meeting held in August 2005, an amount of HK\$920,762,000 in the contributed surplus account was applied to set off the accumulated loss of the company.

Notes to the Interim Consolidated Accounts

18 Long term bank loans

	30th September 2005 HK\$'000	31st March 2005 HK\$'000
Bank loans, secured		
Repayable within one year	12,452	37,372
Repayable between one and two years	–	6,226
	12,452	43,598
Current portion included in current liabilities	(12,452)	(37,372)
	–	6,226

19 Capital commitments

The Group has no capital commitment as at 30th September 2005 and 31st March 2005.

20 Contingent liabilities

There were no material contingent liabilities existing as at 30th September 2005 and 31st March 2005

Other Information

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

As at 30th September 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	35,924,396	38,011,695	1,396,520	75,332,611	32.12
Fung Siu To, Clement	3,977,359	–	–	3,977,359	1.69

(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 (Note 1)	2,059,915,362	40.58
Poon Jing	AS Hotel	248,937	3,749,148,774 (Note 1)	3,749,397,711	74.21
Poon Jing and Fung Siu To, Clement	Centop Investment Limited ("Centop")	–	20 (Note 2)	20	20
Poon Jing	Centop	–	80 (Note 3)	80	80
Fung Siu To, Clement	Mark Honour Limited	9	–	9	9

Notes:

- By virtue of his controlling interest in the Company, Mr. Poon Jing is deemed to be interested in the shares of Asia Standard and AS Hotel held by the Company's subsidiaries.
- Centop is owned as to 80% by Asia Standard and 20% by Kingscore Investment Limited ("Kingscore"). Each of Mr. Poon Jing and Mr. Fung Siu To, Clement holds 50% interest in Kingscore. By virtue of their interest in Kingscore, each of Mr. Poon and Mr. Fung is deemed to have interest in the 20 shares held by Kingscore and duplicate the interest of the other.

Other Information

Directors and chief executive's interests and short positions in shares, underlying shares and debentures (continued)

(I) Long positions in shares (continued)

(b) Associated companies (continued)

3. By virtue of his controlling interest in the Company, Mr. Poon is deemed to have interest in the 80 shares of Centop held by Asia Standard.

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 and associated corporations.

(II) Long positions in underlying shares

Interest in share options

As at 30th September 2005, details of the share options granted to Directors under the share option schemes are as follows:

a) The Company

Name of Director	Outstanding as at 1st April 2005 and 30th September 2005
Fung Siu To, Clement	1,718,000
Lim Yin Cheng	1,718,000
Lun Pui Kan	1,718,000
Kwan Po Lam, Phileas	1,718,000

Options were granted on 12th February 2004 and exercisable from 12th February 2004 to 11th February 2014 at exercise price of HK\$3.3 per share. During the period, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

b) Associated company – Asia Standard

Name of Director	Outstanding as at 1st April 2005 and 30th September 2005
Fung Siu To, Clement	20,000,000
Poon Jing	5,000,000
Lim Yin Cheng	20,000,000
Lun Pui Kan	20,000,000
Kwan Po Lam, Phileas	20,000,000

Options were granted on 30th March 2005 and exercisable from 30th March 2005 to 29th March 2015 at exercise price of HK\$0.325 per share. During the period, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

Directors and chief executive's interests and short positions in shares, underlying shares and debentures (continued)

(II) Long positions in underlying shares (continued)

Interest in share options (continued)

c) Associated company – Q9 Technology Holdings Limited

Name of Director	Exercise Period	Exercise Price HK\$	Outstanding as at 1st April 2005 and 30th September 2005	
			Pre-IPO Share Option Scheme	Share Option Scheme adopted on 7th May 2001 ("Post-IPO Share Option Scheme")
Lim Yin Cheng	5th May 2001 to 4th May 2011	0.36	84,480,000	
Fung Siu To, Clement	5th May 2001 to 4th May 2011	0.36	2,560,000	
Lun Pui Kan	5th May 2001 to 4th May 2011	0.36	1,920,000	
	18th May 2001 to 17th May 2011	0.45		3,000,000
Kwan Po Lam, Phileas	18th May 2001 to 17th May 2011	0.45		1,000,000

No option pursuant to the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme had been granted to the Directors and no option granted to Directors had been exercised, cancelled or lapsed during the period. The option granted under the Pre-IPO Share Option Scheme may be exercised at any time for the period from 5th May 2001 to 4th May 2011 provided that the options have been vested. As at 30th September 2005, all options have been vested. Save as disclosed above, as at 30th September 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.

Other Information

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 30th September 2005, the Company had been notified of the following 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
Dalton Investments LLC	11,950,000	5.10

Note:

Mr. Poon Jing, his family interest and the companies wholly owned by him namely Teddington, Heston and Full Speed Investments Ltd. together hold 75,332,611 shares. The interest of Teddington and Heston duplicate the interest of Mr. Poon Jung disclosed under the heading "Director and Chief Executive's interests and short positions in shares, underlying shares and debentures".

Share option schemes

Company

Pursuant to the Share Option Scheme adopted on 11th November 2002, 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. There are no change in any terms of the Scheme during the six month ended 30th September 2005. The detail terms of the Option Scheme were disclosed in the 2005 annual report.

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

Grantee	Date of Grant	Outstanding as at 1st April 2005	Granted during the period	Exercised price (HK\$)	Exercised period	Outstanding as at 30th September 2005
Directors	12th February 2004	6,872,000	–	3.300	12th February 2004 to 11th February 2014	6,872,000
Employees	25th February 2005	5,400,000	–	2.895	25th February 2005 to 24th February 2015	5,400,000
Employees	8th April 2005	–	2,700,000	2.425	8th April 2005 to 7th April 2015	2,700,000 (notes 1 and 2)

Notes:

- 1 The closing price of the shares immediately before the date of grant of such option was HK\$2.4.
- 2 The value of the options and the parameters used in the pricing model has been disclosed in note 16 of the Interim Consolidated Accounts. However, the fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.
- 3 No option was cancelled, lapsed or exercised during the period.

Other Information

Purchase, sale or redemption of listed securities

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

Code on corporate governance practice

During the period, the Company has complied with the Code on Corporate Governance Practice as set out in Appendix 14 of the 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 (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.

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 Groups financial report process and internal controls.

The unaudited accounts of the Group for the six months ended 30th September 2005 have been reviewed by the Audit Committee.

On behalf of the Board
Fung Siu To, Clement
Chairman

Hong Kong, 20th December 2005.