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If you have sold or transferred all your shares in **ASIA ORIENT HOLDINGS LIMITED**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser(s) or the transferee(s).

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ASIA ORIENT HOLDINGS LIMITED

(滙漢控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 214)

MAJOR AND CONNECTED TRANSACTION

**DISPOSAL OF A 50% INTEREST IN PARAMOUNT SHINE LIMITED
TO GROSVENOR ASSET MANAGEMENT LIMITED
ENTERING INTO A JOINT VENTURE ARRANGEMENT
AND
FINANCIAL ASSISTANCE TO THE JOINT VENTURE**

Financial adviser

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

**Independent financial adviser to
the independent board committee and the independent shareholders of
Asia Orient Holdings Limited**



A notice convening a special general meeting of **ASIA ORIENT HOLDINGS LIMITED** to be held at Basement 2, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong, on Monday, 6th December, 2004 at 10:30 a.m. is set out on pages 83 to 84 of this circular. Whether or not you intend to attend and vote at the special general meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the principal office of the Company in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the special general meeting or any adjourned meeting should you so wish.

* For identification purposes only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	3
Sale and Purchase Agreement dated 18th October, 2004	4
Shareholders' Agreement in respect of Paramount Shine	5
Project management agreement	6
Reasons for, and benefits of, the disposal and joint venture	6
Basis on which GAML's participation in the joint venture has been negotiated	6
Information of GAML	7
Information on Asia Orient	7
Information on Asia Standard	7
SGM	7
Recommendation	8
Additional information	8
Letter from the Independent Board Committee	9
Letter from VC Capital	10
Appendix I — Financial information	18
Appendix II — Additional information on the Group	64
Appendix III — Property valuation report	68
Appendix IV — General information	74
Notice of SGM	83
Accompanying documents	
— Form of proxy	

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement dated 28th October, 2004 made by Asia Orient and Asia Standard
“Asia Orient” or “Company”	Asia Orient Holdings Limited, a company whose securities are listed on the Stock Exchange
“Asia Orient Group” or “Group”	Asia Orient and its subsidiaries
“Asia Standard”	Asia Standard International Group Limited, a company whose shares are listed on the Stock Exchange
“Asia Standard Development”	Asia Standard Development (Holdings) Limited, an indirect wholly-owned subsidiary of Asia Standard
“Asia Standard Group”	Asia Standard and its subsidiaries
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Director(s)”	the director(s) of the Company
“GAML”	Grosvenor Asset Management Limited, a subsidiary of Grosvenor Group Limited, an international property group based in the United Kingdom
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising Mr. Cheung Kwok Wah, Ken, Mr. Wong Chi Keung and Mr. Hung Yat Ming, each being independent non-executive Directors
“Independent Shareholder(s)”	Shareholder(s)
“Latest Practicable Date”	16th November, 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lot 1”	the site at the remaining portion of Lot No. 259 in Demarcation District No. 354 registered in the Tsuen Wan New Territories Land Registry, Yau Kom Tau, New Territories, Hong Kong

DEFINITIONS

“Lot 2”	the site at Lot No. 262 in Demarcation District No. 354 registered in the Tsuen Wan New Territories Land Registry, Yau Kom Tau, New Territories, Hong Kong
“Lucky New Investment”	Lucky New Investment Limited, an indirect wholly-owned subsidiary of Asia Standard, and holds the entire interests in the Site
“Paramount Shine”	Paramount Shine Limited, an indirect wholly-owned subsidiary of Asia Standard, and indirectly holds the entire interests of Lucky New Investment
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong and Macau
“Sale and Purchase Agreement”	the sale and purchase agreement dated 18th October, 2004 entered into by the Asia Standard, Asia Standard Development and GAML
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into by the Asia Standard, Asia Standard Development, GAML, Unity Asian Development Limited and Paramount Shine upon completion of the Sale and Purchase Agreement
“SGM”	the special general meeting of the Company to be convened for purpose of approving the Sale and Purchase Agreement and the Shareholders’ Agreement
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	the share(s) of the Company
“Site”	Lot 1 and Lot 2 together which has been acquired by the Asia Standard Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VC Capital”	VC Capital Limited, a deemed licensed corporation under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Viewell Investments”	Viewell Investments Limited, an indirect wholly-owned subsidiary of Asia Standard and indirectly holds 50% interests in Paramount Shine
“Vigers”	Vigers Appraisal & Consulting Limited
“£”	the lawful currency of the United Kingdom



ASIA ORIENT HOLDINGS LIMITED

(滙漢控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 214)

Directors:

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

Independent non-executive Directors:

Mr. Cheung Kwok Wah, Ken

Mr. Wong Chi Keung

Mr. Hung Yat Ming

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

19th November, 2004

To the Shareholders

Dear Sir or Madam,

**DISPOSAL OF A 50% INTEREST IN PARAMOUNT SHINE LIMITED
TO GROSVENOR ASSET MANAGEMENT LIMITED
ENTERING INTO A JOINT VENTURE ARRANGEMENT
AND
FINANCIAL ASSISTANCE TO THE JOINT VENTURE**

INTRODUCTION

On 28th October, 2004, the directors of Asia Orient and Asia Standard jointly announced that following the acquisition of the Site by the Asia Standard Group, it has been agreed that GAML will participate in the development of the property by acquiring a 50% interest in Paramount Shine which indirectly holds the Site.

** For identification purposes only*

LETTER FROM THE BOARD

SALE AND PURCHASE AGREEMENT DATED 18TH OCTOBER, 2004

Principal parties:

Asia Standard as warrantor of the representations and warranties given in respect of Viewell Investments and its subsidiaries and associated companies under the Sale and Purchase Agreement

Asia Standard Development, a wholly-owned subsidiary of Asia Standard, as the vendor for the sale of its entire interests in Viewell Investments

GAML as purchaser of the entire interests in Viewell Investments

Principal terms of the agreement:

Subject to satisfaction of certain conditions as mentioned below, Asia Standard Development has agreed to sell and GAML has agreed to acquire the entire issued share capital of Viewell Investments whose sole asset consists of indirect interests of 50% of the issued share capital of Paramount Shine for a nominal consideration and to acquire all the outstanding shareholder's loans advanced by the vendor to Viewell Investments as at completion. The remaining 50% interests of Paramount Shine is held by Asia Standard Development. The total amount to be paid by GAML for the acquisition of the shareholder's loans is expected to be approximately HK\$75 million in cash, being 50% of the agreed purchase price for the acquisition of the Site by the Asia Standard Group plus interest accrued at prime rate less the related bank loan plus expenses. On 4th November, 2004, GAML has paid an aggregate of refundable deposit of HK\$30 million to the Asia Standard Group. The Site measures approximately 73,969 square feet with a current plot ratio of 1.33. Asia Standard's wholly-owned subsidiary, Lucky New Investment, has paid the total purchase consideration of approximately HK\$261.0 million for the Site. The balance of the purchase consideration of the Site has been paid by shareholder's loans and bank loan of Paramount Shine and its subsidiaries in the approximately amount of HK\$131.0 million and HK\$130.0 million, respectively.

Please refer to appendix III for the property valuation, which has valued the Site at HK\$261.0 million.

Paramount Shine is currently a subsidiary of Asia Standard and will be equity accounted for as a jointly controlled entity upon completion of the Sale and Purchase Agreement. Paramount Shine was formed in 1997 for the purpose of property development.

Conditions of the agreement:

The agreement is conditional, amongst other things, upon:

- the completion of the acquisition of the Site by Lucky New Investment, an indirect wholly-owned subsidiary of Paramount Shine;

LETTER FROM THE BOARD

- the execution of the Shareholders' Agreement (see below) by Asia Standard, Asia Standard Development, GAML, Unity Asian Development Limited and Paramount Shine;
- the approval of independent shareholders of both Asia Orient and Asia Standard; and
- any other approvals which may be required under the Listing Rules.

The agreement is expected to be completed within three business days of the fulfillment of the conditions of the agreement.

SHAREHOLDERS' AGREEMENT IN RESPECT OF PARAMOUNT SHINE

Principal parties:

Asia Standard

Asia Standard Development

GAML

Unity Asian Development Limited, a company which holds 50% of the shares in Paramount Shine, which is presently wholly-owned by Viewell Investments

Paramount Shine, currently an indirect wholly-owned subsidiary of Asia Standard (which through its wholly-owned subsidiary, Lucky New Investment, has agreed to acquire the Site) and which will become a 50:50 owned joint venture company by the Asia Standard Group and GAML

Principal terms of the agreement:

Upon completion of the Sale and Purchase Agreement, the above parties will enter into a shareholders' agreement. Through their interests in Paramount Shine, the Asia Standard Group and GAML have agreed to jointly redevelop the Site as a residential property. The board of Paramount Shine shall consist of six directors, of whom each of the Asia Standard Group and GAML shall nominate three directors. Apart from the Site and deferred tax assets amounting to approximately HK\$7.9 million, resulting from a loss on a prior development and sale of a residential development, neither Paramount Shine nor any of its subsidiaries has any material assets. Each of the Asia Standard Group and GAML shall make proportional shareholder's loans to Paramount Shine for the redevelopment of the Site of approximately HK\$75 million each (as set out above under the paragraphs headed "Sale and Purchase Agreement dated 18th October, 2004"), and will act as guarantors to banking facilities in proportion to their shareholding interests. The directors of Asia Standard and GAML estimate that financial assistance in the form of banking facilities in the aggregate amount of approximately HK\$580 million will be guaranteed, on a several basis, by the Asia Standard Group and GAML, based on estimated construction costs, land premium and finance costs for the redevelopment of the Site, and the purchase price of the Site. The banking facilities have been approved for a period of 4.5 years and bearing interest at a rate of HIBOR plus 0.9% per annum. The redevelopment of the Site is expected to be completed in 2009.

LETTER FROM THE BOARD

Application will be made to the Hong Kong Government to increase the permitted plot ratio from its present 1.33. The current zoning of the Site allows for a maximum plot ratio of 2.1 times. Until this approval is obtained, it is not possible to estimate with any accuracy the total cost of the development.

PROJECT MANAGEMENT AGREEMENT

Upon the signing of the Shareholders' Agreement, Lucky New Investment, an indirect wholly-owned subsidiary of Paramount Shine which directly owns the Site, and Asia Standard Project Management Company Limited, an indirect wholly-owned subsidiary of Asia Standard, will enter into a project management agreement. The directors of Asia Standard estimate the annual management fees to be paid to Asia Standard Project Management Company Limited will not exceed HK\$660,000. Under rule 14A.33(3)(b) of the Listing Rules, the project management agreement, although a continuing connected transaction for Asia Standard, will be exempt from reporting, announcement and independent shareholders' approval requirements.

REASONS FOR, AND BENEFITS OF, THE DISPOSAL AND JOINT VENTURE

The transaction will provide an opportunity for the Asia Standard Group to undertake a further development project jointly with its strategic partner, GAML. By entering into a joint venture with GAML, the Asia Standard Group can benefit from the experience and reputation of the Grosvenor group as well as reduce its own financial commitment to the redevelopment of the Site. This follows the successful luxury apartment joint venture development with the Grosvenor group in Repulse Bay announced on 16th May, 2000 and completed earlier this year.

Although the Sale and Purchase Agreement and the Shareholders' Agreement are two transactions, the Shareholders' Agreement is in effect an integral part of the Sale and Purchase Agreement, as the execution of which is a condition of the Sale and Purchase Agreement.

Upon completion of the Sale and Purchase Agreement and the Shareholders' Agreement, Paramount Shine will be equity accounted for as a jointly controlled entity. The share of the expenses incurred by Paramount Shine and its subsidiaries will be reflected as share of results of jointly controlled entities in the consolidated profit and loss statement of the Asia Orient Group commencing from the financial period ending immediately after the completion of the agreements. The Site has been recorded at cost in the accounts of Paramount Shine and, similarly, the Asia Orient Group's share will be reflected as interests in jointly controlled entities in its consolidated balance sheet.

BASIS ON WHICH GAML'S PARTICIPATION IN THE JOINT VENTURE HAS BEEN NEGOTIATED

The basis on which GAML will acquire an indirect interest in the Site has been agreed as being 50% of the acquisition costs of the Site of HK\$261.0 million (together with related transaction costs) which the Asia Standard Group has agreed to acquire from the vendors of Lot 1 and Lot 2 by way of tenders. The vendors of Lot 1 who together own five-sixth of the interest in Lot 1 are certain individuals who are independent third parties and who are not connected persons of Asia Orient or Asia Standard, as defined by the Listing Rules. The remaining one-sixth

LETTER FROM THE BOARD

of the interest of Lot 1 is held by Master Venture Limited, which is a limited liability company incorporated under the laws of British Virgin Islands and an indirect wholly-owned subsidiary of Asia Standard. The vendors of Lot 2 are certain individuals who are independent third parties and who are not connected persons of Asia Orient or Asia Standard, as defined by the Listing Rules. The acquisition was completed on 6th November, 2004. As the Site was acquired by the Asia Standard Group by way of tenders, the cost of the participation of GAML has, therefore, been determined by a price arrived at on a completely arm's length basis.

INFORMATION OF GAML

GAML is a subsidiary of Grosvenor Group Limited, an international property group based in the United Kingdom, and is owned by trusts of the Grosvenor family. GAML is the principal investment holding company of Grosvenor Group Limited in Asia.

INFORMATION ON ASIA ORIENT

Asia Orient is an investment holding company. Its main activities are property investment, investment holding and property development. Through listed subsidiaries, Asia Standard and Asia Standard Hotel Group Limited, Asia Orient also is involved in hotel operation, travel agency and catering business.

INFORMATION ON ASIA STANDARD

Asia Standard is engaged in investment and development of commercial, retail and residential properties in Hong Kong and the PRC. Through its listed subsidiary, Asia Standard Hotel Group Limited, in which it holds a 70% shareholding interest, Asia Standard also indirectly owns and operates three hotels, of which two are in Hong Kong and one in Canada; a travel agency in Hong Kong; and two franchise restaurants in Hong Kong and Shanghai.

SGM

As GAML is a substantial shareholder of Asia Standard by virtue of its approximately 14.93% shareholding interest in Asia Standard, a subsidiary of the Company, the proposed disposal by Asia Standard of an indirect interest in Paramount Shine, the entering into and performance by the Asia Orient Group and GAML of the Shareholders' Agreement involving the redevelopment of the Site and the provision by the Asia Orient Group of shareholder's loans to and of guarantee to secure the banking facilities obtained by Paramount Shine and its subsidiaries constitute connected transactions of Asia Orient under the Listing Rules, and are therefore subject to the approval of the Independent Shareholders, on poll. No shareholders will be required to abstain from voting on the resolution regarding the acquisition to be considered at the SGM.

Under the Listing Rules, these proposed transactions also constitute a major transaction of Asia Orient, and are subject to the approval of Independent Shareholders. Asia Orient holds approximately 52.82% of the issued share capital of Asia Standard.

LETTER FROM THE BOARD

The SGM will be held at Basement 2, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong at 10:30 a.m. on Monday, 6th December, 2004. A notice convening the SGM is set out on pages 83 to 84 of this circular. An ordinary resolution will be proposed at the SGM for the Shareholders to approve the Sale and Purchase Agreement and the Shareholders' Agreement.

Enclosed is a form of proxy for use at the SGM. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the principal office of the Company in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

RECOMMENDATION

The Board considers that the Sale and Purchase Agreement and the Shareholders' Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the SGM to approve the transactions contemplated under the Sale and Purchase Agreement and the Shareholders' Agreement.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Asia Orient Holdings limited
Fung Siu To, Clement
Chairman



ASIA ORIENT HOLDINGS LIMITED

(滙漢控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 214)

19th November, 2004

To the Independent Shareholders

Dear Sir or Madam,

**DISPOSAL OF A 50% INTEREST IN PARAMOUNT SHINE LIMITED
TO GROSVENOR ASSET MANAGEMENT LIMITED
ENTERING INTO A JOINT VENTURE ARRANGEMENT
AND
FINANCIAL ASSISTANCE TO THE JOINT VENTURE**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Sale and Purchase Agreement and the Shareholders' Agreement, details of which are set out in the letter from the Board in a circular dated 19th November, 2004 to the Shareholders (the "Circular"), of which this letter forms a part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Your attention is drawn to the "Letter from VC Capital", concerning its advice to us regarding the fairness and reasonableness of the terms and conditions of the Sale and Purchase Agreement and Shareholders' Agreement as set out on pages 10 to 17 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 3 to 8 of the Circular and the additional information set out in the appendices to the Circular.

Having considered the advice and recommendation of VC Capital, we consider the terms and conditions of the Sale and Purchase Agreement and Shareholders' Agreement to be fair and reasonable so far as the Independent Shareholders are concerned and that the transactions are in the interest of the Company and its Shareholders. We, therefore, recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the transactions contemplated under the Sale and Purchase Agreement and the Shareholders' Agreement.

Yours faithfully

Asia Orient Holdings Limited

Cheung Kwok Wah, Ken Wong Chi Keung Hung Yat Ming

Independent Board Committee

** For identification purposes only*

LETTER FROM VC CAPITAL

The following is the text of a letter received from VC Capital in respect of the major and connected transaction prepared for the purpose of incorporation in this circular.



VC CAPITAL LIMITED A member of the Melco Group
滙盈融資有限公司 新濠集團成員

19th November, 2004

To the Independent Board Committee and the Independent Shareholders of
Asia Orient Holdings Limited
30th Floor
Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai, Hong Kong

Dear Sir or Madam,

**DISPOSAL OF A 50% INTEREST IN PARAMOUNT SHINE LIMITED
TO GROSVENOR ASSET MANAGEMENT LIMITED
ENTERING INTO A JOINT VENTURE ARRANGEMENT
AND
FINANCIAL ASSISTANCE TO THE JOINT VENTURE**

INTRODUCTION

We refer to our engagement by the Company as independent financial adviser to advise the Independent Board Committee in relation to the terms of the Sale and Purchase Agreement and the Shareholders' Agreement, details of which are set out in the circular dated 19th November 2004 issued by the Company to the Shareholders (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 28th October 2004, the Company and Asia Standard jointly announced that following the acquisition of the Site by Asia Standard Group, it has been agreed that GAML will participate in the development of the property by acquiring a 50% interest in Paramount Shine which indirectly holds the Site. As such, the Asia Standard Group and GAML entered into the Sale and Purchase Agreement on 28th October 2004 and will enter into the Shareholders' Agreement upon Independent Shareholder's approval at the SGM.

The transactions (the "Transactions") contemplated under the Sale and Purchase Agreement and the Shareholders' Agreement comprise, amongst other things, (i) the proposed disposal of a 50% equity interest in Paramount Shine by Asia Standard Development to GAML pursuant to the Sale and Purchase Agreement; (ii) the joint redevelopment of the Site by the Asia Standard Group

LETTER FROM VC CAPITAL

and GAML through Paramount Shine pursuant to the Shareholders' Agreement; and (iii) the provision by the Asia Standard Group and GAML of shareholders' loans to Paramount Shine on a pro-rata basis, and guarantees on a several basis to secure the banking facilities of Paramount Shine and/or its subsidiaries, for the purpose of redevelopment of the Site, pursuant to the Shareholders' Agreement.

Details of the Transactions are set out in the Circular. As the Company beneficially owns 52.82% of the total issued share capital of Asia Standard and GAML is a substantial shareholder of Asia Standard by virtue of its approximately 14.93% shareholding interest in Asia Standard, GAML is a connected person of the Company and hence the Transactions constitute connected transactions of the Company under the Chapter 14A of the Listing Rules. Pursuant to the requirements of Rule 14A.18 of the Listing Rules, the Transactions are subject to approval of the Independent Shareholders, by way of poll, at the SGM. No Shareholder is required to abstain from voting at the SGM. Pursuant to the Listing Rules, these proposed transactions also constitute major transactions of Asia Orient, and are subject to the approval of the Independent Shareholders.

Mr. Cheung Kwok Wah, Ken, Mr. Wong Chi Keung and Mr. Hung Yat Ming, all of them being independent non-executive Directors, have been appointed to the Independent Board Committee to consider the terms of the Sale and Purchase Agreement and the Shareholders' Agreement and give recommendation thereon to the Independent Shareholders.

Our role as the independent financial adviser to the Independent Board Committee is to give our opinion as to whether the terms of the Sale and Purchase Agreement and the Shareholders' Agreement are fair and reasonable so far as the interests of the Company and its Shareholders as a whole are concerned.

In formulating our recommendation, we have relied on the accuracy of the information and representations contained in the Circular, which have been provided by the executive Directors and which they consider to be true, complete, accurate and relevant. We have been advised by the executive Directors that no material facts have been omitted from the information supplied and representations expressed to us and we are not aware of any facts or circumstances which would render such information and representations untrue, inaccurate or misleading.

We have assumed that the information contained and representations made or referred to in the Circular were complete, true and accurate at the time they were made and continue to be so at the date of despatch of the Circular and also assumed that all intentions of the Company and the executive Directors will be met or carried out as the case may be.

We have also discussed with the executive Directors and the management of the Group with respect to the terms of the Sale and Purchase Agreement and the Shareholders' Agreement and consider that we have reviewed sufficient information to reach an informed view and have no reason to doubt the completeness, truth or accuracy of the information and facts provided and

LETTER FROM VC CAPITAL

representations made to us. We have not, however, conducted an independent in-depth investigation into the business and affairs or the future prospects of the Company, the Group, GAML and their respective associates nor have we carried out any independent verification on the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing whether the respective terms of the Sale and Purchase Agreement and the Shareholders' Agreement are fair and reasonable, we have considered the following principal factors and reasons:

1. Background of the Group

Asia Orient is an investment holding company and its subsidiaries are mainly engaged in property investment and property development. Asia Orient holds approximately 52.82% of the issued share capital of Asia Standard.

2. Principal terms of the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, Asia Standard Development agreed to sell and GAML agreed to acquire (i) the entire issued share capital of Viewell Investments for a nominal consideration and (ii) all outstanding shareholder's loans advanced by the vendor to Viewell Investments as at completion of the Sale and Purchase Agreement.

Completion of the Sale and Purchase Agreement is conditional upon certain conditions being satisfied, details of which are set out in the section headed "Letter from the Board" in the Circular, including the execution of the Shareholders' Agreement.

3. Assets to be disposed of

Viewell Investments

Viewell Investments was incorporated in British Virgin Islands on 11th June 1997 and is an indirect wholly-owned subsidiary of Asia Standard. As confirmed by the executive Directors, Viewell Investments is an investment holding company whose sole asset is its indirect interest of 50% interests in the issued share capital of Paramount Shine (which indirectly holds the Site), while its liabilities only comprise the shareholder's loans advanced from Asia Standard Development, which represent the proportional acquisition costs of the Site plus related expenses. The executive Directors currently estimate that such amount will amount to approximately HK\$75 million as at the completion of the Sale and Purchase Agreement. As confirmed by the executive Directors, save for the shareholder's loans and the related expenses incurred for the purpose of acquiring the Site, Viewell Investments has no other material liabilities.

The Site

The Site comprises Lot 1 and Lot 2. In September 2004, the respective vendors of Lot 1 and Lot 2 put them on sale by way of private tenders. On 30th September 2004, Lucky New Investment submitted tenders to the respective vendors to bid for Lot 1 for a consideration of HK\$235,589,472 and Lot 2 for a consideration of HK\$25,405,128. The bids for Lot 1 and Lot 2 were accepted by the respective vendors on 30th September 2004 and on 2nd October 2004, respectively. As such, the total purchase consideration for the Site was approximately HK\$261 million. Lucky New Investment satisfied the total consideration of approximately HK\$261 million as to approximately HK\$130 million by way of bank loan raised by Lucky New Investment and as to the remaining HK\$131 million by way of shareholder's loans advanced by Asia Standard Development. Of such shareholder's loans, 50% (i.e. HK\$65.5 million) was advanced through Viewell Investments.

Subsequent to the acceptance by the vendors of the Site, Lucky New Investment has paid to the respective vendors 10% of the total consideration under the tenders and the remaining 90% was fully paid to the respective vendors on 6th November, 2004. On 6th November, 2004, the acquisition of the Site was completed and Lucky New Investment became the sole beneficial owner of the Site.

4. Reasons for entering into of the Sale and Purchase Agreement

(a) Strategic relationship with GAML

GAML is a subsidiary of Grosvenor Group Limited ("Grosvenor", together with its subsidiaries "the Grosvenor Group"), an international property development and investment group with interests across four key operating regions, namely (1) Britain and Ireland, (2) the Americas, (3) Continental Europe and (4) the Australia Asia Pacific region, covering many sectors of the property industry such as offices, business parks, shopping centres and residential. The Grosvenor Group is owned by trusts for the members of the Grosvenor family and has a long history in real estate of over 300 years. The origins of its property business can be traced back to 1677 when the areas of London, now called Mayfair and Belgravia came into the ownership of the Grosvenor family. According to the annual report 2003 of Grosvenor Group Limited, it had property assets of over £2.4 billion, shareholders' funds of over £1.8 billion, and profit on ordinary activities after taxation of approximately £60 million for the year ended 31 December 2003.

The Group's strategic partnership with GAML has been established since August 1999 when GAML subscribed for a stake in Asia Standard and became a substantial shareholder (as defined in the Listing Rules) of Asia Standard. Since then, the Group and GAML have discussions from time to time on cooperation opportunities in property development business. We consider that the entering into of the Sale and Purchase Agreement is a logical move to enhance the strategic relationship between the Asia Standard Group and GAML in developing property development business.

LETTER FROM VC CAPITAL

(b) *Tapping on the Grosvenor Group's expertise through cooperation*

The first cooperation between the Group and the Grosvenor Group happened in 2000 when the Group acquired a site located in Repulse Bay from an independent third party in March 2000 and thereafter, together with the Grosvenor Group and another partner, an independent third party, jointly developed the site to luxury residential apartments (the "Repulse Bay Project"). Such project development was announced by Asia Standard on 16th May 2000, commenced in 2001 and successfully completed in September 2003. As stated in the annual report 2004 of Asia Standard, the building under the Repulse Bay Project, namely Grosvenor Place, is the first Asian residential development to have won the MIPIM award, which MIPIM in Cannes, France is the most important international property fair and MIPIM award is a very prestigious distinction in the property world. It was also stated that the whole building was sold in April 2004 with a total consideration of HK\$940 million. The executive Directors consider that the cooperation with the Grosvenor Group in the Repulse Bay Project was quite successful.

In light of the successful experience in cooperation with the Grosvenor Group in developing the Repulse Bay Project, the executive Directors believe that the participation of GAML in the joint redevelopment of the Site as a residential project would enable the Group to tap on the Grosvenor Group's expertise and experience in the property development business, in particular in international regime, which in the opinion of the executive Directors would bring in new idea and add values to the redevelopment of the Site.

(c) *Reduction in the Group's capital commitment*

As stated in the "Letter from the Board", application will be made to the Hong Kong Government to increase the permitted plot ratio of the Site from its present 1.33 times to a maximum of 2.1 times. Although the Asia Standard Group and GAML estimate that the financial assistance for the redevelopment of the Site, in form of the banking facilities granted to Paramount Shine and/its subsidiaries, amounts to HK\$580 million, the executive Directors consider that at present it is not possible to estimate, with any accuracy, the total cost of the development until the application for plot ratio is obtained. Notwithstanding this, the participation of the Grosvenor Group in the redevelopment of the Site would reduce the Group's capital commitment on a single project and at same time enhance the Group's financial flexibility by retaining its financial resources for other appropriate projects when identified. In addition, an amount in cash equal to the shareholder's loans to Viewell Investments, which is currently expected to be approximately HK\$75 million as at the completion of the Sale and Purchase Agreement, will be paid back by GAML to the Asia Standard Group upon completion of the Sale and Purchase Agreement, thus improving the working capital position of the Group.

In light of on the above, we concur with the executive Directors' view that the transaction contemplated under the Sale and Purchase Agreement will provide the Asia Standard Group with an opportunity to cooperate with its strategic partner, GAML, in the redevelopment of the Site in order to tap on the experience and reputation of the Grosvenor Group as well as to reduce its own financial commitment on the redevelopment of the Site. Thus, we consider the entering into of the Sale and Purchase Agreement in the interests of the Company and the Shareholders as a whole.

5. Basis of determining the consideration

Pursuant to the Sale and Purchase Agreement, the aggregate consideration comprises two parts, namely (i) the consideration for the entire issued share capital of Viewell Investments, which is two United States dollars (representing its total paid-up capital); and (ii) the consideration for the assignment (“Assignment”) of all outstanding shareholder’s loans advanced by Asia Standard Development to Viewell Investments as at the date of completion of the Sale and Purchase Agreement, which is at face value plus interest accrued (“Accrued Interests”) thereon from the respective dates of advance to the date the completion of the Sale and Purchase Agreement (both days inclusive).

According to the valuation made by Vigers, an independent valuer, the Site was valued at HK\$261 million as at 30th October 2004, which is equivalent to the aggregate acquisition cost paid by the Asia Standard Group.

After taking into account the valuation made by Vigers and having considered that (i) Viewell Investments is an investment holding company with nominal asset save for its indirect interest of 50% interests in the issued share capital of Paramount Shine; (ii) all shareholder’s loans of Viewell Investments were incurred for the purpose of acquiring the Site; and (iii) the sum of face value of the shareholder’s loans plus Accrued Interests fairly represent the proportional acquisition costs of the Site, we consider that the consideration is fairly and reasonably determined under the Sale and Purchase Agreement.

6. Shareholders’ Agreement in respect of Paramount Shine

Completion of the Sale and Purchase Agreement is conditional upon, among others, the execution of the Shareholders’ Agreement, which is subject to the Shareholders’ approval at SGM. The executive Directors currently expect that upon Shareholders’ approval, the Shareholders’ Agreement will be executed at the date of completion of the Sale and Purchase Agreement. Shareholders should note that under the terms of the Sale and Purchase Agreement and the Shareholders’ Agreement, the Shareholders’ Agreement is in effect an integral part of the Sale and Purchase Agreement. Therefore, Shareholders are advised to consider the terms of both of the Sale and Purchase Agreement and the Shareholders’ Agreement as a whole when evaluating the Transactions.

Currently, Paramount Shine is a wholly-owned subsidiary of Asia Standard. Upon completion of the Sale and Purchase Agreement and the Shareholder’s Agreement, Paramount Shine will become a joint venture company equally held by the Asia Standard Group and GAML for the purpose of jointly redevelopment of the Site as a residential property. Principal terms of the Shareholders’ Agreement are summarized as follows:

- The board of Paramount Shine will consist of six directors, of whom each of the Asia Standard Group and GAML shall nominate three directors
- Each of the Asia Standard Group and GAML shall make proportional shareholders’ loan to Paramount Shine and/or its subsidiaries for the redevelopment of the Site, and will act as guarantors to banking facilities in proportion to their shareholding interests in Paramount Shine on a several basis

LETTER FROM VC CAPITAL

As stated in the “Letter from the Board”, the directors of Asia Standard and GAML estimate that the financial assistance to Paramount Shine and/or its subsidiaries, in the form of banking facilities of HK\$580 million will be guaranteed by Asia Standard and GAML on a several basis. On such basis, the amount of bank loan to be guaranteed by the Asia Standard Group would be HK\$290 million, which represents approximately 14.5% of the Group’s audited consolidated net tangible assets of approximately HK\$1,997 million as at 31st March 2004 according to the Company’s annual report 2004.

As stated in the “Letter from the Board”, the banking facilities of HK\$580 million have been approved for a period of 4.5 years bearing interest at a rate of HIBOR plus 0.9% per annum. As advised by the executive Directors, of such banking facilities of HK\$580 million, HK\$130 million was used for financing part of the acquisition costs of the Site and the remaining balance is expected to be used for financing the land premium payable to the Hong Kong Government and the construction and development cost for the Site when the financing needs arise in future.

In respect of the above arrangements, we have discussed with the executive Directors and were advised that the purpose of entering into of the Sale and Purchase Agreement is to enable the Asia Standard Group and GAML to participate in the joint redevelopment of the Site on an equitable basis, while the entering into of the Shareholders’ Agreement and the proposed arrangements stipulated thereunder relating to the financial assistance can facilitate GAML’s participation in 50% interests in the redevelopment of the Site such that the risk and reward of the project will be equally shared between the Asia Standard Group and GAML. In light of the above, we consider that the terms of the Shareholders’ Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Currently, Paramount Shine is a wholly-owned subsidiary of Asia Standard. As stated in the “Letter from the Board”, upon completion of the Sale and Purchase Agreement and the Shareholders’ Agreement, Paramount Shine will be equity accounted for as a jointly controlled entity. The equity share of the expenses incurred by Paramount Shine and its subsidiaries will be reflected as share of results of jointly controlled entities in the consolidated profit and loss statement of the Asia Orient Group commencing from the financial period ending immediately after the completion of the agreements. The Site has been recorded at cost in the accounts of Paramount Shine and similarly the Asia Orient Group’s equity share will be reflected as interests in jointly controlled entities in its consolidated balance sheet.

RECOMMENDATION

Taking into account the above principal factors and reasons, in particular that

- (i) the Transactions would enable the Group to further cooperate with its strategic partner, GAML, in the joint redevelopment of the Site and, in the course of it, to benefit from GAML’s international reputation and experience;
- (ii) the Transactions would reduce the Group’s capital commitment on a single project and at same time enhance the Group’s financial flexibility by retaining its financial resources for other appropriate projects when identified;

LETTER FROM VC CAPITAL

- (iii) the Shareholders' Agreement and the proposed arrangements stipulated thereunder relating to the financial assistance can facilitate GAML's participation in 50% interests in the redevelopment of the Site such that the risk and reward of the project will be equally shared by the Asia Standard Group and GAML; and

- (iv) the consideration fairly represents the proportional acquisition cost of the Site paid by the Asia Standard Group,

we consider that the terms of the Sale and Purchase Agreement and the Shareholders' Agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote at the SGM in favour of the resolution being proposed to approve the transactions contemplated under the Sale and Purchase Agreement and the Shareholders' Agreement.

Yours faithfully,
For and on behalf of
VC Capital Limited
Keith Lou
Director
Corporate Finance

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated profit and loss accounts and condensed consolidated balance sheets of the Group for the three years ended 31st March, 2004 as extracted from the relevant annual reports of the Group.

	Year ended 31st March		
	2004	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Results			
Turnover	767,390	1,214,263	866,888
Cost of sales	<u>(582,988)</u>	<u>(957,740)</u>	<u>(645,087)</u>
Gross profit	184,402	256,523	221,801
Administrative expenses	(127,234)	(137,633)	(147,564)
Provisions and other charges	<u>(84,651)</u>	<u>(274,889)</u>	<u>(178,211)</u>
Operating loss	(27,483)	(155,999)	(103,974)
Finance costs	(117,843)	(139,139)	(117,336)
Share of profits less losses of			
Jointly controlled entities	(45,296)	(59,873)	(72,013)
Associated companies	<u>(111,486)</u>	<u>(150,170)</u>	<u>(95,790)</u>
Loss before taxation	(302,108)	(505,181)	(389,113)
Taxation credit	<u>908</u>	<u>746</u>	<u>(2,948)</u>
Loss after taxation	(301,200)	(504,435)	(392,061)
Minority interests	<u>72,955</u>	<u>130,781</u>	<u>238,011</u>
Loss attributable to shareholders	<u>(228,245)</u>	<u>(373,654)</u>	<u>(154,050)</u>
	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>
Assets and liabilities			
Total assets	7,716	7,914	9,179
Total liabilities	(3,381)	(3,493)	(3,829)
Minority interests	<u>(2,245)</u>	<u>(2,179)</u>	<u>(2,580)</u>
Shareholders' funds	<u>2,090</u>	<u>2,242</u>	<u>2,770</u>

Note:

The revised Statement of Standard Accounting Practice 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 for 2002 have not been restated since the Directors consider that this would involve undue delay and expense.

2. FINANCIAL RESULTS

Set out below are the audited consolidated financial statements of the Group for the year ended 31st March, 2004 as extracted from the Company's annual report.

Consolidated Profit and Loss Account

For the year ended 31st March 2004

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	2	767,390	1,214,263
Cost of sales		<u>(582,988)</u>	<u>(957,740)</u>
Gross profit		184,402	256,523
Administrative expenses		(127,234)	(137,633)
Provisions and other charges	3	<u>(84,651)</u>	<u>(274,889)</u>
Operating loss	4	(27,483)	(155,999)
Finance costs	5	(117,843)	(139,139)
Share of profits less losses of			
Jointly controlled entities		(45,296)	(59,873)
Associated companies		<u>(111,486)</u>	<u>(150,170)</u>
Loss before taxation		(302,108)	(505,181)
Taxation credit	8	<u>908</u>	<u>746</u>
Loss after taxation		(301,200)	(504,435)
Minority interests		<u>72,955</u>	<u>130,781</u>
Loss attributable to shareholders	9	<u>(228,245)</u>	<u>(373,654)</u>
Loss per share	11	<u>HK\$1.49</u>	<u>HK\$2.49</u>

Consolidated Balance Sheet

As at 31st March 2004

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fixed assets	12	4,643,036	4,423,865
Jointly controlled entities	14	263,382	276,572
Associated companies	15	456,294	660,443
Long term investment	16	1,601	1,601
Goodwill	17	30,887	37,300
Mortgage loans receivable	18	40,160	34,277
Deferred tax assets	29	62,517	48,383
Current assets			
Properties held for/under development for sale	19	1,029,149	992,134
Completed properties held for sale	19	608,082	729,515
Hotel and restaurant inventories		2,615	2,910
Debtors and prepayments	20	329,043	280,904
Other investments	21	91,933	155,931
Tax recoverable		321	827
Bank balances and cash	22	157,409	268,843
		<u>2,218,552</u>	<u>2,431,064</u>
Current liabilities			
Creditors and accruals	23	305,877	245,565
Short term bank loans and overdrafts			
Secured		158,150	195,274
Unsecured		31,941	30,002
Convertible notes	27	77,600	—
Current portion of long term loans	28	118,446	316,085
Taxation		9,452	10,301
		<u>701,466</u>	<u>797,227</u>
Net current assets		<u>1,517,086</u>	<u>1,633,837</u>
		<u>7,014,963</u>	<u>7,116,278</u>

Consolidated Balance Sheet (continued)

As at 31st March 2004

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Financed by:			
Share capital	24	17,349	14,983
Reserves	25	<u>2,073,074</u>	<u>2,226,780</u>
Shareholders' funds		2,090,423	2,241,763
Convertible bonds	26	290,000	290,000
Convertible notes	27	—	60,000
Long term loans	28	2,229,216	2,195,176
Deferred tax liabilities	29	53,401	38,728
Minority interests and loans	30	<u>2,351,923</u>	<u>2,290,611</u>
		<u>7,014,963</u>	<u>7,116,278</u>

Balance Sheet

As at 31st March 2004

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Subsidiaries	13	3,617,785	3,730,228
Deferred tax assets	29	196	291
Current assets			
Debtors and prepayments		583	1,159
Bank balances and cash		3	3
		586	1,162
Current liabilities			
Creditors and accruals		885	1,192
Convertible notes	27	31,600	—
		32,485	1,192
Net current liabilities		(31,899)	(30)
		<u>3,586,082</u>	<u>3,730,489</u>
Financed by:			
Share capital	24	17,349	14,983
Reserves	25	3,568,733	3,655,506
Shareholders' funds		3,586,082	3,670,489
Convertible notes	27	—	60,000
		<u>3,586,082</u>	<u>3,730,489</u>

Consolidated Cash Flow Statement

For the year ended 31st March 2004

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cash flows from operating activities			
Net cash generated from operations	34(a)	5,864	454,784
Net tax refunded/(paid)		433	(2,796)
Interest paid		<u>(124,649)</u>	<u>(149,810)</u>
Net cash (used in)/from operating activities		<u>(118,352)</u>	<u>302,178</u>
Cash flows from investing activities			
Interest received		38,103	29,240
Dividends received from associated companies		—	19
Dividends received from other investments		1,207	2,676
Proceeds on disposal of other investments		90,528	356,690
Purchase of other investments		(50,484)	(197,886)
Increase in advance to an investee company		—	(600)
Addition to fixed assets		(258)	(1,854)
Acquisition of subsidiaries	34(b)	—	(44,000)
Proceeds on disposal of interest in a listed subsidiary		6,570	—
Repurchased of own shares by a listed subsidiary		(867)	—
Proceeds on disposal of an associated company		2,000	—
Decrease/(increase) in advances to associated companies		90,754	(10,203)
Acquisition of associated companies		(4,000)	(139,500)
Acquisition of a jointly controlled entity		(11,631)	—
Decrease/(increase) in advances to jointly controlled entities		<u>17,608</u>	<u>(10,126)</u>
Net cash from/(used in) investing activities		<u>179,530</u>	<u>(15,544)</u>
Net cash generated before financing activities		<u>61,178</u>	<u>286,634</u>

Consolidated Cash Flow Statement (continued)

For the year ended 31st March 2004

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net cash generated before financing activities		61,178	286,634
		-----	-----
Cash flows from financing activities			
Decrease/(increase) in restricted bank balances		1,228	(25,560)
Drawdown of long term bank loans		295,600	178,300
Repayment of long term bank loans		(476,351)	(447,151)
Issue of convertible notes		46,000	60,000
Repayment of convertible notes		—	(60,000)
Decrease in short term bank loans		(9,452)	(101,200)
(Decrease)/increase in loans from minority shareholders of subsidiaries		(4,412)	174
		-----	-----
Net cash used in financing activities	34(c)	(147,387)	(395,437)
		-----	-----
Net decrease in cash and cash equivalents		(86,209)	(108,803)
Cash and cash equivalents at beginning of the year		111,152	219,733
Changes in exchange rates		(145)	222
		-----	-----
Cash and cash equivalents at end of the year		24,798	111,152
		=====	=====
Analysis of the balances of cash and cash equivalents			
Bank balances (excluding pledged deposits and balances held in trust)		92,291	204,378
Bank overdrafts		(67,493)	(93,226)
		-----	-----
		24,798	111,152
		=====	=====

Consolidated Statement of Changes in Equity

For the year ended 31st March 2004

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Balance at beginning of the year			
As previously reported		2,229,939	2,769,551
Change in accounting policy for deferred taxation	25	<u>11,824</u>	<u>10,195</u>
As restated		<u>2,241,763</u>	<u>2,779,746</u>
Exchange differences arising on translation of accounts of overseas subsidiaries, jointly controlled entities and associated companies	25	10,105	6,953
Revaluation deficit on investment properties			
Subsidiaries	25	—	(58,848)
Associated companies	25	—	(12,954)
Revaluation surplus/(deficit) on hotel properties, net of taxation	25	44,580	(94,081)
Revaluation deficit on other properties	25	—	(5,399)
Conversion of convertible notes	25	26,033	—
Disposal of interest in a listed subsidiary	25	<u>(6,179)</u>	<u>—</u>
Net gains/(losses) not recognised in the profit and loss account		<u>74,539</u>	<u>(164,329)</u>
Issue of share capital upon conversion of convertible notes	24	<u>2,366</u>	<u>—</u>
Loss for the year attributable to shareholders	25	<u>(228,245)</u>	<u>(373,654)</u>
Balance at end of the year		<u><u>2,090,423</u></u>	<u><u>2,241,763</u></u>

Notes to the Accounts

1 Principal accounting policies

(a) *Basis of preparation*

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

In the current year, the Group adopted the revised Statement of Standard Accounting Practice (“SSAP”) 12 “Income Taxes” issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group’s accounting policies and the effect of adopting this revised policy are set out below.

(b) *Basis of consolidation*

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

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

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

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

(c) *Subsidiaries*

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

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

(d) *Jointly controlled entities*

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

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

(e) *Associated companies*

An associated company is a company, not being a subsidiary 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.

(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.

(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.

(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.

(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.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Opening revenue reserves at 1st April 2003 and 2002 have been increased by HK\$12,724,000 and HK\$11,023,000 respectively and the opening hotel properties revaluation reserves at 1st April 2003 and 2002 have been reduced by HK\$900,000 and HK\$828,000 respectively, which represent the unprovided net deferred tax assets and liabilities respectively. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st March 2003 by HK\$48,383,000 and HK\$38,728,000 respectively. The loss for the year ended 31st March 2003 has been reduced by HK\$1,701,000.

(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.

(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.

2 **Turnover and segment information**

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

Primary reporting format — business segments

The Group is organised into four main business segments, comprising property sales, property leasing, hotel and travel and investments. There is no other significant identifiable separate business segment. Segment revenue from external customers is after elimination of inter-segment revenues. 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.

	Property sales 2004	Property leasing 2004	Hotel and travel 2004	Investments 2004	Other operations 2004	Group 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	<u>167,813</u>	<u>53,155</u>	<u>425,966</u>	<u>18,580</u>	<u>101,876</u>	<u>767,390</u>
Contribution to segment results	(3,132)	47,557	42,067	2,689	24,136	113,317
Provisions and other charges	(20,074)	34,990	(11,542)	(25,436)	(62,589)	(84,651)
Unallocated corporate expenses						<u>(56,149)</u>
Operating loss						(27,483)
Finance costs						(117,843)
Share of results of						
Jointly controlled entities	(3,189)	—	—	(42,107)	—	(45,296)
Associated companies	<u>(15,972)</u>	<u>12,977</u>	<u>(713)</u>	<u>(107,606)</u>	<u>(172)</u>	<u>(111,486)</u>
Loss before taxation						(302,108)
Taxation credit						<u>908</u>
Loss after taxation						(301,200)
Minority interests						<u>72,955</u>
Loss attributable to shareholders						<u>(228,245)</u>
	2003	2003	2003	2003	2003	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	<u>470,191</u>	<u>60,691</u>	<u>448,217</u>	<u>133,246</u>	<u>101,918</u>	<u>1,214,263</u>
Contribution to segment results	48,158	54,303	66,128	(25,214)	28,351	171,726
Provisions and other charges	(136,048)	(59,010)	(2,413)	(64,994)	(12,424)	(274,889)
Unallocated corporate expenses						<u>(52,836)</u>
Operating loss						(155,999)
Finance costs						(139,139)
Share of results of						
Jointly controlled entities	(33,031)	—	—	(26,842)	—	(59,873)
Associated companies	<u>(108,142)</u>	<u>(7,979)</u>	<u>(1,158)</u>	<u>(32,908)</u>	<u>17</u>	<u>(150,170)</u>
Loss before taxation						(505,181)
Taxation credit						<u>746</u>
Loss after taxation						(504,435)
Minority interests						<u>130,781</u>
Loss attributable to shareholders						<u>(373,654)</u>

	Property sales 2004	Property leasing 2004	Hotel and travel 2004	Investments 2004	Other operations 2004	Group 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	1,271,340	1,975,133	3,301,942	92,027	175,959	6,816,401
Jointly controlled entities and associated companies	372,959	188,052	—	147,759	10,906	719,676
Unallocated assets						<u>180,352</u>
						<u>7,716,429</u>
Segment liabilities	654,102	883,794	1,356,818	—	69,522	2,964,236
Minority interests and loans						2,351,923
Unallocated liabilities						<u>309,847</u>
						<u>5,626,006</u>
Capital expenditure	25	—	154	—	79	258
Depreciation	40	246	3,243	—	518	4,047
	2003	2003	2003	2003	2003	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	1,353,823	1,887,619	3,119,716	156,111	198,544	6,715,813
Jointly controlled entities and associated companies	463,521	169,859	11,842	291,629	164	937,015
Unallocated assets						<u>260,677</u>
						<u>7,913,505</u>
Segment liabilities	861,192	720,505	1,342,090	—	66,285	2,990,072
Minority interests and loans						2,290,611
Unallocated liabilities						<u>391,059</u>
						<u>5,671,742</u>
Capital expenditure	8	1,059	764	—	23	1,854
Depreciation	207	3,338	5,283	—	968	9,796

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 profit/(loss)	Total assets	Capital expenditure
	2004	2004	2004	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	685,621	(40,557)	6,964,852	237
Mainland China	22,594	(560)	320,920	21
Canada	<u>59,175</u>	<u>13,634</u>	<u>430,657</u>	<u>—</u>
	<u>767,390</u>	<u>(27,483)</u>	<u>7,716,429</u>	<u>258</u>
	2003	2003	2003	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,141,535	(159,106)	7,182,498	1,840
Mainland China	13,899	(13,192)	350,293	—
Canada	<u>58,829</u>	<u>16,299</u>	<u>380,714</u>	<u>14</u>
	<u>1,214,263</u>	<u>(155,999)</u>	<u>7,913,505</u>	<u>1,854</u>

3 Provisions and other charges

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net provision for diminution in value of		
Properties under development/held for sale	(20,074)	(136,048)
Other properties	—	(5,307)
Revaluation surplus/(deficit) on investment properties	34,990	(59,010)
Unrealised losses on other investments	(25,436)	(64,994)
Provision for doubtful debts	(51,400)	(5,117)
Loss on disposal of an associated company	(9,129)	—
Loss on disposal of interest in a listed subsidiary	(8,220)	—
Negative goodwill recognised	1,031	—
Amortisation of goodwill	<u>(6,413)</u>	<u>(4,413)</u>
	<u>(84,651)</u>	<u>(274,889)</u>

4 Operating loss

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>

Operating loss is stated after crediting and charging the following:

Crediting

Forfeited deposits	217	487
Net rental income (note (a))	46,039	52,405
Interest income		
Debt securities	226	5,875
Others	12,878	22,701
Dividends from listed investments	1,207	2,130
Net realised gains/(losses) on other investments	<u>1,482</u>	<u>(22,297)</u>

Charging

Operating lease rental expenses for land and buildings	6,235	6,187
Amortisation of goodwill	6,413	4,413
Staff costs, including Director's emoluments (note 7)	91,493	100,843
Depreciation	4,047	9,796
Auditors' remuneration	3,343	3,458
Loss on disposal of fixed assets	68	—
Net unrealised losses on other investments	<u>25,436</u>	<u>64,994</u>

(a) **Net rental income**

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>

Gross rental income		
Investment properties	34,295	39,012
Properties held for sale	<u>18,860</u>	<u>21,679</u>
	53,155	60,691
Outgoings	<u>(7,116)</u>	<u>(8,286)</u>
	<u>46,039</u>	<u>52,405</u>

5 Finance costs

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense		
Long term bank loans	66,623	90,613
Convertible bonds	30,999	30,914
Convertible notes	5,027	3,008
Loans from minority shareholders of subsidiaries	3,443	3,116
Short term bank loans and overdrafts	19,001	18,431
Other incidental borrowing costs	<u>7,551</u>	<u>7,375</u>
	132,644	153,457
Capitalised as cost of properties under development		
Interest expense	(13,671)	(13,443)
Other incidental borrowing costs	<u>(1,130)</u>	<u>(875)</u>
	<u>117,843</u>	<u>139,139</u>

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 5.5% (2003: 5.9%) per annum.

6 Directors' and senior management's emoluments

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

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees (i)	220	220
Salaries, housing allowances and benefits in kind (ii)	<u>23,660</u>	<u>25,176</u>
	<u>23,880</u>	<u>25,396</u>

- (i) Fees paid by the Company to Independent Non-executive Directors.
- (ii) Other emoluments paid to executive Directors include HK\$12,960,000 (2003: HK\$12,676,000) paid by subsidiaries of Asia Standard International Group Limited ("Asia Standard") and HK\$5,700,000 (2003: HK\$8,500,000) paid by subsidiaries of Asia Standard Hotel Group Limited ("Asia Standard Hotel"), both being the Company's listed subsidiaries.

The emoluments of individual Directors fell within the following bands:

Emoluments band	Number	
	2004	2003
HK\$nil — HK\$1,000,000	2	2
HK\$2,000,001 — HK\$2,500,000	2	2
HK\$3,000,001 — HK\$3,500,000	2	—
HK\$3,500,001 — HK\$4,000,000	—	1
HK\$4,000,001 — HK\$4,500,000	—	1
HK\$12,000,001 — HK\$12,500,000	1	—
HK\$12,500,001 — HK\$13,000,000	—	1
	—	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 (2003: five) Directors whose emoluments are already reflected in the analysis presented above.

7 Staff costs

	2004	2003
	HK\$'000	HK\$'000
Wages and salaries	89,969	100,352
Retirement benefits costs (note (a))	2,915	3,028
	92,884	103,380
Capitalised under properties under development	(1,391)	(2,537)
	91,493	100,843

Staff costs are stated inclusive of Directors' emoluments.

Notes:

(a) Retirement benefits costs

	2004	2003
	HK\$'000	HK\$'000
Gross contributions	3,069	3,407
Forfeitures utilised	(154)	(379)
Net contributions	2,915	3,028

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

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

The Group also participates in the MPF scheme, which 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% (2003: 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 2004, no forfeitures (2003: HK\$31,000) were available to reduce the Group’s future contributions to the ORSO schemes.

(b) **Share options**

The Company and Asia Standard, a listed subsidiary, operate share option schemes whereby options may be granted to employees of the Group, including the executive Directors, to subscribe for shares of the Company and Asia Standard respectively. The consideration to be paid on each grant of option varies between HK\$1 and HK\$10. The share option scheme of Asia Standard had expired on 22nd January 2002.

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

Grantee	Expiry date	Exercise price	2004 Number	2003 Number
<i>Company</i>				
Directors	13th February 2010	HK\$17.33	—	1,200,000
Directors	11th February 2014	HK\$ 3.3	6,872,000	—
Former Director of Asia Standard	21st January 2004	HK\$17.33	—	300,000
Employees	13th February 2010	HK\$17.33	—	<u>3,750,000</u>
			<u>6,872,000</u>	<u>5,250,000</u>
<i>Asia Standard</i>				
Director	27th March 2005	HK\$0.384	<u>1,750,000</u>	<u>1,750,000</u>

During the year, 6,872,000, 4,950,000 and 300,000 (2003: nil) share options to subscribe for shares of the Company were granted, cancelled and lapsed respectively. No share option was exercised during the year (2003: nil).

8 Taxation credit

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In the current year, the Hong Kong government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. 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.

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	(140)	(70)
Over/(under) provisions in prior years	915	(1,793)
Deferred taxation		
Relating to the origination and reversal of temporary differences	(117)	3,845
Resulting from an increase in tax rate	<u>2,168</u>	<u>—</u>
	2,826	1,982
Share of taxation attributable to		
Jointly controlled entities	(287)	—
Associated companies	<u>(1,631)</u>	<u>(1,236)</u>
	<u>908</u>	<u>746</u>

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

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	<u>302,108</u>	<u>505,181</u>
Calculated at a taxation rate of 17.5% (2003: 16%)	52,869	80,829
Over/(under) provisions in prior years	918	(1,793)
Effect of different taxation rates in other countries	844	393
Income not subject to taxation	15,188	7,878
Expenses not deductible for taxation purposes	(55,661)	(73,105)
Tax losses not recognised	(18,643)	(15,381)
Utilisation of previously unrecognised temporary differences	5,226	3,191
Recognition of previously unrecognised tax losses	1,775	450
Derecognition of deferred tax assets	(3,777)	—
Increase in opening net deferred tax assets resulting from		
an increase in tax rate	1,998	—
Others	<u>171</u>	<u>(1,716)</u>
Taxation credit	<u>908</u>	<u>746</u>

9 Loss attributable to shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$112,806,000 (2003: HK\$646,403,000).

10 Dividend

No dividend was declared or proposed for the year (2003: nil).

11 Loss per share

The calculation of loss per share is based on loss attributable to shareholders of HK\$228,245,000 (2003: HK\$373,654,000) and on the weighted average of 153,152,913 (2003: 149,826,429) shares in issue during the year.

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

12 Fixed assets

	Investment properties	Hotel properties	Other properties	Properties under development	Other fixed assets	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Group						
Cost or valuation						
At 31st March 2003	1,281,800	3,010,620	85,707	42,470	58,193	4,478,790
Translation differences	—	44,544	—	—	(16)	44,528
Reclassification	74,954	—	(74,954)	—	—	—
Additions	—	—	—	—	258	258
Disposals	—	—	—	—	(8,083)	(8,083)
Cost adjustment	—	854	—	(144)	—	710
Elimination against cost on revaluation	—	—	(246)	—	—	(246)
Surplus on revaluation	<u>66,246</u>	<u>111,532</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>177,778</u>
At 31st March 2004	<u>1,423,000</u>	<u>3,167,550</u>	<u>10,507</u>	<u>42,326</u>	<u>50,352</u>	<u>4,693,735</u>
Accumulated depreciation and impairment						
At 31st March 2003	—	—	1,995	—	52,930	54,925
Translation differences	—	—	—	—	(12)	(12)
Charge for the year	—	—	461	—	3,586	4,047
Disposals	—	—	—	—	(8,015)	(8,015)
Elimination against cost on revaluation	<u>—</u>	<u>—</u>	<u>(246)</u>	<u>—</u>	<u>—</u>	<u>(246)</u>
At 31st March 2004	<u>—</u>	<u>—</u>	<u>2,210</u>	<u>—</u>	<u>48,489</u>	<u>50,699</u>
Net book value						
At 31st March 2004	<u>1,423,000</u>	<u>3,167,550</u>	<u>8,297</u>	<u>42,326</u>	<u>1,863</u>	<u>4,643,036</u>
At 31st March 2003	<u>1,281,800</u>	<u>3,010,620</u>	<u>83,712</u>	<u>42,470</u>	<u>5,263</u>	<u>4,423,865</u>

- (a) Investment properties comprise long term leasehold land and buildings of HK\$1,423,000,000 (2003: HK\$1,281,800,000) in Hong Kong. They were revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 31st March 2004.
- (b) Hotel properties comprise long term leasehold land and buildings situated in Hong Kong of HK\$1,400,000,000 (2003: HK\$1,350,000,000), medium term leasehold land and buildings in Hong Kong of HK\$1,350,000,000 (2003: HK\$1,290,000,000) and freehold land and buildings situated in Canada of HK\$417,550,000 (2003: HK\$370,620,000). The hotel properties in Hong Kong and Canada were revalued by Knight Frank and Grant Thornton Management Consultants, independent professional valuers, on an open market value basis as at 31st March 2004 respectively.

- (c) In the current year, the gross floor area (“GFA”) for internal use of a long term lease hold property has decreased to less than 15% of that total GFA of the property. Therefore, the portion previously classified as other properties has been reclassified to investment properties. Also included in other properties are long term leasehold land and buildings of HK\$2,440,000 (2003: HK\$2,782,000) and medium term leasehold land and buildings of HK\$5,857,000 (2003: HK\$5,730,000), both of which are stated at cost less accumulated depreciation and impairment. All these properties are located in Hong Kong.
- (d) Properties under development comprise long term leasehold land and buildings of HK\$42,326,000 (2003: HK\$42,470,000) in Hong Kong and are stated at cost.
- (e) The aggregate net book value of fixed assets pledged as securities for loans amounts to HK\$4,638,733,000 (2003: HK\$4,418,602,000).

13 Subsidiaries

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	2,823,639	2,823,639
Amounts due by subsidiaries less provisions	<u>794,146</u>	<u>906,589</u>
	<u><u>3,617,785</u></u>	<u><u>3,730,228</u></u>

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

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

14 Jointly controlled entities

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net liabilities	(130,359)	(175,010)
Goodwill less amortisation and impairment	40,699	80,932
Advances to jointly controlled entities less provisions	357,464	375,072
Amount due to a jointly controlled entity	<u>(4,422)</u>	<u>(4,422)</u>
	<u><u>263,382</u></u>	<u><u>276,572</u></u>

The shares in certain jointly controlled entities are pledged to secure loan facilities granted to those entities. Advances to jointly controlled entities amounting to HK\$261,027,000 (2003: HK\$265,697,000) are subordinated to the repayment of the loans of those jointly controlled entities.

Advances are made to finance property development projects and 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.

15 Associated companies

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net liabilities	(92,071)	(70,082)
Goodwill less amortisation and impairment	88,237	82,166
Advances to associated companies less provisions	511,293	578,543
Deposit on acquisition of an associated company	—	121,000
Amounts due to associated companies	<u>(51,165)</u>	<u>(51,184)</u>
	<u>456,294</u>	<u>660,443</u>
Market value of listed shares	<u>42,021</u>	<u>12,006</u>

The shares in certain associated companies are pledged to secure the loan facilities granted to those companies.

Advances to associated companies amounting to HK\$345,700,000 (2003: HK\$416,796,000) are subordinated to the repayment of the loans of those companies.

Advances to associated companies are made mainly to finance property development projects. Except for an amount of HK\$8,565,000 (2003: HK\$125,000) due from an associated company which is interest bearing at prime rate, the remaining amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment.

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

16 Long term investment

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted share, at cost	1	1
Advance to an investee company	<u>1,600</u>	<u>1,600</u>
	<u>1,601</u>	<u>1,601</u>

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

17 Goodwill

	Group <i>HK\$'000</i>
Cost	
At 31st March 2003 and 2004	44,647 -----
Accumulated amortisation	
At 31st March 2003	7,347
Charge for the year	<u>6,413</u>
At 31st March 2004	<u>13,760</u> -----
Net book value	
At 31st March 2004	<u>30,887</u>
At 31st March 2003	<u>37,300</u>

18 Mortgage loans receivable

At 31st March 2004, mortgage loans receivable of HK\$14,518,000 (2003: HK\$16,438,000) in aggregate were pledged as security for the Group's long term loans.

19 Properties held for/under development for sale and completed properties held for sale

At 31st March 2004, properties amounting to HK\$1,416,374,000 (2003: HK\$1,478,614,000) 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 (2003: HK\$830,539,000) and properties held for deployment in operating leases were HK\$538,212,000 (2003: HK\$516,212,000).

20 Debtors and prepayments

Debtors and prepayments include trade debtors, utility and other deposits, stakeholders' accounts, interest and other receivables and a housing loan of HK\$1,088,000 (2003: HK\$1,156,000) granted to a Director, Mr. Kwan Po Lam, Phileas, in March 1995. The loan is secured by a legal mortgage over the subject property, carries interest at 2% below prime rate (2003: 2% below prime rate) per annum and the principal is repayable by quarterly instalments of HK\$17,000 each. The maximum outstanding balance during the year was HK\$1,156,000 (2003: HK\$1,224,000). In 2003, there was also a receivable from a Director, Mr. Poon Jing of HK\$4,605,000 which related to a guarantee provided by Mr. Poon in respect of the net profit before interest and taxation of a subsidiary acquired by the Group from him.

Trade debtors amounted to HK\$37,905,000 (2003: HK\$33,260,000), all of which (2003: 81%) were aged under six months. The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

21 Other investments

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities		
Listed in Hong Kong	78,418	139,239
Listed overseas	7,327	3,997
Unlisted	<u>1,688</u>	<u>8,195</u>
	87,433	151,431
Debt securities	<u>4,500</u>	<u>4,500</u>
	<u><u>91,933</u></u>	<u><u>155,931</u></u>

22 Bank balances and cash

The balances include restricted bank balances of HK\$32,625,000 (2003: HK\$33,853,000) which are pledged to banks to secure certain banking facilities of the Group or required to be utilised for specific purposes. In addition, bank balances of HK\$32,493,000 (2003: HK\$30,612,000) are held in trust in respect of buildings managed by the Group on behalf of third parties.

23 Creditors and accruals

Creditors and accruals include trade creditors, rental and management fee deposits, interest and other payables, retentions payable of construction costs and various accruals. Trade creditors amounted to HK\$26,012,000 (2003: HK\$30,812,000), all of which (2003: 100%) were aged under six months.

24 Share capital

	Number of shares	Amount
		<i>HK\$'000</i>
Shares of HK\$0.1 each		
Authorised:		
At 31st March 2002	15,000,000,000	75,000
Decrease due to share consolidation (<i>note (a)</i>)	<u>(14,250,000,000)</u>	<u>—</u>
	750,000,000	<u><u>75,000</u></u>

	Number of shares		Amount	
	2004	2003	2004 HK\$'000	2003 HK\$'000
Issued and fully paid:				
At beginning of the year	149,826,429	7,491,321,498	14,983	37,457
Decrease due to share consolidation (note (a))	—	(7,341,495,069)	—	(22,474)
Conversion of convertible notes (note (b))	<u>23,666,665</u>	<u>—</u>	<u>2,366</u>	<u>—</u>
At end of the year	<u>173,493,094</u>	<u>149,826,429</u>	<u>17,349</u>	<u>14,983</u>

Note:

Company:

- (a) By ordinary and special resolutions passed on 11th November 2002:
- (i) The Company's issued and unissued share capital of HK\$0.005 each were consolidated on the basis of 50 shares into 1 share of HK\$0.25 ("Consolidated Share");
 - (ii) The paid up capital and nominal value of all the issued Consolidated Shares were reduced from HK\$0.25 per issued Consolidated Share to HK\$0.10 per new share by the cancellation of HK\$0.15 paid up capital on each issued Consolidated Share;
 - (iii) The sum of HK\$22,474,000 arising from the capital reduction on the basis of 7,491,321,498 shares in issue, which were consolidated into 149,826,429 new shares, was credited to the contributed surplus account of the Company; and
 - (iv) Each of the 150,173,570 unissued Consolidated Shares was subdivided into 2.5 new shares; and the authorised share capital was restored from HK\$52,526,000 divided into 525,260,354 new shares to HK\$75,000,000 divided into 750,000,000 new shares by the creation of 224,739,646 new unissued shares.
- (b) During the year, holders of HK\$28,400,000 convertible notes of the Company exercised the conversion rights attaching to the notes by converting those notes into shares of the Company at HK\$1.20 per share.

Subsidiary:

During the year, Asia Standard repurchased 3,356,000 (2003: 42,000) of its own shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$866,780 (2003: HK\$10,394). All the shares repurchased were subsequently cancelled. An amount equal to the nominal value of those shares cancelled of HK\$33,560 (2003: HK\$420) was transferred from the revenue reserve to capital redemption reserve.

25 Reserves

	Revaluation reserve							Total
	Share premium	Capital reserve	Investment properties	Hotel properties	Other properties	Contributed surplus	Revenue reserve	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group								
At 31st March 2002								
As previously reported	1,391,348	485,917	61,803	170,547	15,398	980,201	(373,120)	2,732,094
Change in accounting policy for deferred taxation	—	—	—	(828)	—	—	11,023	10,195
As restated	1,391,348	485,917	61,803	169,719	15,398	980,201	(362,097)	2,742,289
Translation differences	—	—	—	335	—	—	6,618	6,953
Increase due to share consolidation (note 24 (a))	—	—	—	—	—	22,474	—	22,474
Reclassification	—	—	9,999	—	(9,999)	—	—	—
Deficit on revaluation								
Company and subsidiaries								
Gross	—	—	(117,858)	(94,010)	(5,399)	—	—	(217,267)
Taxation	—	—	—	(71)	—	—	—	(71)
Associated companies	—	—	(28,198)	—	—	—	—	(28,198)
Deficit on revaluation transfer to profit and loss account								
Company and subsidiaries	—	—	59,010	—	—	—	—	59,010
Associated companies	—	—	15,244	—	—	—	—	15,244
Loss for the year	—	—	—	—	—	—	(373,654)	(373,654)
At 31st March 2003	<u>1,391,348</u>	<u>485,917</u>	<u>—</u>	<u>75,973</u>	<u>—</u>	<u>1,002,675</u>	<u>(729,133)</u>	<u>2,226,780</u>
Company and subsidiaries	1,391,348	485,917	—	75,973	—	1,002,675	(254,095)	2,701,818
Jointly controlled entities	—	—	—	—	—	—	(178,461)	(178,461)
Associated companies	—	—	—	—	—	—	(296,577)	(296,577)
At 31st March 2003	<u>1,391,348</u>	<u>485,917</u>	<u>—</u>	<u>75,973</u>	<u>—</u>	<u>1,002,675</u>	<u>(729,133)</u>	<u>2,226,780</u>

	Revaluation reserve							Total
	Share premium	Capital reserve	Investment properties	Hotel properties	Other properties	Contributed surplus	Revenue reserve	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 31st March 2003								
As previously reported	1,391,348	485,917	—	76,873	—	1,002,675	(741,857)	2,214,956
Change in accounting policy for deferred taxation	—	—	—	(900)	—	—	12,724	11,824
As restated	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	<u>1,417,381</u>	<u>479,738</u>	<u>—</u>	<u>120,156</u>	<u>—</u>	<u>1,002,675</u>	<u>(946,876)</u>	<u>2,073,074</u>
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	<u>1,417,381</u>	<u>479,738</u>	<u>—</u>	<u>120,156</u>	<u>—</u>	<u>1,002,675</u>	<u>(946,876)</u>	<u>2,073,074</u>

At 31st March 2004, the capital reserve included goodwill of HK\$37,721,000 (2003: HK\$37,721,000) which arose from acquisitions prior to 31st March 2001.

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Company				
At 31st March 2002				
As previously reported	1,391,348	2,815,750	72,046	4,279,144
Change in accounting policy for deferred taxation	<u>—</u>	<u>—</u>	<u>291</u>	<u>291</u>
As restated	1,391,348	2,815,750	72,337	4,279,435
Increase due to share consolidation	—	22,474	—	22,474
Loss for the year	<u>—</u>	<u>—</u>	<u>(646,403)</u>	<u>(646,403)</u>
At 31st March 2003	<u>1,391,348</u>	<u>2,838,224</u>	<u>(574,066)</u>	<u>3,655,506</u>
At 31st March 2003				
As previously reported	1,391,348	2,838,224	(574,357)	3,655,215
Change in accounting policy for deferred taxation	<u>—</u>	<u>—</u>	<u>291</u>	<u>291</u>
As restated	1,391,348	2,838,224	(574,066)	3,655,506
Conversion of convertible notes	26,033	—	—	26,033
Loss for the year	<u>—</u>	<u>—</u>	<u>(112,806)</u>	<u>(112,806)</u>
At 31st March 2004	<u>1,417,381</u>	<u>2,838,224</u>	<u>(686,872)</u>	<u>3,568,733</u>

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is also distributable. Accordingly, total distributable reserves of the Company amount to HK\$2,151,352,000 (2003: HK\$2,264,158,000) as at 31st March 2004.

26 Convertible bonds

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

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

Provision of HK\$23,700,000 (2003: HK\$13,057,000) for the premium payable has been made in the accounts so as to provide a constant periodic rate of charge to the profit and loss account over the term of the bonds.

27 Convertible notes

On 16th January 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\$28,400,000 (2003: nil) of these convertible notes were converted into fully paid share of the Company at HK\$1.20 per share, with HK\$31,600,000 (2003: HK\$60,000,000) of these convertible notes remain outstanding at 31st March 2004.

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

28 Long term loans

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans, secured		
Repayable within one year	118,446	316,085
Repayable between one and two years	145,220	509,317
Repayable between two and five years	751,362	660,233
Repayable after five years	<u>1,332,634</u>	<u>1,025,626</u>
	2,347,662	2,511,261
Current portion included in current liabilities	<u>(118,446)</u>	<u>(316,085)</u>
	<u>2,229,216</u>	<u>2,195,176</u>

Subsequent to the year end, the Group refinanced bank loans outstanding at 31st March 2004 of approximately HK\$1,469 million (2003: HK\$118 million). The terms of repayment at 31st March 2004 in respect of these bank loans have been reclassified according to the new loan agreements. As a result, the amount of liabilities which has been excluded from current liabilities amounts to approximately HK\$65 million (2003: HK\$115 million).

29 Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 16%).

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	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	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	(87,404)	(76,387)	(2,218)	(2,041)	(878)	(1,177)	(46,195)	(57,343)	(136,695)	(136,948)
(Charged)/credited to profit and loss account	(15,671)	(10,617)	—	—	229	299	(5,162)	11,148	(20,604)	830
Charged to equity	—	—	(509)	(177)	—	—	—	—	(509)	(177)
Exchange differences	(2,543)	(400)	(266)	—	—	—	—	—	(2,809)	(400)
At end of the year	<u>(105,618)</u>	<u>(87,404)</u>	<u>(2,993)</u>	<u>(2,218)</u>	<u>(649)</u>	<u>(878)</u>	<u>(51,357)</u>	<u>(46,195)</u>	<u>(160,617)</u>	<u>(136,695)</u>

Deferred tax assets

	Accelerated accounting depreciation		Provisions		Tax losses		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	290	83	310	310	145,750	142,542	146,350	142,935
Credited to profit and loss account	138	207	310	—	22,207	2,808	22,655	3,015
Exchange differences	—	—	—	—	728	400	728	400
At end of the year	<u>428</u>	<u>290</u>	<u>620</u>	<u>310</u>	<u>168,685</u>	<u>145,750</u>	<u>169,733</u>	<u>146,350</u>

Company*Deferred tax assets*

	Tax losses	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	291	291
Charged to profit and loss account	<u>(95)</u>	<u>—</u>
At end of the year	<u>196</u>	<u>291</u>

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\$434 million (2003: HK\$346 million) to carry forward against future taxable income. These tax losses of HK\$364 million (2003: HK\$294 million) have no expiry date and the balance will expire at various dates up to and including 2011 (2003: 2010).

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	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax assets	62,517	48,383	196	291
Deferred tax liabilities	<u>(53,401)</u>	<u>(38,728)</u>	<u>—</u>	<u>—</u>
	<u>9,116</u>	<u>9,655</u>	<u>196</u>	<u>291</u>

30 Minority interests and loans

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Minority interests	2,245,000	2,179,276
Loans from minority shareholders of subsidiaries, unsecured	<u>106,923</u>	<u>111,335</u>
	<u>2,351,923</u>	<u>2,290,611</u>

Loans from minority shareholders are to finance property projects of subsidiaries and have no specific terms of repayment. Loans of HK\$86,570,000 (2003: HK\$83,482,000) bear interest at 1.5% (2003: 1.5%) above prime rate and the remaining balance is interest free.

31 Capital commitments

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracted but not provided for	—	19,207	—	—
Authorised but not contracted for	—	—	—	—
	<u>—</u>	<u>19,207</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>19,207</u>	<u>—</u>	<u>—</u>

32 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 2004, the future aggregate minimum rental receipts receivable under non-cancellable operating leases were as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
In respect of land and buildings		
Within one year	56,795	56,807
In the second to fifth year inclusive	59,968	48,621
After the fifth year	<u>7,915</u>	<u>10,031</u>
	<u>124,678</u>	<u>115,459</u>

(b) Lessee

At 31st March 2004, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
In respect of land and buildings		
Within one year	3,110	6,386
In the second to fifth year inclusive	6,898	8,746
After the fifth year	<u>—</u>	<u>864</u>
	<u>10,008</u>	<u>15,996</u>

Subsequent to the year end, a subsidiary has renewed a lease agreement. As a result, the future aggregate minimum lease payments payable within one year and in the second to fifth years inclusive should increase by HK\$2,082,000 and HK\$5,814,000 respectively.

33 Contingent liabilities

(a) Guarantee

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees for the banking and loan facilities of:				
Subsidiaries	—	—	135,150	102,360
Jointly controlled entities	146,693	211,027	—	—
Associated companies	97,068	269,080	—	—
Third parties	<u>1,785</u>	<u>1,886</u>	<u>—</u>	<u>—</u>
	<u>245,546</u>	<u>481,993</u>	<u>135,150</u>	<u>102,360</u>

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

34 Notes to consolidated cash flow statement

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

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	(302,108)	(505,181)
Share of profits less losses of		
Jointly controlled entities	45,296	59,873
Associated companies	111,486	150,170
Depreciation	4,047	9,796
Amortisation of goodwill	6,413	4,413
Loss on disposal of fixed assets	68	—
Loss on disposal of an associated company	9,129	—
Loss on disposal of interest in a listed subsidiary	8,220	—
Net realised and unrealised losses on other investments	23,954	87,291
Net provision for diminution in value of		
Properties under development/held for sale	20,074	136,048
Other properties	—	5,307
Revaluation (surplus)/deficit on investment properties	(34,990)	59,010
Dividends from other investments	(1,207)	(2,676)
Negative goodwill recognised	(1,031)	—
Interest income	(13,104)	(28,576)
Interest expense	<u>111,422</u>	<u>132,639</u>
Operating (loss)/profit before working capital changes	(12,331)	108,114
(Increase)/decrease in mortgage loans receivable	(12,839)	13,209
Decrease in properties held for/under development for sale (excluding interest expense capitalised)	111,089	247,751
Decrease in hotel and restaurant inventories	295	791
(Increase)/decrease in debtors and prepayments	(110,572)	101,667
Increase/(decrease) in creditors and accruals	<u>30,222</u>	<u>(16,748)</u>
Net cash generated from operations	<u><u>5,864</u></u>	<u><u>454,784</u></u>

(b) *Acquisition of subsidiaries*

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired		
Investment in associated companies	—	29,926
Creditors and accruals	—	(5,930)
	<u> </u>	<u> </u>
	—	23,996
Goodwill	—	20,004
	<u> </u>	<u> </u>
Consideration satisfied by cash	—	44,000
	<u> </u>	<u> </u>

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

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash consideration paid	—	44,000
	<u> </u>	<u> </u>

(c) *Analysis of changes in financing*

	Share capital (including premium)	Long term loans	Short term bank loans	Convertible bonds	Convertible notes	Minority interests and loans	Restricted bank balances	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March 2002	1,428,805	2,767,478	233,250	290,000	60,000	2,685,717	(8,293)	7,456,957
Minority interests' share of revaluation reserve	—	—	—	—	—	(272,108)	—	(272,108)
Minority interests' share of loss and exchange reserve of subsidiaries	—	—	—	—	—	(123,172)	—	(123,172)
Decrease due to the share consolidation	(22,474)	—	—	—	—	—	—	(22,474)
Exchange differences	—	12,634	—	—	—	—	—	12,634
Net cash from/(used in) financing activities	—	(268,851)	(101,200)	—	—	174	(25,560)	(395,437)
At 31st March 2003	1,406,331	2,511,261	132,050	290,000	60,000	2,290,611	(33,853)	6,656,400
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)
Net decrease of interest in a listed subsidiary	—	—	—	—	—	19,071	—	19,071
Exchange differences	—	17,152	—	—	—	—	—	17,152
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	2,347,662	122,598	290,000	77,600	2,351,923	(32,625)	6,591,888

35 Subsequent event

Certain purchasers of a property developed by a subsidiary of the Group had taken legal action in prior years against the subsidiary for the delay of completion of the property. They have sought to rescind the sale and purchase transactions which occurred in 1997 and 1998 in the total consideration of HK\$53.8 million and claimed damages. On the other hand, the subsidiary had issued a writ to 11 of those purchasers to counter claim damages on grounds that they had acted jointly to disrupt the construction progress of the development. Judgement was given on 30th June 2004 in favour of the purchasers and additional provision attributed to the Group of HK\$16 million has been made as a result of the judgement.

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.)

Name	Issued and fully paid ordinary share capital except otherwise stated	Principal activity	Percentage of equity held by the Group %
<i>Incorporated in Bermuda</i>			
Asia Standard Hotel Group Limited	HK\$101,042,000	Investment holding	40.2
Asia Standard International Group Limited	HK\$41,093,000	Investment holding	52.8
<i>Incorporated in the British Virgin Islands</i>			
Asia Orient Holdings (BVI) Limited *	US\$100	Investment holding	100
Bondax Holdings Limited	US\$1	Investment holding	52.8
Enrich Enterprises Ltd #	US\$1	Hotel holding	40.2
Finnex Limited	US\$1	Securities investment	100
Global Gateway Corp. #	US\$1	Hotel operation	40.2
Glory Venture Enterprises Inc. #	US\$1	Hotel holding	40.2
Goldrite Investments Limited	US\$1	Investment holding	52.8
Greatime Limited	US\$1	Securities investment	40.2
Impetus Holdings Limited	US\$1	Investment holding	100
Innovision Gateway Limited	US\$1	Investment holding	100
Jetcom Capital Limited	US\$1	Investment holding	100
Master Venture Limited	US\$1	Property development	52.8
Mega Fusion Limited	US\$1	Investment holding	100
New Day Holdings Ltd.	US\$1	Investment holding	100
Persian Limited	US\$49,050	Investment holding	100
Sunrich Holdings Limited	US\$1	Securities investment	100
Superise Limited	US\$1	Research and development of healthcare food and beverage	100
Telemail Group Inc.	US\$1	Investment holding	100
United Resources Associates Limited	US\$6	Investment holding	83.3
<i>Incorporated in the Cayman Islands</i>			
Asia Standard International Capital Limited	US\$2	Financing services	52.8
<i>Incorporated in Hong Kong</i>			
Asia Orient Company Limited	US\$26,964,837	Investment holding	100
Good Year Engineering Services Limited	HK\$2	Engineering and maintenance services	100
Hitako Limited	HK\$20	Investment holding	100

Name	Issued and fully paid ordinary share capital except otherwise stated	Principal activity	Percentage of equity held by the Group %
Ocean Hand Investments Limited	HK\$2	Investment holding	100
Pan Bright Investment Limited	HK\$20	Investment holding	100
Pan Harbour Investment Limited	HK\$2	Investment holding	100
Pan Inn Investment Limited	HK\$20	Investment holding	100
Pan Kite Investment Limited	HK\$20	Investment holding	100
Pan Pearl Investment Limited	HK\$20	Investment holding	100
Pan Spring Investment Limited	HK\$20	Investment holding	100
Prosperity Land Cleaning Service Limited	HK\$100 and non-voting deferred share capital of HK\$100	Cleaning services	100
Prosperity Land Estate Management Limited	HK\$150 and non-voting deferred share capital of HK\$1,500,000	Property management	100
Union Home Development Limited	HK\$2	Investment holding	100
Asia Standard (Beijing) Company Limited	HK\$2	Investment holding	52.8
Asia Standard Development (Holdings) Limited	HK\$10 and non-voting deferred share capital of HK\$362,892,949	Investment holding	52.8
Asia Standard Development (Real Estate Agencies) Limited	HK\$2	Real estate agency services	52.8
Asia Standard Finance Company Limited	HK\$1,000,000	Financing services	52.8
Asia Standard International Limited	HK\$1,214,916,441	Investment holding	52.8
Asia Standard Management Services Limited	HK\$2	Management services	52.8
Asia Standard Project Management Company Limited	HK\$2	Project management	52.8
Barinet Company Limited	HK\$1,000	Property development	52.8
Crystal Rich Limited	HK\$2	Property development	52.8
Free Ocean Investments Limited	HK\$2	Property development	52.8
Full Union Development Limited	HK\$2	Property development	52.8
Get Rich Enterprises Limited	HK\$2	Property development	42.3
Glory Ocean Limited	HK\$2	Property development	52.8
Goodview Express Holdings Limited	HK\$2	Property trading	52.8
Grace Profit Enterprises Limited	HK\$2	Investment holding	40.2
Hoi Chak Properties Limited	HK\$10 and non-voting deferred share capital of HK\$2	Property investment	52.8
Honest Engineering Limited	HK\$100	Construction	42.3
Hugetop Holdings Limited	HK\$2	Property development	52.8
JBC Travel Company Limited	HK\$2,500,000	Travel agency	40.2
Kelpoint Limited	HK\$2	Property development	52.8
Mark Honour Limited	HK\$10	Property development	47.5

Name	Issued and fully paid ordinary share capital except otherwise stated	Principal activity	Percentage of equity held by the Group %
Master Asia Enterprises Limited	HK\$10,000	Property development	52.8
Mega Royal Limited	HK\$2	Property development	52.8
Morning Gay Investments Limited	HK\$100	Property development	52.8
Ocean Victory Investment Limited	HK\$2	Property trading	52.8
Paramount Shine Limited	HK\$2	Property development	52.8
Perfect Wave Limited	HK\$2	Restaurant operation	40.2
Rich Kinghood Limited	HK\$2	Property development	52.8
Stone Pole Limited	HK\$10	Hotel holding	40.2
Tilpifa Company Limited	HK\$10 and non-voting deferred share capital of HK\$10,000	Property investment	52.8
Trade Hope Limited	HK\$2	Property development	52.8
Union Rich Resources Limited	HK\$2	Property development	42.3
Vinstar Development Limited	HK\$2	Hotel holding	40.2
Waliway Limited	HK\$100	Property holding	52.8
Way Link Holdings Limited	HK\$2	Property trading	47.5
Winfast Engineering Limited	HK\$2	Construction	52.8
<i>Incorporated in Liberia</i>			
Bassindale Limited	US\$500	Investment holding	100

* Direct subsidiary of the Company

Operates in Canada

Jointly controlled entities

(Unless indicated otherwise, they are all incorporated and operated in Hong Kong.)

Name	Principal activity	Group equity interest %
Auburntown Limited	Property development	15.8
Bai Hui Real Estate Company Limited	Investment holding	12.4
Capital Pacific Development Limited	Investment holding	26.4
China INFOBANK Limited	Internet content provider	40.0
Cultural Palace Entertainment Company Limited # (incorporated in the People's Republic of China ("PRC"))	Leasing of an entertainment complex	25.0
Express Wind Limited	Investment holding	25.0
Fresh Outlook Property Limited (incorporated in the British Virgin Islands)	Investment holding	50.0
Goldmax International Limited (incorporated in the British Virgin Islands)	Investment holding	26.5
Ocean Champion Development Limited	Property development	26.4
Sheenity Enterprises Limited	Property development	26.4
Weststar Enterprises Limited	Property development	26.5
Wideway Limited	Financing services	26.4
北京康標科技有限公司 ## (incorporated in the PRC)	Investment and distribution of medical equipment	34.5

Cooperative Joint Venture operates in the PRC

Wholly-owned Foreign Enterprise operates in the PRC

Associated companies

(Unless indicated otherwise, they are all incorporated and operated in Hong Kong.)

Name	Principal activity	Group equity interest %
Allwin Assets Limited (incorporated in the British Virgin Islands)	Investment holding	10.6
Bai Hui Group Company Limited	Investment management	18.5
Excel Billion Holdings Limited	Property development	26.4
Gallop Worldwide Limited (incorporated in the British Virgin Islands)	Investment holding	26.4
Home Kent Enterprise Limited	Property development	26.4
Ocean Strong Industrial Limited	Property development	26.4
Perfect Pearl Company Limited	Property investment	17.4
Sheen Finance Limited	Financing services	26.4
Super Location Limited	Property development	26.4
Q9 Technology Holdings Limited (incorporated in the Cayman Islands)	Investment holding	32.0
Vitasalin Asia Limited	Distribution of health care and beauty products	17.5
美聲節能科技(珠海)有限公司 # (incorporated in the PRC)	Distribution of energy saving devices	20.0
漁陽房地開發(深圳)有限公司 # (incorporated in the PRC)	Property development	13.9

Wholly-owned Foreign Enterprise operates in the PRC

37 Approval of accounts

The accounts were approved by the Board of Directors on 19th July 2004.

1. INDEBTEDNESS

Below is an unaudited statement of indebtedness of Asia Orient Holdings Limited (“Asia Orient”) as at 30th September, 2004.

As at the close of business on 30th September, 2004, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$3,032.6 million, comprising bank loans and overdraft of approximately HK\$2,592.5 million (in which secured bank loans are of approximately HK\$2,557.5 million and unsecured bank overdrafts and bank loans are of approximately HK\$8.1 million and HK\$26.9 million respectively), convertible notes and bonds of approximately HK\$331.2 million (in which HK\$29.6 million is issued by Asia Orient due on 16th January, 2005, HK\$290 million is issued by Asia Standard International Capital Limited due on 7th January, 2007 and HK\$11.6 million is issued by Asia Standard Hotel Group Limited due on 14th October, 2004), loans from minority shareholders of subsidiaries of approximately HK\$108.5 million and the obligations under a finance lease of a total of approximately HK\$0.4 million.

The Group’s current banking facilities are secured by legal charges on certain investment and hotel properties, properties held for/under development for sale and completed properties held for sale with an aggregate book value of approximately HK\$6,220.7 million, certain marketable shares quoted on the Stock Exchange with an aggregate market value of approximately HK\$905.5 million and bank deposit of approximately HK\$4.0 million.

As at the close of business on 30th September, 2004, the Group had provided corporate guarantees in respect of banking facilities to third parties, associated companies and jointly controlled entities of the Group, amounting to approximately HK\$138.2 million.

Save as aforesaid, the Group did not have, at the close of business on 30th September, 2004, any outstanding mortgages, charges, debentures, other loan capital, bank overdrafts, loans or other similar indebtedness, or any finance leases or hire purchase commitments, or any guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 30th September, 2004.

Saves as disclosed herein, the Directors have confirmed that there has been no material change in the indebtedness or contingent liabilities of the Group since 30th September, 2004.

2. WORKING CAPITAL

The Directors are of the opinion that, based on the internal generated funds and available banking facilities, the Group will have sufficient working capital for its present requirements.

3. MATERIAL CHANGE

The Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position or prospect of the Group since 31st March, 2004, the date to which the latest published audited financial statements of the Group were made up.

4. MANAGEMENT DISCUSSION AND ANALYSIS

Results

Turnover for the year ended 31st March, 2004 amounted to HK\$767 million, representing a decrease of 37% from in the previous year. Loss attributable to shareholders has reduced to HK\$228 million, compared with HK\$374 million in the previous year.

Review of operations

Property sales and leasing

The Group's shareholding in Asia Standard decreased slightly by 0.6% to 52.8% as at 31st March 2004. Although affected by the SARS outbreak, Asia Standard recorded a loss attributable to shareholders of HK\$142 million, much improved from last year's loss of HK\$277 million.

Asia Standard sold a total of 178,000 sq.ft. of properties against 150,200 sq.ft. in 2003. Property market showed a strong recovery during the second half of the 2004 financial year. Major sales were from the 50% owned luxury apartment No. 8 Shiu Fai Terrace and another 50% owned residential development Bijou Apartments. Total revenue from these two projects amount to HK\$700 million and HK\$213 million respectively. Despite that, turnover on property sales dropped to HK\$168 million compared with HK\$470 million last year, as the turnover of these associated companies projects were excluded from the consolidated financial statement by accounting conventions. Inventory properties were also disposed of, including the remaining units of Oakridge in Shaukeiwan, and Royalton II in Pokfulam. Another 50.1% owned joint venture luxury development, Grosvenor Place in Repulse Bay was sold in April 2004 for HK\$940 million. The attributable profit of approximately HK\$90 million will be accounted for in the coming financial year. Rental income attributable to Asia Standard decreased by 10% compared with last year to HK\$65 million, mainly due to the declining rental market during the 2004 financial year. Occupancies remained high at an average of 86%. We believe the situation will improve upon renewal of these tenancies given the recovering market conditions.

With improving market sentiment, the Group has concluded land premium negotiations for two residential development sites totalling approximately 233,000 sq.ft. gross floor area in Ping Shan and Yau Tong. Construction work will commence shortly and we expect pre-sale to commence towards the end of the current financial year.

The Group is still pursuing the lease modifications and land premium negotiations for three other development sites totalling approximately 760,000 sq.ft. gross floor area and is also actively negotiating the acquisition of some residential development sites to replenish its land bank.

Hotel

Our hotel operations have experienced the worst operating environment since its commencement in 1994. Following the SARS outbreak at the beginning of the 2004 financial year, occupancy dropped drastically to a historic low and by the end of the interim period, turnover had fallen by 26% with a loss of HK\$19 million compared with HK\$9 million profit of the corresponding period the previous year.

With the SARS behind us and the much effort spent by the government including the signing of CEPA and the support of Mainland China in their Individual Visit Scheme, both leisure and business visitors are returning to Hong Kong. Occupancies of the two hotels in Hong Kong increased from 41% and 51% in the first half of the financial year to 84% and 88% in the second half. The business of Empire Landmark in Vancouver also declined but effect was partially offset by the strengthening of the Canadian dollar. By the end of the 2004 financial year, the hotel subsidiary had narrowed the loss for the full year to HK\$12 million.

Investments

The 32% owned associate, Q9 Technology Holdings Limited succeeded in reversing its loss making trend since listing on the GEM board and recorded its first month operating profit in September 2003. Turnover for the year 2003 increased by 126% compared to year 2002. Steady progress have been made in securing orders from OEM manufacturers of mobile phones, desk-top phones and digital set-top boxes. In the first quarter 2004, Q9 signed two additional OEM licensing agreements and reported a 75% increase in turnover over the same period last year, while loss for the same period decreased by 80%. The company is making a good start towards the coming year.

The business activities of the Group's other investee companies in the medical and health and energy saving sectors were dampened during the 2004 financial year with the outbreak of SARS. Development progress were lagging behind the original business plan. The Group has made prudent provisions totalling HK\$67 million on impairment in values of these investments.

Financial review

At 31st March 2004, the Group's net asset value was HK\$2.09 billion compared with HK\$2.24 billion at 31st March 2003. During the year, HK\$28.4 million convertible notes of the Company

were converted into ordinary shares, increasing the number of issued shares by 15.8%. Net asset value per share decreased from HK\$14.96 at 31st March 2003 to HK\$12.05 at 31st March 2004.

Gearing ratio is 62% (2003: 62%) with a net debt of HK\$2,748 million (2003: HK\$2,818 million) and shareholders' funds plus minority interests of HK\$4,442 million (2003: HK\$4,532 million). Finance costs were reduced by 15% compared with the previous year as a result of further interest rate drops.

All the Group's borrowings are in Hong Kong dollars except for the mortgage loan of the Vancouver hotel which is denominated in Canadian dollars. This loan is served by the Canadian dollars receipts of the hotel and so the exchange risk exposure is reduced. Over 86% (2003: 82%) of the Group's borrowings were repayable after one year, with repayment schedules spreading over a long period of time to over 10 years.

As at 31st March 2004, properties with an aggregate net book value of HK\$6,055 million (2003: HK\$5,897 million) were pledged to secure banking facilities of the Group. The Group has also provided guarantees to banks and financial institutions on credit facilities to jointly controlled entities, associated companies and third parties of HK\$246 million (2003: HK\$482 million).

Employees and remuneration policies

As at 31st March 2004, the Group employed a total of 635 full time employees, with over 54% working for the hotel subsidiary group and 36% for building management services. Their remuneration packages, which commensurate with their job nature and experience level, include basic salary, annual bonus, retirement and other benefits.

Prospects

The property market eventually hit the bottom in the third quarter 2003 and started to pick up in the fourth quarter. It gained further momentum in first quarter 2004, especially in luxury residential and retail sector. Improving job market, ample liquidity, low mortgage interest rates continue to fuel the demand. The declining new supply of residential property in the current years suggests that prices should increase over the period. The Group is responding by actively replenishing its land bank holdings through various means and accelerating the progress of its existing projects. China's soaring economic growth create a burgeoning sector seeking higher quality products and accommodation, a reflection of driving for higher living standard. The Group will further move into the PRC market in the very near future.

The addition of more PRC cities to the Individual Visit Scheme boost Hong Kong's retail business and tourism. The measured hotel room supply in the coming several years guarantees a promising return, barring unforeseen circumstances.

The following is the text of a report extracted from the circular of Asia Standard dated 19th November, 2004 and prepared by Vigers Appraisal & Consulting Limited. As described in the section headed "Documents available for inspection" in appendix IV, a copy of the following valuation report is available for inspection.

Vigers Appraisal & Consulting Limited
International Asset Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



19th November 2004

The Directors
Asia Standard International Group Limited
30th Floor
Asia Orient Tower, Town Place
No. 33 Lockhart Road
Wanchai
Hong Kong

Dear Sirs

Re: Valuation of The Remaining Portion of Lot No. 259 and Lot No. 262 in Demarcation District No. 354, Yau Kom Tau, Tsuen Wan, New Territories

We refer to your instructions to assess the open market value of the above property as at 30th October 2004 in its existing state and with vacant possession for sales and disposal purposes.

We confirm that we have carried out an external inspection of the property, made relevant enquiries and obtained such information as we consider necessary for the purpose of providing you with our opinion of the value.

Our valuation is our opinion of the open market value and here we would define open market value as intended to mean — “the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;

- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

We have accepted advice given to us on such matters as tenure, site areas and all other relevant matters. However, without exception, we have not searched the original documents to verify ownership or to verify any lease amendments which might not appear on the copies handed to us. All documents have been used as reference only. All dimensions, measurement and areas are approximate.

We have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which were covered, unexposed or inaccessible and we are therefore unable to report that any such part of the property was free from defects.

We have not carried out a site survey to determine the demarcation of the property. No test or investigation has been carried out to determine stability or suitability of ground conditions nor factors which could delay completion of a development such as archaeological artifacts, contamination, ecological or environmental considerations. Unless otherwise informed, our valuation assumes that the site is sound and no delays will occur in a construction schedule due to considerations relating to the site, and that the ground was not contaminated.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property was free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

This report is confidential to the client for the specific purpose of which it refers. It may be disclosed to other professional advisors assisting the client in respect of that purpose, but the client shall not disclose the report to any other person.

In accordance with our standard practice, this report is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of the contents of this report.

We enclose herewith our valuation certificate.

Yours faithfully
For and on behalf of
VIGERS APPRAISAL & CONSULTING LIMITED
Gilbert K. M. Yuen MHKIS MRICS
Director

Note: Mr Gilbert K.M. Yuen, Chartered Surveyor, MHKIS, MRICS has over fifteen years' experience in undertaking valuation of properties in Hong Kong.

VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Open Market Value in existing state as at 30th October 2004								
1. The Remaining Portion of Lot No. 259 ("Lot 1") and Lot No. 262 ("Lot 2") in Demarcation District No. 354, Yau Kom Tau, Tsuen Wan, New Territories	<p>The property comprises two pieces of building and garden land located at Yau Kom Tau, Tsuen Wan, New Territories.</p> <p>The property has a total site area of approximately 73,969 sq.ft (6,871.89 sq.m.). The details are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Lot No.</th> <th style="text-align: right;">Area</th> </tr> </thead> <tbody> <tr> <td>Lot 1</td> <td style="text-align: right;">66,769 sq.ft.</td> </tr> <tr> <td>Lot 2</td> <td style="text-align: right;">7,200 sq.ft.</td> </tr> <tr> <td>Total:</td> <td style="text-align: right;">73,969 sq.ft.</td> </tr> </tbody> </table>	Lot No.	Area	Lot 1	66,769 sq.ft.	Lot 2	7,200 sq.ft.	Total:	73,969 sq.ft.	The property is currently vacant.	HK\$261,000,000
Lot No.	Area										
Lot 1	66,769 sq.ft.										
Lot 2	7,200 sq.ft.										
Total:	73,969 sq.ft.										
	<p>The property is occupied by two residential houses together with garages, a swimming pool, a garden and driveways</p> <p>The property is held under two New Grants, namely Nos. 3344 and 3476 for a same term extended to 30th June 2047, by the virtue of New Territories Leases (Extension) Ordinance 1988.</p> <p>The Government rent is equivalent to 3% of the rateable value of the property.</p>										

Notes:

- According to the records from the Tsuen Wan New Territories Land Registry, the registered owners of the property are listed as follows:

Lot 1 in DD 354			
Owner	Share		Remarks
Master Venture Limited	24/144		
Fung Sun Chung	26/144		
Fung Ming Chung	26/144		
Fung Wing Chung	26/144		
Fung Chun Chung	26/144		
Chan Yun Ru	12/144		
Fung Yu Sin Eugene	2/144		
Fung Yee Lan	2/144		
Total:	144/144		Tenants in Common

Lot 2 in DD 354

Owner	Share	Remarks
Lee Fung Ho-Yung	1/2	—
Fung Wing-Chung	1/2	—
Total:	2/2	

2. The property is subject to the following material encumbrances:
 - (i) Order No. DH2/NT/02/C under S. 27A of the Buildings Ordinance vide Memorial No. 1450072 dated 28th January 2002 (Refer: The Remaining Portion of Lot No. 259 and Lot No. 262); and
 - (ii) Order No. DH1/NT/02/C under S. 27A of the Buildings Ordinance vide Memorial No. 1450073 dated 28th January 2002 (Refer: The Remaining Portion of Lot No. 259).

3. The property is subject to the following deeds pending registration:
 - (i) Particulars and conditions of Sale By Tender in favour of Lucky New Investment Limited vide Memorial No. 1602243 dated 2nd October 2004.

4. According to the conditions of both Government Leases, the property is subject to special conditions No.2(a) and (b), 3 and 4 in the Government Notification No. 364 of 1934 as amended by Government Notification No. 50 of 1940. In brief, these conditions are:
 - (i) No. 2(a) : “The building erected on the lot shall not be used as a ‘Chai Tong’ or similar nature.”
 - (ii) No. 2(b) : “The height of any building shall not exceed 25 feet or 2 storey. No storey shall be less than 10 feet in height; the street or open space in front of any new buildings shall be at least 25 feet wide; an open space must be provided at the rear of every new building and its area shall at least equal to half the roofed-over area of the building; a scavenging lane shall be provided having a width of 6 feet.”
 - (iii) No. 3 : “Plans for addition or alteration to any building erected on the lot in accordance with conditions need not be prepared by an authorised architect unless such addition or alteration is such as to render the whole building a new building within the definition contained in Section 6(39) of the Public Health and Buildings Ordinance, 1903, or unless such addition or alteration involves the use of reinforced concrete.”

5. According to both Government Leases, the permitted user of the property is for building and garden purposes only.

6. The property is covered by Tsuen Wan Outline Zoning Plan No. S/TW/20 dated 17th September 2004 and zoned as “Residential (Group B)”. Meanwhile, on the land designated “Residential (Group B)”, no new development, or addition, alteration and/or modification to or development of an existing building shall result in a total development and/or redevelopment in excess of a maximum plot ratio of 2.1 or the plot ratio of existing building, whichever is the greater.

7. In the course of our valuation, we have made the following assumptions:
- (i) We have noted that there are two Building Orders (DH2/NT/02/C) and (DH1/NT/02/C), issued by the Building Authority, dated 28th January 2002. However, we have noted that there is no any Letter of Compliance or Memorial of Satisfaction regarding the above Building Orders recorded or registered. Nevertheless, in the course of our valuation, we have made an assumption that the above Building Orders have been completed and such standard acceptable to the Building Authority and in compliance with regulations.

 - (ii) The property has potential for redevelopment. According to the Outline Zoning Plan, the maximum plot ratio is allowed to be 2.1, which is higher than the plot ratio permitted under existing lease conditions. Application for lease modifications is essential and payment of premium is required, which shall be equivalent to the difference between the value of the property after modifications and the value of the property before modifications.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were 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 they were taken or deemed to have under such provisions of the SFO), or pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies was as follows:

Long position in shares*(a) Company*

Director	Personal interest	Number of shares held			Percentage of shares in issue %
		Corporate interest	Family interest	Total	
Poon Jing	31,714,396	38,011,695	1,396,520	71,122,611	35.59
Fung Siu To, Clement	3,949,400	—	—	3,949,400	1.98

(b) Subsidiaries

Director	Subsidiary	Number of shares held			Percentage of shares in issue %
		Personal interest	Corporate interest	Total	
Poon Jing	Asia Standard	4,445,650	2,170,469,712*	2,174,915,362*	52.93
Poon Jing	Asia Standard Hotel Group Limited ("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.

Long positions in underlying shares

Interest in share options

(a) The Company

On 26th March 2004, options to subscribe for 300,000 shares of the Company at exercise price of HK\$17.33 per share granted to each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Kwan Po Lam, Phileas and Lun Pui Kan, Directors of the Company, were cancelled. 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, Kwan Po Lam, Phileas and Lun Pui Kan at exercise price of HK\$3.3 per share. These options are exercisable from 12th February, 2004 to 11th February, 2014. Each of Messrs. Fung Siu To, Clement, Lim Yin Cheng, Kwan Po Lam, Phileas and Lun Pui Kan had options to subscribe for 1,718,000 shares of the Company as at the Latest Practicable Date.

(b) Subsidiary — Asia Standard

Options to subscribe for 1,750,000 shares of Asia Standard were granted to Mr. Lun Pui Kan on 27th February, 1995. The options are exercisable from 27th March, 1995 to 27th March, 2005 at exercise price of HK\$0.384 per share. As at the Latest Practicable Date, Mr. Lun Pui Kan held options to subscribe for 1,750,000 shares of Asia Standard.

(c) Associated company — Q9 Technology Holdings Limited

As at the Latest Practicable Date, details of the share options granted to Directors under the share option schemes are as follows:

Name of Director	Exercise Period*	Share Option	
		Pre-IPO Share Option Scheme	Share Option Scheme adopted on 7th May, 2001
Lim Yin Cheng	See note 1	84,480,000	
Fung Siu To, Clement	See note 2	2,560,000	
Lun Pui Kan	See note 2	1,920,000	
	18th May, 2001 to 17th May, 2011		3,000,000
Kwan Po Lam, Phileas	18th May, 2001 to 17th May, 2011		1,000,000

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

* 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 become/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 the Latest Practicable Date, none of the Directors or chief executives (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were 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 they were taken or deemed to have under such provisions of the SFO), or pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

As at the Latest Practicable Date, none of the Directors:

- (a) had any direct or indirect interests in any assets which have since 31st March, 2004 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group; and
- (b) was materially interested in any contracts or arrangements entered into by any members of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executives of the Company, the following parties had an interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(a) Long position in shares

Name	Number of shares held	Percentage (%)
Poon Jing (<i>notes 1 and 2</i>)	71,122,611	35.59
Teddington Holdings Limited (“Teddington”)	15,856,581	7.94
Heston Holdings Limited (“Heston”)	13,209,717	6.61
Lau Luen Hung, Thomas (<i>note 3</i>)	13,428,180	6.72
Cheung Chung Kiu (<i>note 4</i>)	20,031,412	10.02
Palin Holdings Limited (<i>note 4</i>)	20,031,412	10.02
Chongqing Industrial Limited (<i>note 4</i>)	20,031,412	10.02
Yugang International Limited (<i>note 4</i>)	20,031,412	10.02
Yugang International (BVI) Limited (<i>note 4</i>)	20,031,412	10.02
Regulator Holdings Limited (<i>note 4</i>)	16,666,666	8.34
Qualipak International Holdings Limited (<i>note 4</i>)	16,666,666	8.34
Qualipak Development Limited (<i>note 4</i>)	16,666,666	8.34
Worthwell Investments Limited (<i>note 4</i>)	16,666,666	8.34
The Cross-Harbour (Holdings) Limited (<i>note 5</i>)	12,500,000	6.26

Notes:

- Mr. Poon Jing, his family interest and the companies wholly-owned by him namely Teddington, Heston and Full Speed Investments Limited together hold 71,122,611 shares.
- The interest of Mr. Poon Jing in the Company duplicate the interest of Teddington and Heston.
- Mr. Lau Luen Hung has personal interest in 5,928,180 shares of the Company and has controlling interest of 50% in Swarkin Assets Ltd. (“Swarkin”) which holds 7,500,000 shares of the Company. By virtue of the SFO, Mr. Lau is deemed to be interested in 7,500,000 shares of the Company held by Swarkin.
- Mr. Cheung Chung Kiu is deemed to be interested in the shares of the Company by virtue of his indirect shareholding in Worthwell Investments Limited. Worthwell Investments Limited is a wholly-owned subsidiary of Qualipak Development Limited. Qualipak Development Limited is a wholly-owned subsidiary of Qualipak International Holdings Limited which is controlled (59.71%) by Regulator Holdings Limited.

Regulator Holdings Limited is a wholly-owned subsidiary of Yugang International (BVI) Limited, which is, in turn, a wholly-owned subsidiary of Yugang International Limited. Chongqing Industrial Limited owns 37.79% of the issued share capital of Yugang International Limited. Chongqing Industrial Limited is controlled by a discretionary trust. Mr. Cheung Chung Kiu is the founder of the said discretionary trust and Palin Holdings Limited, which is controlled by Mr. Cheung Chung Kiu, is the trustee of the said discretionary trust.

5. The Cross-Harbour (Holdings) Limited has controlling interest (100%) in Gold Faith Investments Limited through a wholly-owned subsidiary Wingspan Limited. The Cross-Harbour (Holdings) Limited and Wingspan Limited are deemed to be interested in and duplicate the interest in the 12,500,000 shares of the Company held by Gold Faith Investments Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other persons who had interests or short position in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under Section 336 of the SFO.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors confirm that they and their associates have no interests in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

5. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (a) by the Chairman of the meeting; or
- (b) by at least three members present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by any member or members present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by any member or members present in person or by a duly authorised corporate representative or by proxy holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

If a poll is demanded, it shall (subject to any poll duly demanded on the election of a Chairman of a meeting, or on any question of adjournment, shall be taken at the meeting and without adjournment) be taken in such manner and at such time and place, not being more than 30 days from the date of the meeting or adjourned meeting at which the poll was demanded, as the Chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn, with the consent of the Chairman, at any time before the close of the meeting or the taking of the poll, whichever is the earlier.

6. MATERIAL CONTRACTS

No contracts, not being contracts in the ordinary course of business, have been entered into by members of the Group, within the two years preceding the date of this circular which are or may be material.

7. LITIGATION

Neither the Company nor any of its subsidiaries are engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. QUALIFICATIONS OF THE EXPERTS

The following are the qualifications of the experts who have been named in this circular or have given opinions or advice which are contained in this circular:

Name	Qualification
VC Capital Limited	a deemed licensed corporation under the SFO
Vigers Appraisal & Consulting Limited	Professional Surveyors and Valuers

Each of VC Capital and Vigers has given and has not withdrawn its written consent to the issue of the circular with the inclusion herein of its letter or references to its name in the form and context in which they respectively appear.

None of VC Capital and Vigers has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

None of VC Capital or Vigers had any direct or indirect interests in any assets which have since 31st March, 2004 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group.

9. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

10. GENERAL

- The secretary of the Company is Ms. Chiu Yuk Ching, *ACIS*.
- The qualified accountant of the Company is Lun Pui Kan, *ACCA*.
- The principal share registrars and transfer office of the Company is Butterfield Fund Services (Bermuda) Limited of Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda and the branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- The business address of the Directors is at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- The English text of this circular prevails over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal office of the Company in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong up to and including 6th December, 2004.

- the Company's memorandum of association and bye-laws;
- the Sale and Purchase Agreement and the Shareholders' Agreement;
- the letter from VC Capital as set out in this circular;
- the valuation report of Vigers as referred to in appendix III to this circular;
- the letter of consents referred to under the section headed "Qualification of the Experts" in this appendix;

- the annual report of the Company for each of the two years ended 31st March, 2004;
- the circular of the Company dated 30th July, 2004 in relation to general mandates to issue shares and repurchase shares, re-election of a Director and amendments to the bye-laws of the Company; and
- the circular of the Company dated 11th August, 2004 in relation to the adoption of a new share option scheme by Asia Standard.



ASIA ORIENT HOLDINGS LIMITED

(滙漢控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 214)

NOTICE IS HEREBY GIVEN that a special general meeting of Asia Orient Holdings Limited (“Company”) will be held at Basement 2, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Monday, 6th December, 2004 at 10:30 a.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the sale by Asia Standard International Group Limited (“ASIGL”), a subsidiary of the Company, through Asia Standard Development (Holdings) Limited (“ASDH”), ASIGL’s indirect wholly-owned subsidiary, of its interest (the “Share Sale and Purchase”) in the entire issued share capital of Viewell Investments Limited (“Viewell”), to Grosvenor Asset Management Limited (“GAML”), a connected person of the Company and ASIGL under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for a nominal consideration of two United States dollars (US\$2), and the sale by ASDH to GAML of the outstanding shareholder’s loans which ASDH has advanced to Viewell as at completion of the Share Sale and Purchase (the “Shareholder’s Loans”) at a consideration equal to the aggregate of the principal amount of the Shareholder’s Loan plus simple interest accrued thereto at the prime rate for Hong Kong dollars of The Hongkong and Shanghai Banking Corporation Limited, being approximately seventy five million Hong Kong dollars (HK\$75,000,000), on the terms and conditions of a share sale and purchase agreement dated 18th October, 2004 between ASDH, GAML and ASIGL (the “Sale and Purchase Agreement”) be and is hereby authorised, confirmed, ratified and approved;
- (b) the joint redevelopment by ASIGL and its subsidiaries (the “ASIGL Group”) and GAML of a site comprising two pieces of land at Yau Kom Tau, New Territories, Hong Kong (the “Site”) owned by Lucky New Investment Limited (“Lucky New”), a wholly-owned subsidiary of Viewell, as a residential property through the entering into of a joint venture on the terms of a shareholders’ agreement in respect of Paramount Shine Limited (“Paramount Shine”) to be made between ASDH, GAML, Unity Asian Development Limited, Paramount Shine and ASIGL (the “Shareholders’ Agreement”) be and is hereby authorised, confirmed, ratified and approved;

* For identification purpose only

NOTICE OF SGM

(c) the provision of financial assistance by the ASIGL Group to Paramount Shine for the redevelopment of the Site in the form of (i) proportional shareholder's loans of approximately seventy-five million Hong Kong dollars (HK\$75,000,000) as contemplated by the Sale and Purchase Agreement and (ii) several guarantee of approximately two hundred and ninety million Hong Kong dollars (HK\$290,000,000) to secure banking facilities obtained by Paramount Shine and its subsidiaries, as contemplated by the Shareholders' Agreement be and is hereby authorised, confirmed, ratified and approved."

By order of the Board

Chiu Yuk Ching

Secretary

Hong Kong, 19th November, 2004

Notes:

1. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. Completion and return of the form of proxy will not preclude a member from attending and voting at the above meeting or any adjournment thereof if he so wishes. In that event, his form of proxy will be deemed to have been revoked.
4. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the principal office of the Company in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.



ASIA ORIENT HOLDINGS LIMITED

(滙漢控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 214)

Form of proxy for use at the special general meeting to be held on Monday, 6th December, 2004 at 10:30 a.m.

I/We¹ _____
of _____
being holder(s) of _____² shares of HK\$0.10 each in the
capital of Asia Orient Holdings Limited (the "Company") HEREBY APPOINT the Chairman of the meeting³
or _____
of _____
as my/our proxy to act for me/us at the special general meeting (or at any adjournment thereof) (the
"Meeting") of the Company, to be held at Basement 2, Empire Hotel, 33 Hennessy Road, Wanchai, Hong
Kong on Monday, 6th December, 2004 at 10:30 a.m. on the same date or any adjournment thereof, and in
particular (but without limitation) at the Meeting to vote for me/us and in my/our name(s) in respect of the
resolution set out in the notice convening the Meeting as indicated below, or, if no such indication is given,
as my/our proxy thinks fit.

	FOR ⁴	AGAINST ⁴
ORDINARY RESOLUTION		

Date this _____ day of _____ 2004. Signed: _____

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
2. Please insert the number of shares registered in your name(s) to which the proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all those shares in the Company registered in your name(s).
3. If any proxy other than the Chairman of the Meeting is preferred, strike out the words "the Chairman of the meeting" and insert the name and address of the proxy desired in the space provided. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON(S) WHO SIGN(S) IT.**
4. **IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK IN THE BOX MARKED "FOR" THE RELEVANT RESOLUTION. IF YOU WISH TO VOTE AGAINST A RESOLUTION, TICK IN THE BOX MARKED "AGAINST" THE RELEVANT RESOLUTION.** Failure to tick either box will entitle your proxy to cast your vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the Meeting other than that referred to in the notice convening the Meeting.
5. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer or attorney or other person duly authorised.
6. In order to be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited at the principal office of the Company in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting.
7. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
8. The proxy need not be a member of the Company but must attend the Meeting in person to represent you.
9. Completion and deposit of the form of proxy will not preclude you from attending and voting at the Meeting if you so wish.

* For identification purpose only