
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Asia Orient Holdings Limited, you should at once hand this circular to the purchaser or transferee or the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this circular, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrars of Companies" in Appendix II to this circular, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. A copy of this circular has been or will be as soon as practicable, filed with the Registrar of the Companies in Bermuda pursuant to the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong, the Securities and Futures Commission of Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of this circular.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information only and does not constitute an invitation of offer to acquire, purchase or subscribe for any securities.



ASIA ORIENT HOLDINGS LIMITED

(滙漢控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 214)

PROPOSED BONUS ISSUE OF WARRANTS

AND

WHITEWASH WAIVER

Financial adviser

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

Independent financial adviser

 **VC CAPITAL LIMITED**
滙盈融資有限公司

A notice convening a special general meeting ("SGM") of the Company to be held at 11:00 a.m. on Friday, 31 August 2007 at Basement 1, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong (or, if later, immediately following the conclusion or adjournment of the annual general meeting of the Company to be held at the same place at 10:45 a.m. on 31 August 2007), is set out on pages 90 to 92 of this circular. A proxy form for the SGM is also enclosed. Whether or not you intend to attend and vote at the SGM or any adjourned meeting in person, please complete and return the enclosed proxy form in accordance with the instructions printed thereon to the head office and principal place of business of the Company in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

* For identification purposes only

9 August 2007

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DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it by the Takeovers Code
“Announcement”	the announcement dated 19 July 2007 made by the Company containing, amongst other things, the details of the Bonus Issue of Warrants and the Whitewash Waiver
“Asia Orient” or “Company”	Asia Orient Holdings Limited (stock code: 214), an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange, and the controlling shareholder of Asia Standard International
“Asia Standard Hotel”	Asia Standard Hotel Group Limited (stock code: 292), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange and a 67.03% subsidiary of Asia Standard International
“Asia Standard International”	Asia Standard International Group Limited (stock code: 129), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange. Asia Standard International is an associate of the Company and the holding company of Asia Standard Hotel
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Bonus Issue of Warrants”	the proposed issue of the Warrants on the basis of one Warrant for every five Shares held by the Shareholders, excluding the Excluded Shareholders, on the Record Date whose names appear on the register of members of the Company at the close of business on the Record Date
“business day”	a day (excluding Saturday and Sunday) on which banks in Hong Kong are open for business
“Concert Party Group”	Shareholders acting in concert consisting of Mr. Poon, Mr. Fung and companies controlled by any of them and parties acting in concert with any of them, excluding for this purpose the Company
“connected persons”	has the meaning ascribed to it by the Listing Rules

DEFINITIONS

“Director(s)”	director(s) of the Company
“Excluded Shareholder(s)”	Overseas Shareholder(s) who are excluded from the Bonus Issue of Warrants by the reason that the Directors, upon making enquiry, consider such exclusion to be necessary or expedient on account of either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in those places, the details of which are set out in the section headed “Overseas Shareholders” of this circular
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board comprising its independent non-executive Directors, being Messrs. Cheung Kwok Wah, Ken, Hung Yat Ming and Wong Chi Keung, formed to advise the Independent Shareholders on the Whitewash Waiver
“Independent Shareholders”	Shareholders other than the Concert Party Group
“Latest Practicable Date”	6 August 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	The Macau Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
“Mr. Fung”	Mr. Fung Siu To, Clement
“Mr. Poon”	Mr. Poon Jing
“Notice of SGM”	the notice convening the SGM as set out in this circular
“Overseas Shareholders”	Shareholders whose addresses as shown on the register of members of the Company at the close of business on the Record Date are outside Hong Kong

DEFINITIONS

“PRC”	the People’s Republic of China, excluding for the purpose of this circular Hong Kong, Macau and Taiwan
“Record Date”	31 August 2007
“Reset Adjustment”	the adjustment to be made to the Subscription Price at the end of each six month period from the date of issue of the Warrants and on the tenth business day prior to the expiry of the Warrants whereby the Subscription Price will be reset so that it shall be the lower of (a) the then effective Subscription Price immediately preceding such Reset Adjustment; and (b) 95% of the average of the closing prices of each Share as quoted on the Stock Exchange for the five trading days immediately preceding the date of such Reset Adjustment
“Rights Issue”	the issue by way of rights of 192,858,782 rights Shares by the Company on the basis of one rights Share for every two existing Shares as announced by the Company on 13 June 2007
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened at 11:00 a.m. on Friday, 31 August 2007 at Basement 1, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong (or, if later, immediately following the conclusion or adjournment of the annual general meeting of the Company to be held at the same place at 10:45 a.m. on 31 August 2007), or any adjournment thereof, notice of which is set out at the end of this circular
“Share(s)”	ordinary shares of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$1.62 per Share (subject to adjustments) in respect of each Warrant
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“VC Capital”	VC Capital Limited, a licensed corporation licensed to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial advisor to the Independent Board Committee and the Independent Shareholders.
“Warrants”	the warrant(s) to be issued by the Company entitling the holder(s) thereof to subscribe, at any time from the date of issue to the date immediately preceding the date falling on the first anniversary of the date of issue, for fully paid Shares at an initial Subscription Price of HK\$1.62 per Share (subject to adjustments)
“Whitewash Waiver”	a waiver by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Concert Party Group to make a mandatory general offer for all the Shares not already owned by it which would otherwise arise as a result of the exercise of the subscription rights falling under any Warrants held by the Concert Party Group
“%”	per cent.

EXPECTED TIMETABLE

2007

Last day of dealings in Shares on a cum entitlement to the Warrants	Friday, 24 August
First day of dealings in Shares on a ex-entitlement to the Warrants	Monday, 27 August
Latest time for lodging transfers of Shares	
in order to qualify for the Warrants	4:30 p.m. on Tuesday, 28 August
Register of members closes (both dates inclusive)	Wednesday, 29 August to Friday, 31 August
Latest time for lodging forms of proxy for the SGM	11:00 a.m. on Wednesday, 29 August
Record Date for entitlement of Warrants	Friday, 31 August
SGM	11:00 a.m. on Friday, 31 August
Announcement of results of the SGM to be posted	
on the website of the Stock Exchange	Friday, 31 August
Notification of announcement of results of the SGM in the newspaper	Monday, 3 September
Register of members re-opens	Monday, 3 September
Despatch of Warrants certificates	Friday, 7 September

Dates or deadlines stated in this circular for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable will be announced as appropriate. All times and dates refer to Hong Kong local time.

LETTER FROM THE BOARD



ASIA ORIENT HOLDINGS LIMITED

(滙漢控股有限公司)*

(Incorporated in Bermuda with limited liability)

Executive Directors:

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

Non-executive Directors:

Mr. Chan Sze Hung

Independent non-executive Directors:

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

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head office and principal

place of business in Hong Kong:
30th Floor
Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai
Hong Kong

9 August 2007

To the Shareholders

Dear Sir/Madam,

**PROPOSED BONUS ISSUE OF WARRANTS
AND
WHITEWASH WAIVER**

INTRODUCTION

On 19 July 2007, the Directors announced that the Company proposed the Bonus Issue of Warrants to the Shareholders. The purpose of this circular is to provide the Shareholders with further information on the resolutions to be proposed at the SGM relating to the Bonus Issue of Warrants and the Whitewash Waiver, and to give Shareholders the Notice of SGM at which resolutions approving the above proposals will be considered and voted upon.

* For identification purposes only

LETTER FROM THE BOARD

PROPOSED BONUS ISSUE OF WARRANTS

On 18 July 2007, the Company announced the results of the Group for the year ended 31 March 2007 and on the same day, the Board proposed, subject to the satisfaction of the conditions below, the Bonus Issue of Warrants to Shareholders whose names appear on the register of members of the Company on the Record Date on the basis of one Warrant for every five Shares held on the Record Date.

THE SUBSCRIPTION PRICE

The Warrants will entitle the holders thereof to subscribe for new Shares at an initial Subscription Price of HK\$1.62 per Share in cash, subject to adjustment(s), at any time between the date of issue of the Warrants and the date immediately preceding the date falling on the first anniversary of the date of issue, both dates inclusive. Fractional entitlements to the Warrants will not be issued to the Shareholders. The Subscription Price is subject to adjustment(s) upon occurrence of usual adjustment events arising as a result of changes in the share capital of the Company including consolidation or sub-division of Shares, capitalisation of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company. Apart from the adjustments upon occurrence of the usual adjustment events, at the end of each six month period from the date of issue of the Warrants, the Subscription Price is subject to the Reset Adjustment whereby the Subscription Price will be reset so that it shall be the lower of (a) the then effective Subscription Price immediately preceding such Reset Adjustment; and (b) 95% of the average of the closing prices of each Share as quoted on the Stock Exchange for the five trading days immediately preceding the date of such Reset Adjustment. The Subscription Price will also be subject to a final Reset Adjustment on the tenth business day before the date of expiration of the Warrants. Further announcements will be made upon adjustment of the Subscription Price.

The initial Subscription Price of HK\$1.62 represents:

- a discount of approximately 6% over the closing price of HK\$1.72 per Share as quoted on the Stock Exchange on 17 July 2007, the last trading day immediately prior to the date of approval of the proposed Bonus Issue of Warrants by the Board;
- a discount of approximately 5% over the average closing price of HK\$1.70 per Share as quoted on the Stock Exchange for the five trading days ended on 17 July 2007 the last trading day immediately prior to the date of approval of the proposed Bonus Issue of Warrants by the Board; and
- a discount of approximately 11% over the closing price of HK\$1.81 per share as quoted on the Stock Exchange on the date of the Announcement, being 19 July 2007.
- a discount of approximately 2% over the closing price of HK\$1.66 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

On the basis of 578,576,347 Shares in issue (after the issue of 192,858,782 rights Shares on 30 July 2007 as announced by the Company on 13 June 2007 and disclosed in the circular of the Company dated 6 July 2007), and assuming no further Shares will be issued or repurchased by the Company on or before the Record Date, 115,715,269 Warrants are proposed to be issued. In the event that the Subscription Price is adjusted by the Reset Adjustment, the maximum number of proposed Warrants to be issued will not change.

The following table illustrates the change in the shareholding structure of the Company following the exercise of the subscription rights attaching to the Warrants (a) by the Concert Party Group in full only; and (b) by all the holders of the Warrants in full:

	As at the Latest Practicable Date		Immediately after conversion of the Warrants by Concert Party Group in full only (note)		Immediately after full conversion of the Warrants	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Concert Party Group	193,975,489	33.53	232,770,586	37.70	232,770,586	33.53
Others	<u>384,600,858</u>	<u>66.47</u>	<u>384,600,858</u>	<u>62.30</u>	<u>461,521,030</u>	<u>66.47</u>
Total	<u>578,576,347</u>	<u>100</u>	<u>617,371,444</u>	<u>100</u>	<u>694,291,616</u>	<u>100</u>

Note: Immediately after conversion of the Warrants by the Concert Party Group in full only, the public float of the Company will be approximately 49.10% according to the records of the Company and disclosure of interests received as of the Latest Practicable Date.

USE OF PROCEEDS

Upon full exercise of the 115,715,269 Warrants the Company will receive approximately HK\$187.5 million, before expenses and (assuming that the Subscription Price is not adjusted) issue 115,715,269 new Shares, representing approximately 20% of the issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of such Shares. Assuming that the number of Shares in issue remains unchanged prior to the date of issue of the Warrants, the 115,715,269 new Shares will represent approximately 20% of the issued share capital of the Company at the time of issue of the Warrants. The Company intends to apply the proceeds raised from Bonus Issue of Warrants for any investment opportunities which may arise in Hong Kong, Macau and the PRC, and for general working capital of the Group.

LETTER FROM THE BOARD

RANKING OF THE SHARES TO BE ISSUED UPON EXERCISE OF THE WARRANTS

Shares which may fall to be issued upon exercise of the Warrants will rank for any dividends and other distributions and, or, offers of further securities made by the Company, the record date for which is on or after the relevant subscription date and subject thereto, *pari passu* in all respects with the then existing issued Shares on the relevant subscription date. The Warrants will be transferable in whole amounts or integral multiples of the Subscription Price for the time being. No application will be made for the listing of the Warrants on the Stock Exchange or any other exchange. Application has been made to the Stock Exchange for listing of, and permission to deal in, the new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants.

OVERSEAS SHAREHOLDERS

As set out in the Announcement, the Bonus Issue of Warrants will not be made to the Excluded Shareholders in the event that the Directors, upon making enquiry, consider such exclusion to be necessary and expedient on account either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in those places.

On the basis of the information made available to the Directors, as at the Latest Practicable Date, there were Overseas Shareholders whose addresses as shown on the register of members of the Company were in Australia, British Virgin Islands, Canada, Germany, Gibraltar, Indonesia, Ireland, Israel, Japan, Liechtenstein, Macau, Malaysia, Mauritius, Netherlands, New Zealand, Philippines, Portugal, PRC, Saudi Arabia, Singapore, Spain, Switzerland, Taiwan, Thailand, United Kingdom, United States of America and Zimbabwe. The Directors have made enquiry on the legal restrictions and regulatory requirements in relation to the Bonus Issue of Warrants to the Overseas Shareholders in the above jurisdictions and on the compliance with the relevant restrictions and formalities and having done so, the Board considered that because of the likely costs and time involved if overseas compliance were to be observed, the insignificant shareholdings of the Excluded Shareholders (i.e. those Overseas Shareholders whose addresses as shown in the register of members of the Company on the Record Date are in Canada, Gibraltar, Indonesia, Malaysia, Philippines, Saudi Arabia, Switzerland, Taiwan and the United States of America), the costs of overseas compliance would outweigh the benefits which the Company and the Shareholders as a whole would receive by including the Excluded Shareholders in the Bonus Issue of Warrants and it would be necessary and expedient to exclude the Excluded Shareholders from the Bonus Issue of Warrants. Accordingly, no allotment of the Warrants will be made to the Excluded Shareholders pursuant to the Bonus Issue of Warrants.

In such circumstances, arrangements will be made for the Warrants which would otherwise have been issued to such Excluded Shareholders, if any, to be sold through a private matching service provided by the Company or its agent as soon as practicable, if a premium, net of expenses, can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to the Excluded Shareholders, if any, *pro rata* to their respective shareholdings and remittances therefor will be posted to them, at their own risk, unless the amount falling to be distributed to any such person is less than HK\$100, in which case it will be retained for the benefit of the Company.

LETTER FROM THE BOARD

Overseas Shareholders whose addresses as shown in the register of members of the Company on the Record Date are in Australia, British Virgin Islands, Germany, Ireland, Israel, Japan, Liechtenstein, Macau, Mauritius, Netherlands, New Zealand, Portugal, PRC, Singapore, Spain, Thailand, United Kingdom and Zimbabwe will be included in the Bonus Issue of Warrants.

CONDITIONS TO THE BONUS ISSUE OF WARRANTS

The Bonus Issue of Warrants is conditional upon:

- the passing of an ordinary resolution by the Shareholders at the SGM approving the issue of the Warrants and the new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants, in accordance with the requirements of the Listing Rules;
- the passing of an ordinary resolution by the Independent Shareholders at the SGM by way of poll to approve the Whitewash Waiver;
- the Executive granting to the Concert Party Group the Whitewash Waiver; and
- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants.

Save for the Bonus Issue of Warrants, the Company has no other outstanding equity securities which remain to be issued on exercise of any other subscription rights subject to Chapter 15 of the Listing Rules.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Wednesday, 29 August 2007 to Friday, 31 August 2007 (both dates inclusive) in order to establish entitlements of Shareholders to the Bonus Issue of Warrants, during which period no transfer of Shares will be registered. In order to qualify for the Bonus Issue of Warrants, Shareholders are reminded to ensure that all Share transfers, accompanied by the relevant certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investors Services Limited, situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 28 August 2007.

REASON FOR THE BONUS ISSUE OF WARRANTS

The Board believes that the Warrants will provide the Shareholders with the opportunity to participate further in the future growth of the Group through a security which is expected to be highly dependent on the movements in the price of the Shares. The Bonus Issue of Warrants will also strengthen the equity base of the Company and increase the Company's working capital if and when the subscription rights attaching to the Warrants are exercised.

LETTER FROM THE BOARD

It is intended that all the Shareholders should be given an opportunity through the Bonus Issue of Warrants to increase their equity interests in the Company whilst preserving their proportionate shareholdings in the Company. In the absence of a Whitewash Waiver, the Concert Party Group could not practically exercise the subscription rights under the Warrants held by it without triggering an obligation to make a general offer under Rule 26 of the Takeovers Code, unless such exercise of subscription rights occurred together with the exercise by Independent Shareholder(s) in an amount such that the proportionate shareholding of the Concert Party Group in the Company did not increase by more than 2%. Whilst the proportionate shareholding of the Concert Party Group would remain unchanged if the subscription rights attaching to all the Warrants were exercised in full, the Board believes that if the Whitewash Waiver is not granted, the Concert Party Group would be unfairly hindered from exercising subscription right under the Warrants held by it and would therefore be deprived of the opportunity to maintain its proportionate shareholding in the Company.

INFORMATION ON ASIA ORIENT

Asia Orient is an investment holding company. The principal activities of its major investee companies include investment and development of properties and investment and operation of hotels, restaurants, travel agency and securities investment.

TAKEOVERS CODE IMPLICATIONS AND WHITEWASH WAIVER

As at the Latest Practicable Date, the Concert Party Group held in aggregate 193,975,489 Shares representing approximately 33.53% of the total voting rights of the Company. As set out in Note 10 to Rule 26.1 of the Takeovers Code, in general, the acquisition of warrants does not give rise to an obligation under Rule 26 of the Takeovers Code to make a general offer, but the exercise of any subscription rights will be considered to be an acquisition of voting rights for the purpose of Rule 26 of the Takeovers Code. Accordingly, the Bonus Issue of the Warrants will, in and of itself, not result in any Takeovers Code consequences prior to the exercise of the subscription rights under the Warrants.

Under Rule 26 of the Takeovers Code, the exercise of subscription rights attaching to the Warrants by a member of the Concert Party Group which results in an increase of the Concert Party Group's shareholding in the Company by more than 2% from the lowest percentage holding of the Concert Party Group in the 12 month period immediately preceding the exercise date, the Concert Party Group would ordinarily be obliged, as a result of that exercise of subscription rights, to make an unconditional cash offer to acquire all of the Shares other than those already owned by the Concert Party Group.

Based on the Company's issued share capital as at the Latest Practicable Date, if the subscription rights attaching to the Warrants were exercised in full by the Concert Party Group only whilst none of the other holders of Warrants exercised the subscription rights attaching to the Warrants, the Concert Party Group's aggregate voting rights in the Company would increase by approximately 4.17%, from approximately 33.53% to approximately 37.70%. Therefore, in the absence of the Whitewash Waiver, the exercise by the Concert Party Group of the Warrants in full in these

LETTER FROM THE BOARD

circumstances would require a general offer to be made for all the Shares other than those owned by the Concert Party Group. However, if all Shareholders exercised their subscription rights under the Warrants on the same day, the percentage of voting rights held by the Concert Party Group would not change and no general offer obligation would arise.

If the Whitewash Waiver is obtained, the exercise of subscription rights attaching to the Warrants in full by the Concert Party Group would not give rise to an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code.

An application has been made by the Concert Party Group to the Executive for the Whitewash Waiver in connection with the exercise by any of them of the subscription rights attaching to the Warrants, pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Bonus Issue of Warrants described herein is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. The Executive has indicated that the Whitewash Waiver will be granted subject to approval of the Independent Shareholders, by way of poll, at the SGM.

On 23 January 2007 and 24 January 2007, Mr. Poon purchased 1,810,000 Shares in aggregate. On 14 February 2007, Mr. Poon and Mr. Fung were issued scrip dividends of 2,221,406 Shares and 116,989 Shares, respectively. On 30 July 2007, Mr. Poon and Mr. Fung and their respective associates were issued 64,658,494 new Shares under the Rights Issue. None of the members of the Concert Party Group has acquired any Shares in the six months prior to the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors (which would include informal discussions) in relation to the proposed Bonus Issue of Warrants, and the Company has not repurchased any Shares during that period.

An Independent Board Committee has been formed, comprising its independent non-executive Directors (being Messrs. Cheung Kwok Wah, Ken, Hung Yat Ming and Wong Chi Keung), to advise Independent Shareholders in respect of the Whitewash Waiver and what action they should take in response to it. Due to possible conflicts of interest arising from the provision of legal and nominee services to the Company and companies controlled by Mr. Poon, Mr. Chan Sze Hung, the non-executive Director, was not appointed a member of the Independent Board Committee. VC Capital has been appointed as independent financial adviser (whose appointment has been approved by the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders.

SGM

A notice convening the SGM to be held at 11:00 a.m. on Friday, 31 August 2007 at Basement 1, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong (or, if later, immediately following the conclusion or adjournment of the annual general meeting of the Company to be held at the same place at 10:45 a.m. on 31 August 2007) is set out on pages 90 to 92 of this circular at which ordinary resolutions will be proposed and, if thought fit, passed by (a) the Shareholders, to approve the Bonus Issue of Warrants and the issue of new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants; and (b) Independent Shareholders, by way of poll, to approve the Whitewash Waiver.

LETTER FROM THE BOARD

A proxy form for use by the Shareholders at the SGM is enclosed with this circular. Whether or not you are available to attend the SGM in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the head office and principal place of business of the Company in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of a proxy form will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

RECOMMENDATION

The Board believes that the Bonus Issue of Warrants and the Whitewash Waiver are in the interest of the Company and the Shareholders as a whole.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 14 of this circular which contains its advice to the Independent Shareholders; and (ii) the letter from VC Capital set out on pages 15 to 21 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders as well as the principal factors and reasons taken into consideration in arriving at its advice.

ADDITIONAL INFORMATION

Please refer to the appendices to this circular for additional information.

By order of the Board
Asia Orient Holdings Limited
Fung Siu To, Clement
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



ASIA ORIENT HOLDINGS LIMITED

(滙漢控股有限公司)*

(Incorporated in Bermuda with limited liability)

9 August, 2007

To the Independent Shareholders,

Dear Sir or Madam,

**PROPOSED BONUS ISSUE OF WARRANTS
AND
WHITEWASH WAIVER**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Whitewash Waiver, details of which are set out in the Letter from the Board contained in this circular (“Circular”). Terms defined in the Circular shall have the same meanings herein, unless the context otherwise requires.

Your attention is drawn to the “Letter from VC Capital” concerning its advice to us regarding, among other things, the Whitewash Waiver as set out on pages 15 to 21 of the Circular. Having taken into account the advice and recommendation of VC Capital, we are of the opinion that the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Whitewash Waiver.

Yours faithfully,
the Independent Board Committee

Cheung Kwok Wah, Ken
*Independent non-executive
Director*

Hung Yat Ming
*Independent non-executive
Director*

Wong Chi Keung
*Independent non-executive
Director*

** For identification purposes only*

LETTER FROM VC CAPITAL

The following is the full text of the letter of advice from VC Capital dated 9 August 2007 to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion 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

9 August 2007

*To the Independent Board Committee
and Independent Shareholders*

Dear Sir or Madam,

PROPOSED BONUS ISSUE OF WARRANTS AND WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver, details of which are set out in the letter from the Board contained in the circular of the Company dated 9 August 2007 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 18 July 2007, the Company announced the results of the Group for the year ended 31 March 2007 and on the same day, the Board proposed the Bonus Issue of Warrants to the Shareholders other than the Excluded Shareholders (the “Qualifying Shareholders”), on the basis of one Warrant for every five Shares held on the Record Date. The Bonus Issue of Warrants is conditional upon, among other things, the approval by the Shareholders at the SGM and the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders at the SGM.

As at the Latest Practicable Date, the Concert Party Group was interested in an aggregate of 193,975,489 Shares, representing approximately 33.53% of the total issued share capital of the Company. In the event that the Concert Party Group exercises the rights attached to its Warrants in full whilst none of the Independent Shareholders exercise the rights attached to their Warrants, the aggregate shareholdings in the Company of the Concert Party Group will increase from approximately 33.53% to 37.70%, representing an increase of approximately 4.17% which is over the limit allowed by the 2% creeper. Pursuant to Rule 26 of the Takeovers Code, the Concert Party Group will be required to make an unconditional mandatory general offer for all the Shares not already held by it. As such, the Concert Party Group has made an application to the Executive for the granting of the Whitewash Waiver. The Executive has indicated that he will grant the Whitewash Waiver, subject to the approval by the Independent Shareholders at the SGM by way of poll.

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An Independent Board Committee has been formed by the Company, comprising all the independent non-executive Directors (being Messrs. Cheung Kwok Wah, Ken, Hung Yat Ming and Wong Chi Keung) who are considered independent in respect of the Whitewash Waiver, to advise the Independent Shareholders in respect of the Whitewash Waiver and the action(s) they should take in response to it.

BASIS OF OUR OPINION

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

VC Capital is not associated with the Company and its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Whitewash Waiver. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby VC Capital will receive any fees or benefits from the Company or its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied and the opinions expressed by the executive Directors and senior management of the Group. We have also assumed that the information and representations contained or referred to in the Circular were true and accurate at the time they were prepared or made and will continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations made to us by the executive Directors and senior management of the Group. We have also been advised by the executive Directors that no material facts have been omitted from the Circular and the information provided to us.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole, we have taken into account the following principal factors and reasons:

1. Benefits of the proposed Bonus Issue of Warrants to the Shareholders

For the year ended 31 March 2007, the Group recorded turnover and net profit of HK\$119 million and HK\$168 million, respectively, representing increases of 164% and 200%, respectively, from the previous year. As disclosed in the annual report of the Company for the year ended 31 March 2007,

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its investment in Asia Standard International is a significant investment of the Group, which is engaged in the property sales and development business and hotel business in Hong Kong and the PRC. According to the annual report of Asia Standard International for the year ended 31 March 2007, it recorded revenue and net profit of HK\$1,374 million and HK\$300 million, respectively, representing increase of 85% and 84%, respectively, from the previous year. Asia Standard Hotel, a 67.03% owned subsidiary of Asia Standard International and whose shares are listed on the Main Board of the Stock Exchange, is actively involved in the Hong Kong hotel industry. It has recently begun the conversion process on a newly acquired building situated in Causeway Bay into a 280-keys hotel. The Group is confident in the long term prospects of Asia Standard International as well as the Hong Kong property market and has increased its shareholdings in Asia Standard International from 40.98% to 42.9% during the year.

Given the good financial and business performance of the Group and its investments, the Company has proposed, subject to the approval by the Shareholders at the annual general meeting of the Company to be held on 31 August 2007, a distribution of HK2 cents per Share for the year ended 31 March 2007 (the “Distribution”) to the Shareholders (with a choice to elect to receive scrip Shares in lieu of cash distribution) and the Bonus Issue of Warrants. We consider that whilst the Distribution would let the Shareholders enjoy a cash return on their investments, the Bonus Issue of Warrants would provide them with an equal opportunity to participate in the future growth of the Group at a favourable price which will be discussed in the paragraph headed “Terms of the Warrants” below. To this end, we consider that the proposed Bonus Issue of Warrants is in the interest of the Company and its Shareholders as a whole.

2. Terms of the Warrants

(i) *Subscription Price of the Warrants and the Reset Adjustment*

The initial Subscription Price per new Share upon exercise of the Warrants of HK\$1.62 is determined with reference to the average closing price per Share for the five trading days immediately prior to the date of approval of the proposed Bonus Issue of Warrants by the Board and represents:

- (a) a discount of approximately 11% to the closing price of HK\$1.81 per Share as quoted on the Stock Exchange on 19 July 2007, the date of the Announcement;
- (b) a discount of approximately 6% to the closing price of HK\$1.72 per Share as quoted on the Stock Exchange on 17 July 2007, the last trading day immediately prior to the date of approval of the proposed Bonus Issue of Warrants by the Board;
- (c) a discount of approximately 5% to the average closing price of HK\$1.70 per Share as quoted on the Stock Exchange for the five trading days up to and including 17 July 2007, the last trading day immediately prior to the date of approval of the proposed Bonus Issue of Warrants by the Board; and
- (d) a discount of approximately 2% to the closing price of HK\$1.66 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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As stated in the letter from the Board, the initial Subscription Price is subject to the Reset Adjustment as well as other usual adjustments arising as a result of changes in the share capital of the Company including consolidation or sub-division of Shares, capitalization of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company. According to the Reset Adjustment mechanism, at the end of each six-month period from the date of issue of the Warrants, the Subscription Price will be reset so that it will be the lower of (a) the then effective Subscription Price immediately preceding such Reset Adjustment; and (b) 95% of the average closing price of the Shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of such Reset Adjustment. The Subscription Price will also be subject to a final Reset Adjustment on the tenth business day before the date of expiration of the Warrants. The Reset Adjustment mechanism ensures that Shareholders will be able to exercise their Warrants at a Subscription Price lower than the then market price of the Shares immediately after the Reset Adjustment.

Given the Reset Adjustment is in place to ensure that the Subscription Price remains below the then market price of the Share at the end of each six-month period following the issuance of the Warrants, we concur with the Board's view that the proposed Bonus Issue of Warrants will provide a good opportunity for the Shareholders to participate further in the future growth of the Group at a favourable price level.

3. Change in shareholding

As stated in the letter from the Board, the proposed Bonus Issue of Warrants will be made to all Qualifying Shareholders should it proceed. The following table shows the change in the shareholding structure of the Company as a result of (1) the exercise of the rights attached to the Warrants by the Concert Party Group in full only; and (2) the exercise of the rights attached to the Warrants by all Qualifying Shareholders in full:

	As at the Latest Practicable Date		Immediately after exercise of the rights attached to the Warrants by the Concert Party Group in full only		Immediately after exercise of the rights attached to the Warrants by all Qualifying Shareholders in full	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Concert Party Group	193,975,489	33.53	232,770,586	37.70	232,770,586	33.53
Independent Shareholders	<u>384,600,858</u>	<u>66.47</u>	<u>384,600,858</u>	<u>62.30</u>	<u>461,521,030</u>	<u>66.47</u>
Total	<u>578,576,347</u>	<u>100</u>	<u>617,371,444</u>	<u>100</u>	<u>694,291,616</u>	<u>100</u>

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As illustrated above, if all Shareholders exercise their rights attached to the Warrants in full, their shareholding interests in the Company will remain unchanged and there will be no dilution effect on any of the Shareholders' interest in the Company. If only the Concert Party Group exercises its rights attached to the Warrants in full, the interest of the Independent Shareholders in the Company will be diluted by approximately 4.17%, which we consider not material. Furthermore, it is represented by the Concert Party Group that the Bonus Issue of Warrants will not result in a change in control of the Company which will be further discussed in the paragraph headed "Application of the Whitewash Waiver" below.

4. Financial impact on the Group

Cashflow and liquidity

The full exercise of the rights attached to the Warrants will bring an additional cash inflow to the Company of approximately HK\$187.5 million (before expenses) based on the initial Subscription Price of HK\$1.62 and 578,576,347 Shares in issue as at the Latest Practicable Date. Based on the audited consolidated balance sheet of the Group as at 31 March 2007, the Group had cash and bank balances of approximately HK\$115 million and had no debt and borrowings as at 31 March 2007. The Directors consider the capital from the exercise of the rights attached to the Warrants could further strengthen the cash position of the Group, thus enhancing the Group's financial flexibility for any future investments should any arise.

NAV

The exercise of all Warrants will enhance the net asset value ("NAV") of the Group as additional equity capital will be injected into the Company. As the initial Subscription Price of HK\$1.62 is lower than the NAV per Share of HK\$3.90 (being the NAV of the Group of HK\$2,258 million as at 31 March 2007 adjusted for the effects of a rights issue of the Company completed on 30 July 2007 divided by 578,576,347 Shares in issue as at 30 July 2007), the exercise of the Warrants will result in a decrease of NAV per Share.

The increase in NAV and decrease in NAV per Share immediately after exercise in full of the rights attached to the Warrants are mainly due to the fact that the initial Subscription Price for the Bonus Issue of Warrants is at a discount to the NAV per Share. Taking into account the fact that the Bonus Issue of Warrants will enlarge the capital base of the Group and the Qualifying Shareholders will be able to subscribe for Shares at a price that is less than 50% of the NAV per Share, we consider the overall impact on the NAV and NAV per Share from the Bonus Issue of Warrants to be favorable to the Company and the Shareholders as a whole.

5. Other considerations

For the year ended 31 March 2007, the Company has proposed the Distribution of HK2 cents per Share to the Shareholders. In aggregation with the interim dividend of HK3.2 cents per Share paid to the Shareholders, total dividends/distribution for the financial year 2006/07 amounted to HK5.2 cents per Share. The Company did not distribute any dividend or make any distribution in the previous year. The Bonus Issue of Warrants does not affect the cash dividend pay-out by the Company to its

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Shareholders on a per share basis. It also provides an equal opportunity to all Qualifying Shareholders to further invest in the Company by exercising the rights attached to their Warrants entitled under the Bonus Issue of Warrants. We consider that this method of fund-raising by the Company is a better alternative to the Qualifying Shareholders when compared with a placing of Shares by the Company to independent third parties, as the latter would result in an immediate dilution to the existing interests of the Qualifying Shareholders in the Company.

In addition, we consider the Bonus Issue of Warrants a better alternative than either a bonus issue of Shares or a proposal for a scrip dividend as these proposals do not provide any opportunity for the Company to raise funds from the Shareholders, as will be the case if the Qualifying Shareholders exercise their rights attached to the Warrants.

Having considered the above, we concur with the Directors' view that the Bonus Issue of Warrants is in the best interests of the Company and the Shareholders as a whole as it will offer all Qualifying Shareholders an equal opportunity to increase their equity interests in the Company.

6. Application of the Whitewash Waiver

As at the Latest Practicable Date, the Concert Party Group was interested in an aggregate of 193,975,489 Shares, representing approximately 33.53% of the total issued share capital of the Company. In the event that the Concert Party Group exercises its rights attaching to the Warrants in full whilst none of the Independent Shareholders exercise the rights attaching to the Warrants, the aggregate shareholdings in the Company of the Concert Party Group will increase from approximately 33.53% to 37.70%, representing an increase of approximately 4.17% which is over the limit allowed by the 2% creeper. Pursuant to Rule 26 of the Takeovers Code, the Concert Party Group will be required to make an unconditional mandatory general offer for all the Shares not already held by it.

Notwithstanding that the possible dilution effect in the shareholdings of the Independent Shareholders may reach a maximum of approximately 4.17% and the shareholding in the Company of the Concert Party Group may reach a maximum of approximately 37.70%, the Independent Shareholders should note that should the Bonus Issue of Warrants proceed, the Bonus Issue of Warrants will not result in a change in control of the Company. It is represented by the Concert Party Group that it has no intention to change the composition of the Board and/or the senior management of the Group and/or make major changes to the businesses and/or any other aspects of the Group (save for in cases whereby there is material limitation to the continuation of the business(es), the redeployment of fixed assets and the employment of the Group's employees) upon completion of the exercise of the Warrants received under the Bonus Issue of Warrants, save for and except those normal and ordinary changes to the operations of the Group, if any, that may arise with or without the Bonus Issue of Warrants. Hence, the potential increase in shareholding interest in the Company of the Concert Party Group as a result of the Bonus Issue of Warrants will not cause any material change to the operations to the Group.

The Concert Party Group does not intend to make the mandatory general offer and the Concert Party Group has made a formal application to the Executive for the granting of the Whitewash Waiver in connection with the exercise of the rights attached to the Warrants held by it, pursuant to Note 1

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on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver will be granted subject to the approval by the Independent Shareholders of the Whitewash Waiver at the SGM by way of poll. Members of the Concert Party Group who are involved or interested in the Whitewash Waiver will abstain from voting on the relevant resolution.

RECOMMENDATION

The Whitewash Waiver is one of the conditions precedent to the Bonus Issue of Warrants and it has been indicated by the Executive that the granting of the Whitewash Waiver is subject to the Independent Shareholders' approval at the SGM. If the Whitewash Waiver is not approved by the Independent Shareholders at the SGM, the Bonus Issue of the Warrants will not proceed. Having considered the above-mentioned principal factors and reasons, we consider that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed to approve the Whitewash Waiver at the SGM.

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

1. SUMMARY OF CONSOLIDATED INCOME STATEMENTS

Set out below is a summary of the consolidated results of the Group and the financial position for each of the three financial years ended 31 March 2007, 2006 and 2005 as extracted from the published annual reports of the Company for the financial years ended 31 March 2007 and 2006. PricewaterhouseCoopers were auditors of the Group and there were no audit qualifications in any of such financial statements for the three years ended 31 March 2007, 2006 and 2005.

For the year ended 31 March 2006, the Group adopted the new and revised Hong Kong Financial Reporting Standards (the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants which are effective for accounting periods commencing on or after 1 January 2005, resulting in changes to certain accounting policies of the Group.

For the years ended 31 March 2007 and 2006, the Group has adopted the new HKFRS and the figures for the year ended 31 March 2005 have been restated only as required under the new and revised HKFRS. These restated figures have been adopted for the purpose of this summary.

	Year ended 31 March		
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000 (Restated)
Turnover	118,650	45,090	553,180
Profit before taxation	167,535	56,405	57,859
Taxation credit	36	—	3,830
Profit after taxation	167,571	56,405	61,689
Profit/(loss) attributable to			
Shareholders	167,571	56,405	(51,899)
Minority interests	—	—	113,588
Dividends	<u>23,791</u>	<u>—</u>	<u>14,081</u>
Earnings/(loss) per Share			
Basic (Note)	<u>HK44 cents</u>	<u>HK21 cents</u>	<u>HK(27.4) cents</u>
Diluted (Note)	<u>HK44 cents</u>	<u>HK21 cents</u>	<u>HK(30.6) cents</u>
Dividends per Share	<u>HK5.2 cents</u>	<u>NIL</u>	<u>HK6.3 cents</u>

Note: Calculations of basic and diluted earnings/(loss) per Share are stated in the Note 14 to the financial statements of the Group under the section headed “Audited Consolidated Financial Statements” in Appendix I.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of the audited consolidated profit and loss account of the Group for the two years ended 31 March 2007, the audited consolidated balance sheet of the Group as at 31 March 2006 and 2007, the consolidated statement of changes in equity and consolidated cash flow statement for the year ended 31 March 2006 and 2007 together with accompanying notes extracted from the audited accounts of the Company for the year ended 31 March 2007. There were no material changes to the accounting policy of the Group for the years ended 31 March 2007.

Consolidated Profit and Loss Account

For the year ended 31 March 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue from property management, dividend and interest income and proceeds from sale of financial assets at fair value through profit or loss	5, 7	<u>118,650</u>	<u>45,090</u>
Revenue from property management, dividend and interest income	5, 7	20,237	17,363
Cost of sales		<u>(8,895)</u>	<u>(8,317)</u>
Gross profit		11,342	9,046
Administrative expenses	7	(22,302)	(12,342)
Other income and charges	6	<u>56,310</u>	<u>(10,869)</u>
Operating profit/(loss)		45,350	(14,165)
Finance costs	8	(688)	(1,363)
Share of profits less losses of			
Jointly controlled entities		—	6,334
Associated companies		<u>122,873</u>	<u>65,599</u>
Profit before income tax		167,535	56,405
Income tax credit	11	<u>36</u>	<u>—</u>
Profit for the year attributable to shareholders of the Company	12	<u>167,571</u>	<u>56,405</u>
Dividends and distribution	13	<u>23,791</u>	<u>—</u>
Earnings per share			
Basic	14	<u>HK\$0.44</u>	<u>HK\$0.21</u>
Diluted	14	<u>HK\$0.44</u>	<u>HK\$0.21</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
Consolidated Balance Sheet
As at 31st March 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	15	1,876	2,646
Jointly controlled entities	17	7,272	11,694
Associated companies	18	1,876,465	1,453,079
Deferred income tax assets	26	<u>3,885</u>	<u>3,902</u>
		<u>1,889,498</u>	<u>1,471,321</u>
Current assets			
Trade and other receivables	19	891	102,977
Financial assets at fair value through profit or loss	20	50,321	45,943
Derivative financial instruments	21	5,902	—
Bank balances and cash	22	115,045	105,505
		<u>172,159</u>	<u>254,425</u>
Current liabilities			
Trade and other payables	23	39,100	40,659
Amounts due to jointly controlled entities	17	—	4,422
Amounts due to associated companies	18	1,641	18
Amounts due to minority shareholders	27	8,311	8,311
		<u>49,052</u>	<u>53,410</u>
Net current assets		<u>123,107</u>	<u>201,015</u>
Total assets less current liabilities		2,012,605	1,672,336
Non-current liabilities			
Deferred income tax liabilities	26	<u>9</u>	<u>135</u>
Net assets		<u>2,012,596</u>	<u>1,672,201</u>
Equity			
Share capital	24	38,572	25,456
Reserves	25	<u>1,974,024</u>	<u>1,646,745</u>
		<u>2,012,596</u>	<u>1,672,201</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****Balance Sheet***As at 31st March 2007*

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Non-current assets			
Subsidiaries	16	3,648,228	3,478,137
Deferred income tax assets	26	<u>171</u>	<u>171</u>
		<u>3,648,399</u>	<u>3,478,308</u>
Current assets			
Trade and other receivables		109	1,600
Bank balances and cash	22	<u>52</u>	<u>16,298</u>
		161	17,898
Current liabilities			
Trade and other payables		<u>1,236</u>	<u>2,298</u>
Net current (liabilities)/assets		<u>(1,075)</u>	<u>15,600</u>
Net assets		<u><u>3,647,324</u></u>	<u><u>3,493,908</u></u>
Equity			
Share capital	24	38,572	25,456
Reserves	25	<u>3,608,752</u>	<u>3,468,452</u>
		<u><u>3,647,324</u></u>	<u><u>3,493,908</u></u>

Consolidated Cash Flow Statement*For the year ended 31st March 2007*

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Cash flows from operating activities			
Net cash from operations	31(a)	97,331	18,681
Net income tax paid		(73)	—
Interest paid		(688)	(1,377)
Net cash from operating activities		<u>96,570</u>	<u>17,304</u>
Cash flows from investing activities			
Interest received		7,507	10,475
Dividend received from financial assets at fair value through profit or loss		480	—
Dividend received from an associated company		878	8,221
Proceeds on disposal of financial assets at fair value through profit or loss		98,413	27,727
Purchase of financial assets at fair value through profit or loss		(109,522)	(54,618)
Addition to property, plant and equipment		(13)	(1,754)
Proceeds on disposal of subsidiaries	31(b)	150	—
Proceeds on disposal of associated companies and a jointly controlled entity		14,080	—
Increase in investments in associated companies		(256,785)	(7,290)
Decrease/(increase) in advances to associated companies		4,145	(2,163)
Decrease in advances to jointly controlled entities		—	6,894
Net cash used in investing activities		<u>(240,667)</u>	<u>(12,508)</u>
Net cash (used)/generated before financing activities		<u>(144,097)</u>	<u>4,796</u>
Cash flows from financing activities			
Dividend paid to shareholders		(5,778)	—
Net proceeds from rights issue		160,451	—
Placement of new shares		—	28,999
Repayment of long term bank loans		—	(43,598)
Drawdown of short term bank loans		114,424	—
Repayment of short term bank loans		(114,424)	(10,000)
Net cash generated from/(used in) financing activities		<u>154,673</u>	<u>(24,599)</u>
Net increase/(decrease) in cash and cash equivalents		10,576	(19,803)
Cash and cash equivalents at the beginning of the year		71,203	91,006
Cash and cash equivalents at the end of the year		<u>81,779</u>	<u>71,203</u>
Analysis of the balances of cash and cash equivalents			
Bank balances (excluding restricted bank balance)	22	<u>81,779</u>	<u>71,203</u>

Consolidated Statement of Changes in Equity*For the year ended 31st March 2007*

	Shareholders of the Company <i>HK\$'000</i>
At 1st April 2005	1,576,633 -----
Currency translation differences	2,283
Profit for the year	56,405 -----
Total recognised income for the year	58,688 -----
Placement of new shares	28,999
Grant of share options	3,348
Share options granted by a listed associated company	4,533 -----
	36,880 -----
At 31st March 2006	1,672,201 =====
At 1st April 2006	1,672,201 -----
Currency translation differences	467
Profit for the year	167,571 -----
Total recognised income for the year	168,038 -----
Shares issued for scrip dividend	6,441
Interim dividend	(12,219)
Grant of share options	11,913
Share options granted by a listed associated company	2,295
Net proceeds pursuant to rights issue	160,451
Convertible notes and bonds of listed associated companies	3,476 -----
	172,357 -----
At 31st March 2007	2,012,596 =====

Notes to the financial statements

1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

2 Principal accounting policies

(a) *The adoption of new/revised HKFRS*

During the year, the Group adopted the amendments and interpretation of HKFRS below, which are relevant to its operations.

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC) - Int 4	Determining whether an Arrangement contains a Lease

The Group has assessed the impact of the adoption of these amendments and interpretation and considered that there were no significant impact on the Group’s results and financial position and no substantial changes in the Group’s accounting policies.

Standards, interpretations and amendments to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published which are relevant to the Group’s operations and financial statements and are mandatory for the Group’s accounting periods beginning on or after 1st April 2007 or later periods as follows:

Effective from 1st January 2007

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK (IFRIC) - Int 8	Scope of HKFRS 2
HK (IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) - Int 10	Interim Reporting and Impairment
HK (IFRIC) - Int 11	HKFRS 2 - Group and Treasury Share Transactions
HKFRS 7	Financial Instruments: Disclosures

Effective from 1st January 2009

HKFRS 8	Operating Segments
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The Group has not early adopted the above standards, amendments and interpretations and it is not expected to have substantial changes to the Group's accounting policies and presentation of the financial statements.

(b) *Basis of consolidation*

The consolidated financial statements of the Group include the financial statements of the Company and all its subsidiaries made up to 31st March.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account as negative goodwill.

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 any related exchange reserve.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the profit and loss account. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) in which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(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. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) *Associated companies*

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(f) *Goodwill*

Goodwill represents the excess of the cost of acquisition over the fair values of the Group's share of the net identifiable assets of the acquired subsidiaries, jointly controlled entities and associated companies at the date of acquisition. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation and translated at closing rate.

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill on acquisitions of jointly controlled entities and associated companies is included in investments in jointly controlled entities and associated companies respectively. Goodwill is tested for impairment at least annually and whether there is any indicator for impairment and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment losses recognised on goodwill are not reversed.

(g) *Financial assets*

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and derivative financial instruments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and reevaluates this designation at every reporting date.

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and financial assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are included in the profit and loss account in the period in which they arise.

The fair values of financial instruments traded in active markets are based on quoted market price at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contract is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of derivative instruments are recognised immediately in the profit and loss account.

(h) ***Property, plant and equipment***

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Hotel and other buildings	Shorter of 50 years or the remaining lease period of the land on which the buildings is located
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Other equipment	3 $\frac{1}{3}$ to 10 years
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No depreciation is provided for buildings under development.

Freehold land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(i) ***Impairment of assets***

Assets that have an indefinite useful life and are not subject to depreciation/amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable

amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) ***Investment properties***

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment properties are measured initially at its cost, including related transaction costs. After initial recognition, investment properties are carried at fair value and are valued at least annually by independent valuers. The valuations are on an open market basis, related to individual properties, and separate values are not attributed to land and buildings. Investment property that is being redeveloped for continuing use as investment property continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Changes in fair values are recognised in the profit and loss account.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

(k) ***Properties held for/under development for sale***

Properties held for/under development for sale are included in current assets and comprise leasehold land at amortised cost, construction costs, interest and other direct costs attributable to such properties and allowances for any foreseeable losses.

(l) ***Completed properties held for sale***

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises leasehold land at amortised 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.

(m) ***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.

(n) *Trade and other receivables*

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade and other receivables in the balance sheet are stated net of such provision.

(o) *Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

(p) *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

(q) *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) *Retirement benefit obligations*

The Group contributes to several defined contribution retirement 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.

(iii) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(r) *Deferred income tax*

Deferred income tax 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 financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income 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 income tax 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 is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(s) *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(t) *Segment reporting*

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(u) *Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is recognised as follows:

(i) *Properties*

Revenue from sales of properties is recognised upon the later of completion of the properties and the sale and purchase contracts.

(ii) *Investment properties*

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

(iii) *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 related services are rendered.

Management fee income is recognised when services are rendered.

(iv) *Investment and others*

Interest income is recognised on a time proportion basis using the effective interest method.

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

(v) ***Foreign currency translation***

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which are the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss.

(iii) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(w) ***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 recognised in the profit and loss account in the year in which they are incurred.

(x) ***Operating leases***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors), are charged in the profit and loss account on a straight line basis over the period of the lease.

(y) ***Leasehold land***

The up-front prepayments made for leasehold land are amortised on a straight-line basis over the period of the lease and are charged to profit and loss account. Where there is impairment, impairment is expensed in the profit and loss account.

(z) ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

(aa) ***Related parties***

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, jointly controlled entities and associated companies and key management (including close members of their families), where the individual, company or group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

3 **Financial risk management**

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

(a) ***Market risk***

(i) ***Foreign exchange risk***

The Group and its associated companies operate mainly in Hong Kong and has limited exposures to foreign exchange risk arising from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group and its associated companies have certain investments in foreign operations in Canada and Mainland China, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the foreign operations in Canada is managed primarily through borrowings denominated in the relevant foreign currency.

(ii) *Price risk*

The Group and its associated companies are exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

(b) *Credit risk*

The Group and its associated companies have no significant concentrations of credit risk. Sales of properties are made to customers with appropriate mortgage arrangements. Other sales are either made in cash, via major credit cards or to customer with appropriate credit history. Cash transactions are limited to high-credit-quality financial institutions.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group maintains flexibility in funding by keeping committed credit lines available.

(d) *Interest rate risk*

The Group and its associated companies' interest rate risk arise from mortgage loans receivable and long term borrowings issued at variable rates.

The Group's associated companies manage certain of its interest rate risk from long term borrowings by limited use of floating-to-fixed interest-rate swaps. Such interest-rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

4 **Critical accounting estimates and judgements**

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

(a) *Estimate of fair value of investment properties*

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the amount is determined within a range of reasonable fair value estimates. Information from a variety of sources are considered in making the judgement:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. Assumptions used are mainly based on market conditions existing at each balance sheet date.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(b) ***Impairment of assets***

The Group's associated companies test at least annually whether goodwill has suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amounts of an asset or a cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

(c) ***Income taxes***

The Group and its associated companies are subject to income taxes in Hong Kong and other jurisdictions. Judgement is required in certain provision for income taxes for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

Recognition of deferred tax assets which principally relate to tax losses, depend on management's expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

5 Revenue and segment information

The Company is a limited liability company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is 30th Floor, Asia Orient Tower, Tower Place, 33 Lockhart Road, Wan Chai, Hong Kong.

The Group and its associated companies are principally engaged in property management, development and investment, hotel, travel agency and catering operations. Turnover comprises gross revenues from property management, investment and interest income.

Primary reporting format - business segment

The Group, its jointly controlled entities and associated companies are organised into four main business segments, comprising property sales, property leasing and management, hotel and travel and investment. There is no other significant identifiable separate business segment. Segment revenue from external customers is after elimination of inter-segment revenues. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments.

Segment assets consist primarily of property, plant and equipment, leasehold land, trade and other receivables, financial assets at fair value through profit or loss and derivative financial instruments and mainly exclude deferred income tax assets and bank balances and cash. Segment liabilities comprise mainly trade and other payables and exclude current income tax payable and deferred income tax liabilities.

	Property management	Investment	Other operations	Group
2007 (in HK\$'000)				
Proceeds from sale of financial assets at fair value through profit or loss	—	98,413	—	98,413
Segment revenue	<u>11,838</u>	<u>480</u>	<u>7,919</u>	<u>20,237</u>
	<u>11,838</u>	<u>98,893</u>	<u>7,919</u>	<u>118,650</u>
Contribution to segment results	2,943	480	7,919	11,342
Other income/(charges)	—	56,310	—	56,310
Unallocated corporate expenses				<u>(22,302)</u>
Operating profit				45,350
Finance costs				(688)
Share of results of Associated companies (<i>note (i)</i>)				<u>122,873</u>
Profit before income tax				167,535
Income tax credit				<u>36</u>
Profit for the year				<u>167,571</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

	Property management	Investment	Other operations	Group
2006 (in HK\$'000)				
Proceeds from sale of financial assets at fair value through profit or loss	—	27,727	—	27,727
Segment revenue	<u>11,263</u>	<u>—</u>	<u>6,100</u>	<u>17,363</u>
	<u>11,263</u>	<u>27,727</u>	<u>6,100</u>	<u>45,090</u>
Contribution to segment results	2,946	—	6,100	9,046
Other income/(charges)	—	(10,869)	—	(10,869)
Unallocated corporate expenses				<u>(12,342)</u>
Operating loss				(14,165)
Finance costs				(1,363)
Share of results of				
Jointly controlled entities (<i>note (i)</i>)				6,334
Associated companies (<i>note (i)</i>)				<u>65,599</u>
Profit before income tax				56,405
Income tax				<u>—</u>
Profit for the year				<u>56,405</u>

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

	2007		2006	
	Jointly controlled entities <i>HK\$'000</i>	Associated companies <i>HK\$'000</i>	Jointly controlled entities <i>HK\$'000</i>	Associated companies <i>HK\$'000</i>
Property sales	—	47,457	—	(13,597)
Property leasing	—	114,129	—	144,758
Hotel and travel	—	33,276	—	12,835
Investments	—	—	6,334	(7,428)
Other operations	—	15,187	—	7,766
Finance costs	—	(45,561)	—	(49,537)
Unallocated corporate expenses	<u>—</u>	<u>(41,615)</u>	<u>—</u>	<u>(29,198)</u>
	<u>—</u>	<u>122,873</u>	<u>6,334</u>	<u>65,599</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

	Property sales	Property management	Investment	Other operations	Group
2007 (in HK\$'000)					
Segment assets	—	488	56,223	2,147	58,858
Jointly controlled entities and associated companies (<i>note (ii)</i>)					1,883,737
Unallocated assets					<u>119,062</u>
					<u><u>2,061,657</u></u>
Segment liabilities	—	37,786	—	8,311	46,097
Unallocated liabilities					<u>2,964</u>
					<u><u>49,061</u></u>
Capital expenditure	—	14	—	—	14
Depreciation	—	42	—	742	784
2006 (in HK\$'000)					
Segment assets	101,000	2,105	45,943	2,519	151,567
Jointly controlled entities and associated companies (<i>note (ii)</i>)					1,464,773
Unallocated assets					<u>109,406</u>
					<u><u>1,725,746</u></u>
Segment liabilities	—	35,575	—	8,311	43,886
Unallocated liabilities					<u>9,659</u>
					<u><u>53,545</u></u>
Capital expenditure	—	77	—	1,677	1,754
Depreciation	—	42	—	428	470

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

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property sales	585,168	315,367
Property leasing	663,967	708,162
Hotel and travel	570,912	319,485
Investments	7,272	50,009
Other operations	49,470	20,044
Unallocated net assets	<u>6,948</u>	<u>51,706</u>
	<u>1,883,737</u>	<u>1,464,773</u>

Secondary reporting format - geographical segments

For the year ended 31st March 2007 and 2006, the activities of the Group are mainly based in Hong Kong. The Group incurred its capital expenditure, derived all of its revenue and operating profit/(loss) from Hong Kong. Over 90% of its total assets are located in Hong Kong.

6 **Other income and charges**

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unrealised gain on derivative financial instruments	5,902	—
Unrealised losses on financial assets at fair value through profit or loss	(1,650)	(4,556)
Net realised losses on financial assets at fair value through profit or loss	(5,080)	(13,758)
Gain on disposal of subsidiaries	163	—
Gain on disposal of associated companies and a jointly controlled entity	13,215	—
Negative goodwill recognised on acquisition of additional interest in listed associated companies	43,760	8,811
Loss on deemed disposal of interest in a listed associated company	<u>—</u>	<u>(1,366)</u>
	<u>56,310</u>	<u>(10,869)</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****7 Income and expenses by nature**

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income		
Interest income		
Financial assets at fair value through profit or loss	—	274
Others	7,508	5,440
Dividends from listed financial assets at fair value through profit or loss	<u>480</u>	<u>—</u>
Expenses		
Operating lease rental expenses for land and buildings	269	259
Employee benefit expense, including Directors' emoluments (note 10)	23,598	15,016
Depreciation	784	470
Auditor's remuneration	<u>813</u>	<u>914</u>

8 Finance costs

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense		
Long term bank loans	—	1,284
Short term bank loans and overdrafts	<u>688</u>	<u>79</u>
	<u>688</u>	<u>1,363</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
9 Directors' and senior management emoluments

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

Name of director	Directors'	Share	Salaries,	2007	Directors'	Salaries,	2006
	fee	options	and benefits in kind	Total	fee	and benefits in kind	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive</i>							
Mr. Fung Siu To, Clement	—	600	—	600	—	—	—
Dr. Lim Yin Cheng	—	600	—	600	—	—	—
Mr. Poon Jing	—	—	4,000	4,000	—	3,500	3,500
Mr. Lun Pui Kan	—	600	—	600	—	300	300
Mr. Kwan Po Lam, Phileas	—	600	—	600	—	—	—
<i>Non-executive</i>							
Mr. Chan Sze Hung	20	—	—	20	20	—	20
<i>Independent Non-executive</i>							
Mr. Cheung Kwok Wah, Ken	200	—	—	200	200	—	200
Mr. Wong Chi Keung	200	—	—	200	200	—	200
Mr. Hung Yat Ming	200	—	—	200	200	—	200
	<u>620</u>	<u>2,400</u>	<u>4,000</u>	<u>7,020</u>	<u>620</u>	<u>3,800</u>	<u>4,420</u>

(b) The five highest paid individuals in the Group for the year include two (2006: two) Directors whose emoluments are already reflected in the analysis presented above.

The emoluments payable to the remaining three (2006: three) individuals during the year are as follows:

	2007	2006
	HK\$'000	HK\$'000
Basic salaries, allowances, benefits in kind and share option benefits	<u>3,416</u>	<u>2,643</u>

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2007	2006
Below HK\$1,000,000	—	2
HK\$1,000,001 - HK\$1,500,000	3	—
HK\$2,000,001 - HK\$2,500,000	<u>—</u>	<u>1</u>

10 Employee benefit expense

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages and salaries	11,514	11,399
Retirement benefits costs (<i>note (a)</i>)	171	269
Employee share option benefits (<i>note (b)</i>)	11,913	3,348
	<u>23,598</u>	<u>15,016</u>

Employee benefit expense is stated inclusive of Directors' emoluments.

Notes:

(a) Retirement benefits costs

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross contributions	311	308
Forfeitures utilised	<u>(140)</u>	<u>(39)</u>
Net contributions	<u>171</u>	<u>269</u>

The Group participates in various types of defined contribution schemes for employees, namely the Mandatory Provident Fund ("MPF") Scheme and Occupational Retirement Scheme Ordinance ("ORSO") Scheme 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 employees' 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. Monthly contributions to the MPF scheme are made equal to 5% (2006: 5%) of the employees' relevant income in accordance with the 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 2007, no forfeitures (2006: nil) were available to reduce the Group's future contributions to the ORSO schemes.

(b) *Share options*

The Company operates share option schemes whereby options may be granted to employees of the Group, including the executive Directors, to subscribe for shares of the Company. The consideration to be paid on each grant of option is HK\$1.

Share options were granted to directors and to employees to subscribe for shares in accordance with the terms and conditions of the share option scheme.

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

Grantee	Expiry date	Exercise price	2007 Number	2006 Number
Directors	29th March 2017	HK\$1.602	7,600,000	—
Employees	29th March 2017	HK\$1.602	23,900,000	—
Directors of a listed associated company	29th March 2017	HK\$1.602	6,200,000	—
Directors	11th February 2014	HK\$2.9371	—	7,721,048
Employees	24th February 2015	HK\$2.5766	—	6,067,180
Employees	7th April 2015	HK\$2.1583	—	3,033,590
			<u>37,700,000</u>	<u>16,821,818</u>

During the year, 37,700,000 (2006: 2,700,000) options to subscribe for shares of the Company were granted. All of the share options granted in prior years (with the number of outstanding share options granted and the exercise price thereof adjusted for the effect of rights issue on 10th April 2006) were cancelled during the year (2006: Nil). No options were exercised, forfeited or lapsed during the year.

The fair value of the options granted and vested in the current year determined using the Binomial option pricing model is HK\$11,913,200 and is recognised in the profit and loss account. The following assumptions were used to calculate the fair values of share options granted on 29th March 2007:

Closing share price at the date of grant (HK\$)	1.570
Exercise price (HK\$)	1.602
Expected life of options (years)	4
Expected volatility (%) - note (i)	26.62%
Expected dividend yield (%) - note (ii)	3.58%
Risk free rate (%)	3.953%

Notes:

(i) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over one year immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the expected life of the options and the historical volatility of the shares.

(ii) It is based on prospective dividend yield of the shares at 29th March 2007.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****11 Income tax credit**

No provision for Hong Kong profits tax and overseas income tax have been made as the Group has no estimated assessable profit for the year (2006: Nil).

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
Underprovision in prior years	(73)	—
Deferred income tax	<u>109</u>	<u>—</u>
	<u>36</u>	<u>—</u>

Share of income tax of jointly controlled entities and associated companies for the year of nil (2006: HK\$ nil) and HK\$24,146,000 (2006: HK\$15,551,000) are included in the profit and loss account as share of profits less losses of jointly controlled entities and associated companies respectively.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	167,535	56,405
Share of profits less losses of jointly controlled entities and associated companies	<u>(122,873)</u>	<u>(71,933)</u>
	<u>44,662</u>	<u>(15,528)</u>
Calculated at a tax rate of 17.5% (2006: 17.5%)	(7,816)	2,717
Underprovisions in prior years	(73)	—
Income not subject to taxation	10,961	1,614
Expenses not deductible for tax purposes	(1,414)	(1,386)
Tax losses not recognised	(4,938)	(2,945)
Other temporary differences	20	—
Recognition of previously unrecognised tax losses	3,187	—
Others	<u>109</u>	<u>—</u>
Income tax credit	<u>36</u>	<u>—</u>

12 Profit attributable to shareholders of the Company

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of loss of HK\$13,170,000 (2006: HK\$6,630,000).

13 Dividends and distribution

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, paid, of HK3.2 cents (2006: Nil) per share	12,219	—
Final, proposed, of HK2.0 cents (2006: Nil) per share	<u>11,572</u>	<u>—</u>
	<u>23,791</u>	<u>—</u>

At a meeting held on 18th July 2007, the Board has proposed a distribution of HK2.0 cents per share with a scrip option. This proposed distribution is not reflected in the financial statements, but will be reflected as an appropriation of contributed surplus in the year ending 31st March 2008.

The proposed distribution of HK\$11,572,000 is based on 578,576,347 shares in issue assuming the proposed rights issue of the Company is completed (note 33).

14 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$167,571,000 (2006: HK\$56,405,000) and divided by the weighted average of 378,686,455 (2006: 271,331,660, adjusted for the effects of rights issue in April 2006) shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31st March 2007 is based on HK\$164,964,000 equaling to the profit attributable to shareholders of HK\$167,571,000 with a decrease in share of profit after tax HK\$2,607,000 from Asia Standard International Group Limited (“Asia Standard”) arising from potential conversion of the convertible notes of Asia Standard, and the weighted average number of 378,686,455 shares in issue during the year. The Company’s outstanding share options did not have a dilutive effect on the earnings per share.

In 2006, the exercise of subscription rights attached to the share options and the conversion of the convertible bonds of Asia Standard would not have a dilutive effect on the earnings per share. The diluted earnings per share were equal to the basic earnings per share in 2006.

15 Property, plant and equipment

	Other equipment <i>HK\$'000</i>
Cost	
At 31st March 2006	4,970
Additions	<u>14</u>
At 31st March 2007	----- 4,984
Accumulated depreciation	
At 31st March 2006	2,324
Charge for the year	<u>784</u>
At 31st March 2007	----- 3,108
Net book value	
At 31st March 2007	<u><u>1,876</u></u>
Cost	
At 31st March 2005	3,216
Additions	<u>1,754</u>
At 31st March 2006	----- 4,970
Accumulated depreciation	
At 31st March 2005	1,854
Charge for the year	<u>470</u>
At 31st March 2006	----- 2,324
Net book value	
At 31st March 2006	<u><u>2,646</u></u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****16 Subsidiaries**

	2007	2006
	<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>824,589</u>	<u>654,498</u>
	<u><u>3,648,228</u></u>	<u><u>3,478,137</u></u>

Details of the principal subsidiaries are set out in note 34.

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

17 Jointly controlled entities

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net liabilities	(35,764)	(31,506)
Advances to jointly controlled entities less provisions	<u>43,036</u>	<u>43,200</u>
Total carrying amounts of jointly controlled entities	7,272	11,694
Amount due to a jointly controlled entity included in current liabilities	<u>—</u>	<u>(4,422)</u>
	<u><u>7,272</u></u>	<u><u>7,272</u></u>

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

Details of the principal jointly controlled entities are set out in note 34.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP***The Group's share of assets and liabilities and results*

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Assets		
Non-current assets	19	14
Current assets	<u>411</u>	<u>729</u>
	----- 430	----- 743
Liabilities		
Non-current liabilities	32,857	29,481
Current liabilities	<u>3,337</u>	<u>2,768</u>
	----- <u>36,194</u>	----- <u>32,249</u>
	<u>(35,764)</u>	<u>(31,506)</u>
Income	—	9,064
Expenses	<u>—</u>	<u>(2,730)</u>
Profit before income tax	—	6,334
Income tax expense	<u>—</u>	<u>—</u>
Profit for the year	<u>—</u>	<u>6,334</u>

18 Associated companies

	Group	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Share of net assets	1,876,465	1,450,730
Advances to associated companies less provisions	<u>—</u>	<u>2,349</u>
Total carrying amounts of associated companies	1,876,465	1,453,079
Amounts due to associated companies included in current liabilities	<u>(1,641)</u>	<u>(18)</u>
	<u>1,874,824</u>	<u>1,453,061</u>
Market value of listed shares	<u>779,045</u>	<u>619,330</u>

The 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 34.

The Group's share of assets and liabilities and results

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets	3,494,038	2,930,346
Liabilities	<u>(1,617,573)</u>	<u>(1,479,616)</u>
Net assets	<u>1,876,465</u>	<u>1,450,730</u>
Revenues	607,750	319,911
Profit for the year	122,873	65,599
Contingent liabilities	<u>100,629</u>	<u>57,809</u>

19 Trade and other receivables

Trade and other receivables of the Group include trade receivables, utility and other deposits, interest and other receivables.

Trade receivables of the Group amounted to HK\$302,000 (2006: HK\$159,000). 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.

Aging analysis of trade receivables net of provision for impairment of doubtful debts is as follows:

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	226	98
61 days to 120 days	76	11
More than 120 days	<u>—</u>	<u>50</u>
	<u>302</u>	<u>159</u>

The carrying amounts of trade and other receivables approximate their fair values.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****20 Financial assets at fair value through profit or loss**

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities		
Listed in Hong Kong	9,026	39,679
Listed overseas	—	6,264
Pledged United States treasury bills (Note)	<u>41,295</u>	<u>—</u>
	<u><u>50,321</u></u>	<u><u>45,943</u></u>

Note: The United States treasury bills were pledged for United States Dollars currency forward contract.

21 Derivative financial instruments

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets		
Financial assets, held for trading		
— United States Dollars currency forward contract	<u>5,902</u>	<u>—</u>

The notional principal amounts of the outstanding forward foreign exchange contracts at 31st March 2007 were US\$100,000,000 (2006: Nil).

22 Bank balances and cash

	Group		Company	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at bank and in hand	11,709	9,808	52	1,416
Restricted bank balances	33,266	34,302	—	—
Short-term deposits	<u>70,070</u>	<u>61,395</u>	<u>—</u>	<u>14,882</u>
	<u><u>115,045</u></u>	<u><u>105,505</u></u>	<u><u>52</u></u>	<u><u>16,298</u></u>

The effective interest rate on restricted bank balances is 3.2% (2006: 3.4%) per annum. These balances are held in trust in respect of buildings managed by the Group on behalf of third parties.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

The effective interest rate on short-term bank deposits is 4.9% (2006: 3.3%) per annum for the Group and nil (2006: 3%) per annum for the Company. These deposits have an average maturity of 3 days (2006: 4 days) for the Group and nil (2006: 1 day) for the Company.

23 Trade and other payables

Trade and other payables of the Group include trade payables, management fee deposits, interest and other payables and various accruals. Trade payables of the Group amounted to HK\$4,181,000 (2006: HK\$2,173,000)

Aging analysis of trade payables is as follows:

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	3,629	1,807
61 days to 120 days	28	12
More than 120 days	<u>524</u>	<u>354</u>
	<u>4,181</u>	<u>2,173</u>

The carrying amounts of trade and other payables approximate their fair values.

24 Share capital

Shares of HK\$0.1 each	Number of shares	Amount <i>HK\$'000</i>
Authorised		
At 31st March 2006 and 2007	<u>750,000,000</u>	<u>75,000</u>

	Number of shares		Amount	
	2007	2006	2007	2006
			<i>HK\$'000</i>	<i>HK\$'000</i>
Issued and fully paid:				
At the beginning of the year	254,557,972	234,516,210	25,456	23,452
Scrip dividend/distribution (<i>note (a)</i>)	3,880,607	4,041,762	388	404
Shares issued pursuant to rights issue (<i>note (b)</i>)	127,278,986	—	12,728	—
Placement of shares (<i>note (c)</i>)	<u>—</u>	<u>16,000,000</u>	<u>—</u>	<u>1,600</u>
At the end of the year	<u>385,717,565</u>	<u>254,557,972</u>	<u>38,572</u>	<u>25,456</u>

Notes:

- (a) In February 2007, 3,880,607 new shares (2006: 4,041,762 new shares as scrip distribution) were allotted and issued as scrip dividend.

- (b) In April 2006, the Company issued 127.3 million shares at HK\$1.30 each for a gross amount of HK\$165.4 million pursuant to a rights issue of 1 rights share for 2 shares held. The net proceeds from the subscription would be used for investment in Hong Kong, Macau and the People's Republic of China ("PRC") in order to expand the Group's investment portfolio.

- (c) Pursuant to a placing and subscription agreement dated 11th January 2006, the Company issued 16 million new shares at HK\$1.85 per share, a discount of approximately 9.76% to the closing price of HK\$2.05 per share as quoted on the Stock Exchange on 11th January 2006, to more than six independent third parties. The net proceeds from the subscription was approximately HK\$29.0 million representing HK\$1.81 per share, and would be used for general working capital purpose. The reasons for this share placement were to broaden the entity capital base as well as to strengthen the financial position of the Group.

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
25 Reserves

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Convertible notes and bonds <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group							
At 1st April 2005	1,527,278	360,302	1,002,675	—	—	(1,337,074)	1,553,181
Offsetting of accumulated losses (note)	—	—	(920,762)	—	—	920,762	—
Currency translation differences	—	—	—	—	—	2,283	2,283
Placement of new shares	27,399	—	—	—	—	—	27,399
Scrip distribution	9,680	—	(10,084)	—	—	—	(404)
Grant of share options	—	—	—	—	3,348	—	3,348
Share options granted by a listed associated company	—	—	—	—	4,533	—	4,533
Exercise of share options of a listed associated company	—	—	—	—	(4,461)	4,461	—
Profit for the year	—	—	—	—	—	56,405	56,405
At 31st March 2006	1,564,357	360,302	71,829	—	3,420	(353,163)	1,646,745
Interim dividend with scrip option	6,053	—	—	—	—	(12,219)	(6,166)
Currency translation differences	—	—	—	—	—	467	467
Shares issued pursuant to rights issue less expenses	147,723	—	—	—	—	—	147,723
Goodwill released on disposal of an associated company	—	37,719	—	—	—	(37,719)	—
Grant of share options	—	—	—	—	11,913	—	11,913
Cancellation of share options	—	—	—	—	(3,348)	3,348	—
Share options granted by a listed associated company	—	—	—	—	2,295	—	2,295
Share of reserve of associated companies	—	—	—	3,476	—	—	3,476
Profit for the year	—	—	—	—	—	167,571	167,571
At 31st March 2007	<u>1,718,133</u>	<u>398,021</u>	<u>71,829</u>	<u>3,476</u>	<u>14,280</u>	<u>(231,715)</u>	<u>1,974,024</u>
Representing:							
2007 proposed distribution	—	—	11,572	—	—	—	11,572
Others	1,718,133	398,021	60,257	3,476	14,280	(231,715)	1,962,452
At 31st March 2007	<u>1,718,133</u>	<u>398,021</u>	<u>71,829</u>	<u>3,476</u>	<u>14,280</u>	<u>(231,715)</u>	<u>1,974,024</u>

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	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Company					
At 31st March 2005	1,527,278	2,838,224	—	(920,763)	3,444,739
Offsetting accumulated losses (<i>note</i>)	—	(920,762)	—	920,762	—
Placement of new shares	27,399	—	—	—	27,399
Scrip distribution	9,680	(10,084)	—	—	(404)
Grant of share options	—	—	3,348	—	3,348
Loss for the year	—	—	—	(6,630)	(6,630)
At 31st March 2006	1,564,357	1,907,378	3,348	(6,631)	3,468,452
Interim dividend with scrip option	6,053	—	—	(12,219)	(6,166)
Shares issued pursuant to rights issue less expenses	147,723	—	—	—	147,723
Grant of share options	—	—	11,913	—	11,913
Cancellation of share options	—	—	(3,348)	3,348	—
Loss for the year	—	—	—	(13,170)	(13,170)
At 31st March 2007	<u>1,718,133</u>	<u>1,907,378</u>	<u>11,913</u>	<u>(28,672)</u>	<u>3,608,752</u>
Representing:					
2007 proposed distribution	—	11,572	—	—	11,572
Others	<u>1,718,133</u>	<u>1,895,806</u>	<u>11,913</u>	<u>(28,672)</u>	<u>3,597,180</u>
At 31st March 2007	<u>1,718,133</u>	<u>1,907,378</u>	<u>11,913</u>	<u>(28,672)</u>	<u>3,608,752</u>

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

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus and share option reserve are also distributable. Accordingly, total distributable reserves of the Company amounted to HK\$1,890,619,000 (2006: HK\$1,904,095,000) as at 31st March 2007.

26 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred income tax assets	3,885	3,902	171	171
Deferred income tax liabilities	<u>(9)</u>	<u>(135)</u>	<u>—</u>	<u>—</u>
	<u>3,876</u>	<u>3,767</u>	<u>171</u>	<u>171</u>

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

*Group**Deferred income tax assets*

	Decelerated tax depreciation		Tax losses		Total	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	51	51	3,893	5,252	3,944	5,303
Recognised in the profit and loss account	<u>(11)</u>	<u>—</u>	<u>(48)</u>	<u>(1,359)</u>	<u>(59)</u>	<u>(1,359)</u>
At the end of the year	<u>40</u>	<u>51</u>	<u>3,845</u>	<u>3,893</u>	<u>3,885</u>	<u>3,944</u>

Deferred income tax liabilities

	Accelerated tax depreciation		Unrealised gains on financial assets at fair value through profit or loss		Total	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	(177)	(11)	—	(1,525)	(177)	(1,536)
Recognised in the profit and loss account	<u>168</u>	<u>(166)</u>	<u>—</u>	<u>1,525</u>	<u>168</u>	<u>1,359</u>
At the end of the year	<u>(9)</u>	<u>(177)</u>	<u>—</u>	<u>—</u>	<u>(9)</u>	<u>(177)</u>

*Company**Deferred income tax assets*

	Tax losses	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning and end of the year	<u>171</u>	<u>171</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 did not recognise deferred income tax assets of HK\$6 million (2006: HK\$4 million) in respect of losses amounting to HK\$34 million (2006: HK\$24 million) than can be carried forward against future taxable income. These tax losses have no expiry date.

27 Amounts due to minority shareholders

Amounts due to minority shareholders are unsecured, interest free and have no specific terms of repayment.

28 Capital commitments

At 31st March 2007, neither the Group nor the Company had any capital commitments which were contracted but not provided for, nor authorised but not contracted for (2006: nil).

29 Operating lease arrangements

Future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
In respect of land and buildings:		
Within one year	407	87
In the second to fifth year inclusive	<u>136</u>	<u>—</u>
	<u>543</u>	<u>87</u>

30 Contingent liabilities

The Group and the Company did not have any material contingent liabilities as at 31st March 2007 (2006: nil).

31 Notes to consolidated cash flow statement

(a) Reconciliation of profit before income tax to net cash from operations

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before income tax	167,535	56,405
Share of profits less losses of		
Jointly controlled entities	—	(6,334)
Associated companies	(122,873)	(65,599)
Dividends from financial assets at fair value through profit or loss	(480)	—
Depreciation	784	470
Gain on disposal of subsidiaries	(163)	—
Gain on disposal of associated companies and a jointly controlled entity	(13,215)	—
Loss on deemed disposal of interest in a listed associated company	—	1,366
Net realised and unrealised losses on financial assets at fair value through profit or loss	6,730	18,314
Unrealised gain on derivative financial instruments	(5,902)	—
Employee share option benefits	11,913	3,348
Interest income	(7,508)	(5,714)
Interest expense	688	1,363
Negative goodwill recognised on acquisition of additional interest in listed associated companies	<u>(43,760)</u>	<u>(8,811)</u>
Operating loss before working capital changes	(6,251)	(5,192)
Decrease in trade and other receivables	102,069	23,688
Decrease/(increase) in restricted bank balances	1,036	(1,141)
Increase in trade and other payables	<u>477</u>	<u>1,326</u>
Net cash from operations	<u>97,331</u>	<u>18,681</u>

(b) Disposal of subsidiaries

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Net liabilities disposed		
Accrued expenses	(13)	—
Add: Gain on disposal	<u>163</u>	<u>—</u>
Cash proceeds received less expenses	<u>150</u>	<u>—</u>

32 **Related party transactions**

In addition to the related party information shown elsewhere in the financial statements, the following transactions were carried out with related parties:

Sales and purchases of goods and services

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from/(expense to) associated companies		
Management fee income (<i>note (a)</i>)	1,044	1,011
Cleaning income (<i>note (b)</i>)	881	728
Secretarial fee income (<i>note (c)</i>)	—	96
Rental expenses (<i>note (d)</i>)	<u>(269)</u>	<u>(259)</u>

Notes:

- (a) Management fee income is charged for management services rendered at a mutually agreed fee.
- (b) Cleaning income is subject to terms agreed by the parties involved, which are at a fixed monthly fee.
- (c) Secretarial fee income is charged for management services rendered at a mutually agreed fee.
- (d) Rental expenses is subject to terms agreed by the parties involved, which are at a fixed monthly fee.

33 **Subsequent event**

In June 2007, the Company offered a rights issue of 193 million shares at HK\$1.30 each for a gross amount of HK\$251 million pursuant to a rights issue of 1 rights share for every 2 shares held on the record date. The net proceeds from the subscription would be used for investment in Hong Kong, Macau and the PRC in order to expand the Group's investment portfolio.

34 **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.

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Subsidiaries

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

Name	Principal activity	Issued and fully paid ordinary share capital	Percentage of equity held by the Group
<i>Incorporated in British Virgin Islands</i>			
Asia Orient Holdings (BVI) Limited *	Investment holding	US\$100	100%
Finnex Limited	Securities investment	US\$1	100%
Impetus Holdings Limited	Investment holding	US\$1	100%
Jetcom Capital Limited	Investment holding	US\$1	100%
Mega Fusion Limited	Investment holding	US\$1	100%
New Day Holdings Ltd.	Investment holding	US\$1	100%
Persian Limited	Investment holding	US\$49,050	100%
Sunrich Holdings Limited	Securities investment	US\$1	100%
United Resources Associates Limited	Investment holding	US\$6	83.3%
On-link Limited	Investment holding	US\$1	100%
<i>Incorporated in Hong Kong</i>			
Asia Orient Company Limited	Investment holding	US\$26,964,837	100%
Good Year Engineering Services Limited	Engineering and maintenance services	HK\$2	100%
Hitako Limited	Investment holding	HK\$20	100%
Ocean Hand Investments Limited	Investment holding	HK\$2	100%
Pan Bright Investment Limited	Investment holding	HK\$20	100%
Pan Harbour Investment Limited	Investment holding	HK\$2	100%
Pan Inn Investment Limited	Investment holding	HK\$20	100%
Pan Kite Investment Limited	Investment holding	HK\$20	100%
Pan Pearl Investment Limited	Investment holding	HK\$20	100%
Pan Spring Investment Limited	Investment holding	HK\$20	100%
Prosperity Land Cleaning Service Limited	Cleaning services	HK\$100 and non-voting deferred share capital of HK\$100	100%
Prosperity Land Estate Management Limited	Property management	HK\$150 and non-voting deferred share capital of HK\$1,500,000	100%
Union Home Development Limited	Investment holding	HK\$2	100%
<i>Incorporated in Liberia</i>			
Bassindale Limited	Investment holding	US\$500	100%

* Direct subsidiary of the Company

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
Jointly controlled entities

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
<i>Incorporated in Hong Kong</i>			
China INFOBANK Limited	Internet content provider	HK\$27,000,000	40.0%
Express Wind Limited	Investment holding	HK\$10,000	25.0%

Incorporated in the PRC

Cultural Palace Entertainment Company Limited #	Leasing of an entertainment complex	US\$4,750,000	25.0%
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Cooperative Joint Venture operating in the PRC

Associated companies

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
<i>Incorporated in Bermuda</i>			
Asia Standard Hotel Group Limited	Hotel, catering services and travel	HK\$221,605,000	29.9%
Asia Standard International Group Limited	Property development, property leasing, hotel and travel	HK\$69,173,000	42.9%
<i>Incorporated in Hong Kong</i>			
Asia Standard Development (Holdings) Limited	Investment holding	HK\$10 and non-voting deferred share capital of HK\$362,892,949	42.9%
Asia Standard Finance Company Limited	Financing services	HK\$1,000,000	42.9%
Asia Standard International Limited	Investment holding	HK\$1,214,916,441	42.9%
Asia Standard Management Services Limited	Management services	HK\$2	42.9%
Full Union Development Limited	Property development	HK\$2	42.9%
Get Rich Enterprises Limited	Property development	HK\$2	34.3%

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
Hoi Chak Properties Limited	Property investment	HK\$10 and non-voting deferred share capital of HK2	42.9%
JBC Travel Company Limited	Travel agency	HK\$2,500,000	29.9%
Lucky New Investment Limited	Property development	HK\$1	21.5%
Master Asia Enterprises Limited	Hotel holding	HK\$10,000	29.9%
Paramount Shine Limited	Property development	HK\$2	21.5%
Stone Pole Limited	Hotel holding	HK\$10	29.9%
Tilpifa Company Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$10,000	42.9%
Tonlok Limited	Property development	HK\$1,000	42.9%
Union Rich Resources Limited	Property development	HK\$2	34.3%
Vinstar Development Limited	Hotel holding	HK\$2	29.9%
Weststar Enterprises Limited	Property development	HK\$2	21.5%
Winfast Engineering Limited	Construction	HK\$2	42.9%
<i>Incorporated in British Virgin Islands</i>			
Enrich Enterprises Limited	Hotel holding	US\$1	29.9%
Global Gateway Corp.	Hotel operation	US\$1	29.9%
Glory Ventures Enterprises Inc.	Hotel holding	US\$1	29.9%
Honour Ahead Limited	Property development	US\$50,000	48.0%
<i>Incorporated in Cayman Islands</i>			
Asia Standard International Capital Limited	Financing services	US\$2	42.9%
<i>Incorporated in the PRC</i>			
漁陽房地產開發(深圳)有限公司 #	Property development	RMB40,000,000	17.7%

Wholly owned Foreign Enterprises operating in the PRC

35 Approval of financial statements

The financial statements were approved by the Board of Directors on 18th July 2007.

3. MATERIAL CHANGES

As at the Latest Practicable Date, there have not been any material change in the trading or financial position or outlook of the Group since 31 March 2007, being the date to which the latest published audited accounts of the Group were made up save for the following.

- the Rights Issue.

4. INDEBTEDNESS

As at the close of business on 30 June 2007, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the Group had outstanding unsecured amounts due to minority shareholders of HK\$8.3 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, at the close of business on 30 June 2007, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code 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, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL AND OPTIONS**(a) Share capital**

The authorised and issued capital of the Company as at the Latest Practicable Date were as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>750,000,000</u>	Shares	<u>75,000,000.00</u>
<i>Issued and fully paid:</i>		
<u>578,576,347</u>	Shares	<u>57,857,634.70</u>

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital.

On 30 July 2007, 192,858,782 new Shares were issued fully-paid at HK\$1.3 per Share under the Rights Issue, details of which were set out in the announcement of the Company dated 13 June 2007. Save for the issue of new Shares mentioned above, there has been no alteration to the issued share capital of the Company since the end of the last financial year of the Company, being 31 March 2007.

(b) Share options

Details of the outstanding share options as at the Latest Practicable Date were as follows:

	Exercise price per Share <i>HK\$</i>	Date of grant	Exercisable period	Number of underlying Shares subject to outstanding share options
Employees of the Group	1.4315	29 March 2007	29 March 2007 to 28 March 2017	33,685,083
Directors	1.4315	29 March 2007	29 March 2007 to 28 March 2017	8,505,204

Save as disclosed above, the Company did not have any other options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

There is no arrangement under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares (within the meaning of Part XV of the SFO) or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be

notified to the Company and the Stock Exchange or to be disclosed in this circular pursuant to the requirements of the Takeovers Code, were as follows:

(i) **Long positions in shares**

(a) *The Company*

Name of Director	Beneficial owner	Number of Shares and the capacity in which the Shares are held			Total	Percentage shareholding (%)
		Interest through controlled corporations <i>(Note)</i>	Family interest			
Mr. Poon	92,761,366	88,677,414	3,257,939	184,696,719	31.92	
Mr. Fung	9,278,770	—	—	9,278,770	1.60	

Note: Mr. Poon is deemed to have interests in the Company through corporations controlled by him. As these controlled corporations are companies wholly-owned by and acting in concert with Mr. Poon, they are members in the Concert Party Group. The identities of these controlled corporations and their respective shareholding in the Company are as follows:

Controlled corporations	Shares held	Percentage shareholding (%)
Full Speed Investments Limited	20,868,696	3.6
Heston Holdings Limited	30,816,927	5.3
Teddington Holdings Limited	<u>36,991,791</u>	<u>6.4</u>
	<u>88,677,414</u>	<u>15.3</u>

(b) *Associated corporations*

Name of Director	Associated corporation	Beneficial owner	Number of shares and the capacity in which the shares are held		Percentage shareholding (%)
			Interest through controlled corporations (Note 1)	Total	
Mr. Poon	Asia Standard International	6,248,502	3,087,345,774 (Note 2)	3,093,594,276	43.06
Mr. Poon	Asia Standard Hotel	383,434	8,711,059,638 (Note 2)	8,711,443,072	69.64
Mr. Poon and Mr. Fung	Centop Investment Limited (“Centop”)	—	20 (Note 3)	20	20
Mr. Poon	Centop	—	80 (Note 4)	80	80
Mr. Fung	Mark Honour Limited	9	—	9	9

Notes:

1. Mr. Poon is deemed to have interests in the associated corporations through the corporations controlled by him.
2. By virtue of his controlling interest in the Company, Mr. Poon is deemed to be interested in the shares of Asia Standard International and Asia Standard Hotel held by the Company’s subsidiaries.
3. Centop is owned as to 80% by Asia Standard International and 20% by Kingscore Investment Limited (“Kingscore”). Each of Mr. Poon and Mr. Fung holds 50% interest in Kingscore. By virtue of their interest in Kingscore, each of Mr. Poon and Mr. Fung is deemed to have interest in the 20 shares held by Kingscore and duplicate the interest of the other.
4. By virtue of his controlling interest in the Company, Mr. Poon is deemed to have interest in the 80 shares of Centop held by Asia Standard International.

In addition, by virtue of his controlling interest in the Company, Mr. Poon is deemed to be interested in the shares of all the Company’s subsidiaries and associated corporations.

(ii) Long position in underlying shares — Interest in share options

Details of the share options granted to the Directors under the share option schemes of the Company and its associated corporation as at the Latest Practicable Date are set out as follows:

(a) *The Company*

Name of Director	Number of underlying Shares subject to the outstanding share options
Mr. Fung	2,126,301
Dr. Lim Yin Cheng	2,126,301
Mr. Lun Pui Kan	2,126,301
Mr. Kwan Po Lam, Phileas	2,126,301

The share options were granted on 29 March 2007 and exercisable from 29 March 2007 to 28 March 2017 at the exercise price of HK\$1.4315 (as adjusted) per Share.

(b) *Asia Standard International*

Name of Director	Number of underlying shares of Asia Standard International subject to the outstanding share options
Mr. Fung	20,621,761
Mr. Poon	5,155,440
Dr. Lim Yin Cheng	20,621,761
Mr. Lun Pui Kan	20,621,761
Mr. Kwan Po Lam, Phileas	20,621,761

The share options were granted on 30 March 2005 and exercisable from 30 March 2005 to 29 March 2015 at the exercise price of HK\$0.315 (as adjusted) per share of Asia Standard International.

(c) *Asia Standard Hotel*

Name of director	Date of Grant	Exercise Price (HK\$)	Exercise Period	Number of underlying shares of Asia Standard Hotel subject to the outstanding share options
Mr. Fung	29 March 2007	0.1296	29 March 2007 to 28 March 2017	80,000,000
Dr. Lim Yin Cheng	2 April 2007	0.130	2 April 2007 to 1 April 2017	80,000,000
Mr. Lun Pui Kan	2 April 2007	0.130	2 April 2007 to 1 April 2017	80,000,000
Mr. Kwan Po Lam, Phileas	2 April 2007	0.130	2 April 2007 to 1 April 2017	80,000,000

As at the Latest Practicable Date, save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange or to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

4. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies (a) which had been entered into or amended within six months before the date of the Announcement; or (b) which was continuous contract with a notice period of 12 months or more; or (c) which is fixed term contract with more than 12 months to run irrespective of the notice period.

5. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Group during the period commencing two years preceding the date of the Announcement up to the Latest Practicable Date and are or may be material:

1. the top-up subscription agreement dated 11 January 2006 entered into between Mr. Poon and the Company in relation to the subscription by Mr. Poon for a total of 16,000,000 new Shares at HK\$1.85 per Share;

2. the underwriting agreement dated 8 February 2006 entered into between the Company and Mr. Poon and Taifook Securities (formerly named as Tai Fook Securities Company Limited) in relation to the rights issue as announced by the Company on 10 February 2006 (as supplemented by a letter dated 10 February 2006 entered into by the same parties amending certain definitions and the expected timetable of the Rights Issue) for a consideration of HK\$1.66 million;
3. the subscription agreement dated 2 May 2006 entered into between (a) Asia Standard International, (b) Grosvenor Asset Management Limited (“Grosvenor”), a substantial shareholder of Asia Standard International, and (c) Asia Orient Company Limited (“AOCL”), a wholly-owned subsidiary of the Company in relation to the subscription for the convertible notes issued by Asia Standard International Capital Limited, a wholly-owned subsidiary of Asia Standard International, by Grosvenor and AOCL in the principal amount of HK\$41 million and HK\$140 million respectively;
4. the irrevocable undertaking dated 25 September 2006 given by the Company pursuant to which the Company undertook, inter alia, to take up the assured entitlement under the rights issue as announced by Asia Standard International on 26 September 2006; and
5. the underwriting agreement dated 13 June 2007 in relation to the Rights Issue.

6. ADDITIONAL DISCLOSURE OF INTERESTS IN THE COMPANY

- (a) As at the Latest Practicable Date, the Concert Party Group were interested in 193,975,489 Shares representing approximately 33.53% of the issued capital of the Company.

The Concert Party Group consists of Mr. Poon, Mr. Fung and companies controlled by any of them and parties acting in concert with any of them, excluding the Company for this purpose.

As Mr. Poon and Mr. Fung are principal members of the Concert Party Group, who are also the Directors, interests of Mr. Poon and Mr. Fung in the Company are thus disclosed under the section headed “Disclosure of Interests of Directors”. Interests of the companies controlled by Mr. Poon or Mr. Fung or parties acting in concert with any of them are also disclosed in the note to sub-section (i)(a) under the section headed “Disclosure of Interests of Directors”, as Mr. Poon is deemed to have interest in the Company through companies wholly-owned and controlled by him.

- (b) As at the Latest Practicable Date, no persons who held shares, convertible securities, warrants, options or derivative of the Company have irrevocably committed themselves to vote for or against the approval of the Bonus Issue of Warrants or the Whitewash Waiver.
- (c) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code was entered into by any person with the Concert Party Group with respect to the shares, convertible securities, warrants, options or derivatives of the Company.

- (d) As at the Latest Practicable Date, none of the subsidiaries of the Company, nor any pension funds of the Group or any advisor to the Company as specified in class (2) of the definition of associate in the Takeovers Code, had any interest in the shares, convertible securities, warrants, options or derivatives of the Company.
- (e) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code was entered into by any person with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code with respect to the shares, convertible securities, warrants, options or derivatives of the Company.
- (f) As at the Latest Practicable Date, there were no holdings in the Shares, convertible securities, warrants, options or derivatives of the Company which are managed on a discretionary basis by fund managers connected with the Company.
- (g) Mr. Poon and Mr. Fung are required to abstain from voting in the SGM. Save for Mr. Poon and Mr. Fung, no other Directors held Shares as at the Latest Practicable Date.

7. DEALINGS IN THE SHARES

(a) Dealings in the Shares in the Company

Dealings of Shares by the Concert Party Group during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date are as follows:

Date	Name	No. of Shares acquired	Price per Share (HK\$)
23 Jan 2007	Mr. Poon	960,000	1.68
24 Jan 2007	Mr. Poon	750,000	1.67
24 Jan 2007	Mr. Poon	100,000	1.66
14 Feb 2007	Mr. Poon and his associates	2,221,406	1.66
		<i>(Notes 1 and 3)</i>	
14 Feb 2007	Mr. Fung	116,989	1.66
		<i>(Note 1)</i>	
13 June 2007	Mr. Poon and his associates	61,565,571	1.30
		<i>(Notes 2 and 3)</i>	
13 June 2007	Mr. Fung	3,092,923	1.30
		<i>(Note 2)</i>	

Note 1: On 14 February 2006, Mr. Poon and his associates and Mr. Fung were issued scrip dividends of 2,221,406 Shares and 116,989 Shares respectively.

Note 2: This represents the rights Shares for which irrevocable undertakings were given by Mr. Poon and his associates and Mr. Fung to subscribe for, or procure subscription, pursuant to the Rights Issue. The Rights Issue was completed on 30 July 2007.

Note 3: The dealings of Mr. Poon and his associates include the dealings of Mr. Poon, dealings of the companies wholly-owned by him and also dealings by his spouse, Ms. Wong Mei Ling, Suzanne.

Save as disclosed above, none of members of the Concert Party Group or the directors of Asia Orient had dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(b) Other than Mr. Poon and Mr. Fung, the Directors and the Company, or any persons acting in concert with any of them, did not hold or deal in the securities of the companies controlled by Mr. Poon or Mr. Fung or parties acting in concert with any of them during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

8. ARRANGEMENT IN CONNECTION WITH THE BONUS ISSUE OF WARRANTS AND/OR WHITEWASH WAIVER

As at the Latest Practicable Date, none of the Warrants to be issued and the Shares falling to be issued thereunder to any member of the Concert Party Group under the Bonus Issue of Warrants will be transferred, charged or pledged to any other persons.

As at the Latest Practicable Date, no benefit had been given or would be given to any Director as compensation for loss of office or otherwise in connection with the Bonus Issue of Warrants and/or the Whitewash Waiver.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between any members of the Concert Party Group and any of the directors, recent directors, shareholder or recent shareholders of the Company having any connection with or dependence upon the Bonus Issue of Warrants and the Whitewash Waiver.

As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the Bonus Issue of Warrants or the Whitewash Waiver or otherwise connected with any of them.

As at the Latest Practicable Date, none of the Directors had any material personal interest in any material contract entered into by Asia Orient or by any members of the Concert Party Group.

9. INFORMATION REGARDING PRINCIPAL MEMBERS OF THE CONCERT PARTY GROUP

The principal members of the Concert Party Group are:-

- (a) Mr. Poon Jing, whose address is N.T.D.D. 381, Lot 951, Section J, New Territories, Hong Kong; and
- (b) Mr. Fung Siu To, Clement, whose address is House No.1, Barbecue Garden, 17½ Milestone, Castle Peak Road, N.T., Hong Kong.

10. INTENTION REGARDING THE GROUP

It is the present intention of the Concert Party Group that the existing business of the Group should be continued and not to introduce any major changes in the Group's business, including any redeployment of the fixed assets of the Group. In addition, the Concert Party Group currently does not have any plan to cause any material change to the continued employment of the Group's employees.

11. MARKET PRICE OF SHARES

The table below shows the closing prices of the Shares on the Stock Exchange (a) on the last trading day of the Shares prior to the publication of the Announcement, being 18 July 2007; (b) at the end of each of the calendar month during the period commencing six months preceding the date of the Announcement up to the Latest Practicable Date; and (c) on the Latest Practicable Date:

Date	Closing price <i>HK\$</i>
31 January 2007	1.69
28 February 2007	1.65
30 March 2007	1.60
30 April 2007	1.72
31 May 2007	1.93
29 June 2007	1.66
18 July 2007	1.72
31 July 2007	1.85
Latest Practicable Date	1.66

The highest and lowest closing prices of the Shares as recorded on the Stock Exchange during the period commencing six months preceding the date of the Announcement and ending on the Latest Practicable Date were HK\$2.25 per Share on 12 June 2007 and 13 June 2007 and HK\$1.49 per Share on 14 March 2007, respectively. The above prices have not been adjusted for the effect of the issue of Shares under the Rights Issue.

12. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
VC Capital	a licensed corporation licensed to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO

VC Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report (as the case may be) and references to its name in the form and context in which it respectively appears.

As at the Latest Practicable Date, VC Capital:

- (a) did not have any direct or indirect interest in any asset which had since 31 March 2007, being the date to which the latest published audited accounts of the Company were made up, been acquired or disposed of by, or leased to, any member of the Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (b) was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

13. LITIGATION

Neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claims of material importance which is known to the Directors to be pending or threatened by or against either the Company or any of its subsidiaries as at the Latest Practicable Date.

14. PROCEDURE TO DEMAND A POLL AT THE SGM

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) not less than three Shareholders present in person or by a duly authorised corporate representative or by proxy having the right to vote at the meeting; or

- (c) by any Shareholder or Shareholders 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 Shareholders having the right to vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy holding Shares 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.

15. GENERAL

- (a) The executive Directors are Mr. Fung Siu To, Clement, Dr. Lim Yin Cheng, Mr. Poon Jing, Mr. Lun Pui Kan and Mr. Kwan Po Lam, Phileas, the non-executive Director is Mr. Chan Sze Hung and the independent non-executive Directors are Mr. Cheung Kwok Wah, Ken, Mr. Hung Yat Ming and Mr. Wong Chi Keung.
- (b) The company secretary of the Company is Ms. Chiu Yuk Ching, an associate member of The Hong Kong Institute of Chartered Secretaries.
- (c) The qualified accountant of the Company is Mr. Lun Pui Kan, an associate member of Hong Kong Institute of Certified Public Accountants.
- (d) The principal share registrar and transfer office of the Company is Butterfield Fund Services (Bermuda) Limited of Rosebank Centre, 11 Bermudiana Road, Pembroke HM 08, Bermuda and the branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The head office and principal place of business of the Company in Hong Kong is at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (f) The financial adviser to the Company is Anglo Chinese Corporate Finance, Limited and its address is 40th Floor, Two Exchange Square, 8 Connaught Road Central, Hong Kong.
- (g) The independent financial adviser to the Independent Board Committee and the Independent Shareholders is VC Capital Limited, whose address is 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.
- (h) The English text of this circular prevails over the Chinese text.

16. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of this circular, having attached thereto the written consents referred to under the heading “Expert’s Qualification and Consent” in this appendix, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. A copy of this circular has been or will be as soon as practicable, filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended).

17. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturday and public holidays) at the principal place of business of the Company in Hong Kong from the date of this circular up to and including 3 September 2007 and will be also available at the SGM and the same will be uploaded at the Company’s website (www.asiaorient.com.hk) and the website of The Securities and Futures Commission of Hong Kong (www.sfc.hk) until and including the date of the SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the material contracts referred to in the section headed “Material Contracts” in this appendix;
- (c) the written consent issued by VC Capital;
- (d) the annual reports of the Company for the two years ended 31 March 2006 and 31 March 2007;
- (e) the letter from the Independent Board Committee, the text of which is set out on page 14 of this circular; and
- (f) the letter from VC Capital, the text of which is set out on pages 15 to 21 of this circular.

APPENDIX III SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

“Warrantholder(s)” in relation to any Warrant, the person or persons who is or are for the time being registered in the register of Warrantholders required to be maintained pursuant to the terms and conditions of the Warrants as the holder or joint holders of that Warrant.

The Warrants will be issued in registered form subject to and with the benefit of a separate Instrument by way of deed poll.

The Warrants will confer rights to subscribe up to an aggregate maximum amount of HK\$187,458,735.78 (subject to adjustment) for Shares, at an initial Subscription Price of HK\$1.62 per Share (subject to adjustment).

Upon the Bonus Issue of Warrants becoming unconditional, the Warrants represent direct obligations of the Company to Warrantholders as described in the Instrument. The following is a summary of the major provisions of the Instrument and the principal terms and conditions of the Warrants as set out on the Warrant certificates. Warrantholders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and the provisions of the Instrument, copies of which will be available at the head office and principal place of business of the Company in Hong Kong.

1. SUBSCRIPTION RIGHTS

- (a) The Warrantholder will have the right to subscribe up to an aggregate maximum amount of HK\$187,458,735.78 for Shares at an initial Subscription Price (subject to the adjustments referred to below) of HK\$1.62 per Share. The Subscription Rights attaching to the Warrants may be exercised in whole or in part at any time during the Subscription Period. After the Subscription Period, any Subscription Rights which have not been exercised shall lapse and the Warrants will cease to be valid for any purpose.
- (b) Each Warrant certificate contains a subscription form. In order to exercise his Subscription Rights, the Warrantholder must complete and sign the subscription form (which will be irrevocable) and deliver the Warrant certificate (and, if the subscription form used is not the form endorsed on the Warrant certificate, a separate subscription form) to the Registrars, together with a remittance for the Exercise Moneys (or, in the case of partial exercise, the relevant portion of the Exercise Moneys). In each case compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable. Unless otherwise agreed by the Directors, subscription forms must be submitted to the Registrars in Hong Kong.
- (c) No fraction of a Share will be allotted and any balance of the Exercise Moneys paid on exercise of the Subscription Rights represented by the Warrant certificate will be retained by the Company for its benefit.
- (d) The Shares to be issued upon the exercise of the Subscription Rights represented by the Warrant will rank pari passu with the fully-paid Shares in issue on the relevant subscription

APPENDIX III SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

date and accordingly will entitle the Warrantheolders to participate in all dividends or other distributions declared, paid or made on or after the relevant subscription date, unless adjustment therefor has been made as provided in the terms and conditions of the Warrants and other than any dividend or other distribution previously declared, recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant subscription date and notice of the amount and record date therefor shall have been given to the Stock Exchange prior to the relevant subscription date.

- (e) As soon as practicable after the relevant allotment and issue of Shares (and not later than 21 days after the subscription date or, if the subscription date falls at a time when an adjustment to the Subscription Price and/or the Exercise Moneys is to be made (in accordance with the terms and conditions of the Instrument) which has not become unconditional within such 21 day period, within 14 days of such adjustment becoming unconditional), there will be issued free of charge to the Warrantheolders:
 - (i) a certificate (or certificates) for the relevant Shares in the name(s) of such Warrantheolder(s); and
 - (ii) (if applicable) a balancing Warrant certificate in registered form in the name(s) of such Warrantheolder(s) in respect of any Subscription Rights remaining unexercised.

The certificate(s) for Shares arising on the exercise of Subscription Rights and the balancing Warrant certificate (if any) will be sent by post at the risk of such Warrantheolder(s) to the address of such Warrantheolder(s) or (in the case of a joint holding) to that one of them whose name stands first in the register of Warrantheolders. If the Company agrees, such certificates may by prior arrangement be retained by the Registrars to await collection by the relevant Warrantheolder(s).

2. ADJUSTMENTS OF SUBSCRIPTION PRICE AND EXERCISE MONEYS

The Instrument contains detailed provisions relating to the adjustment of the Subscription Price and the Exercise Moneys. The following is a summary of and is subject to, the adjustment provisions of the Instrument:

- (a) The Subscription Price will (except as mentioned in sub-paragraphs (b) and (c) below) in each of the following cases, and the Exercise Moneys will in the case of sub-paragraph (a)(viii) below, be adjusted as provided in the Instrument (but the Subscription Price shall however not be adjusted below the nominal value of the Shares until the Subscription Right Reserve (as defined in the Instrument) is maintained pursuant to the terms and conditions of the Instrument):
 - (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;

APPENDIX III SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully-paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
 - (iii) a Capital Distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise except pursuant to any purchase by the Company of its own Shares which is permitted by the Listing Rules and is in accordance with the provisions of the laws of Bermuda and the Company's memorandum of association and the Bye-laws, to Shareholders in their capacity as such;
 - (iv) an offer or grant being made by the Company to Shareholders of any new Shares by way of rights or options, or warrants to subscribe for Shares at a price which is less than 90% of the market price (calculated as provided in the Instrument); provided however that no adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to each Warrantholder (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws or requirements of any recognised regulatory body or any stock exchange) as if he had exercised the Subscription Right represented by his Warrant certificate(s) in full on the day immediately preceding the record date for such offer or grant;
 - (v) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total Effective Consideration (as defined in the Instrument) per Share is less than 90% of the market price (calculated as provided in the Instrument), or the terms of any such issue being altered so that the said total Effective Consideration is less than 90% of the market price;
 - (vi) an issue being made wholly for cash of Shares other than pursuant to an Employee Share Scheme (as defined in the Instrument) at a price less than 90% of the market price (calculated as provided in the Instrument);
 - (vii) a purchase by the Company of any of its Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange or any stock exchange recognized by the SFC and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price; and
 - (viii) at the end of each six month period from the date of issue of the Warrants and on the 10th business day immediately before the end of the Subscription Period.
- (b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraph (a) above will be made in respect of:

APPENDIX III SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

- (i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities wholly or partly convertible into Shares or upon the exercise of any rights (including the subscription rights) to acquire Shares;
 - (ii) an issue of Shares or other securities of the Company or any subsidiary wholly or partly convertible into or carrying rights to acquire Shares pursuant to an Employee Share Scheme;
 - (iii) an issue by the Company of Shares or by the Company or any subsidiary of securities wholly or partly convertible into or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
 - (iv) an issue of fully-paid Shares by way of capitalisation of all or part of the Subscription Right Reserve to be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into or carrying rights to acquire Shares); or
 - (v) an issue of Shares pursuant to a scrip dividend scheme in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised.
- (c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors consider that an adjustment to the Subscription Price provided for under the said provisions should not be made, or should be calculated on a different basis, or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions, or that an adjustment should take effect on a different time or at a different date from that provided for, the Company may appoint the Auditors (as defined in the Instrument) or an approved merchant bank (as defined in the Instrument) or an approved financial adviser (as defined in the Instrument) to consider whether for any reason whatever the adjustment to be made (or in the absence of adjustment) would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such Auditors or such approved merchant bank or such approved financial adviser shall consider this to be the case, the adjustment will be modified or nullified or an adjustment made instead of no adjustment in such manner (including, without limitation, making an adjustment calculated on a different basis and/or the adjustment shall take effect from such other time and/or date) as is certified by the Auditors or such approved merchant bank or such approved financial adviser to be in its option appropriate.

APPENDIX III SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

- (d) Any adjustment to the Subscription Price will be made to the nearest HK\$0.001 so that any amount under HK\$0.0005 will be rounded down and any amount of HK\$0.0005 or more will be rounded up. No adjustment will be made to the Subscription Price in any case in which the amount by which the same would be reduced would be less than HK\$0.001 and any adjustment which would otherwise then be required will not be carried forward. No adjustment may be made (except on a consolidation of shares) which would increase the Subscription Price.
- (e) Every adjustment to the Subscription Price (save for the adjustment referred to in sub-paragraph (2)(a)(viii) above) will be certified to be fair and appropriate by the Auditors or an approved merchant bank or an approved financial adviser. Notice of each adjustment to the Subscription Price (and in respect of the adjustment referred to in sub-paragraph 2(a)(viii) above, the Exercise Moneys) will be given to the Warrantheolders setting out the relevant particulars. Any such certificates of the Auditors and/or approved merchant bank and/or approved financial adviser will be available at the principal place of business of the Company in Hong Kong, where copies may be obtained. In giving any certificate or making any adjustments thereunder, the Auditors or the approved merchant bank or the approved financial adviser shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, the decision shall be conclusive and binding on the Company and the Warrantheolders and all persons claiming through or under them.

3. REGISTERED WARRANTS

The Warrants will be issued in registered form. The Company will be entitled to treat the registered Warrantheolder as the absolute owner thereof and accordingly will not, except as ordered by a court of competent jurisdiction or required by law, be bound to recognize any equitable right or other claim to or interest in such Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

4. REGISTER, TRANSFER AND TRANSMISSION

The Subscription Rights represented by the Warrant certificate are transferable, in whole amounts or integral multiples of the Subscription Price (or such other sum as the Directors shall from time to time determine) of Subscription Rights, by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors. Where the transferor or the transferee is HKSCC Nominees Limited or its successor thereto (or such other company as may be approved by the Directors for this purpose) the transfer may be executed on behalf of HKSCC Nominee Limited under the hands of authorised person(s) or by machine imprinted signature(s) on its behalf or of such person(s), as the case may be. For this purpose, the Company shall maintain a register of Warrantheolders and the provisions of the Bye-laws for the time being relating to the registration, transfer and transmission of Shares shall apply, mutatis mutandis, to the registration, transfer and transmission of the Warrants and shall have full effect as if the same had been incorporated herein. Unless the Directors otherwise agree all transfers and other documents of title to the Warrants must be lodged for registration with, and registered by, the Registrars in Hong Kong.

5. PURCHASE AND CANCELLATION

The Company or any of its subsidiaries may at any time purchase Warrants:

- (a) in the open market or by tender (available to all Warrantholders alike) at any price; or
- (b) by private treaty at any price, exclusive of expenses,

but not otherwise. All Warrants purchased as aforesaid will be cancelled forthwith and may not be re-issued or re-sold.

6. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

- (a) The Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting their interests, including the modification by Special Resolution (as defined in the Instrument) of the provisions of the Instrument and/or of the terms and conditions endorsed on the Warrant certificates. A Special Resolution duly passed at any such meeting will be binding on the Warrantholders, whether present or not.
- (b) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of the terms and conditions endorsed on the Warrant certificates and/or the Instrument) and the sanction of a Special Resolution shall be necessary and sufficient to effect such alteration or abrogation and any modification to the Instrument may be effected by deed poll executed by the Company and expressed to be supplemental to the Instrument.

Where the Warrantholder is a recognised clearing house (within the meaning of the SFO) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Warrantholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Warrants in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise as if such person were an individual Warrantholder.

7. REPLACEMENT OF WARRANT CERTIFICATES

If a Warrant certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Directors, be replaced at the principal office of the Registrars in Hong Kong (unless the Directors otherwise direct) on payment of such costs as may be incurred in connection therewith and on such

APPENDIX III SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

terms as to evidence, indemnity and/or security as the Directors may require and on payment of such fee not exceeding HK\$2.50 (or such higher fee as may from time to time be permitted by the Stock Exchange) as the Directors may determine. Mutilated or defaced warrant certificates must be surrendered before replacements will be issued.

In the case of lost warrant certificates, section 71A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) shall apply as if “shares” referred to therein included Warrants.

8. PROTECTION OF SUBSCRIPTION RIGHTS

The Instrument contains certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

9. CALL

If at any time the aggregate amount of the Exercise Moneys attaching to the Warrants which have not been exercised is less than 10% of the amount of Exercise Moneys attached to all Warrants issued under the Instrument, the Company may, on giving not less than one month’s notice, require Warrantholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised Warrants will be cancelled automatically without compensation to the Warrantholders.

10. FURTHER ISSUES

The Company will be at liberty to issue further subscription warrants in such manner and on such terms as it sees fit.

11. UNDERTAKINGS BY THE COMPANY

In addition to the undertakings given by it in relation to the grant and exercise of the Subscription Rights and the protection thereof, the Company has undertaken in the Instrument that:

- (a) it will send to each Warrantholder, at the same time as the same are sent to the Shareholders, its audited accounts and all other notices, reports and communications despatched by it to the Shareholders generally;
- (b) it will pay all Bermuda and Hong Kong stamp duties, registration fees or similar charges (as applicable) in respect of the execution of the Instrument, the creation and initial issue of the Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights;
- (c) it will use its best efforts to procure that all Shares allotted upon exercise of the Warrants may, upon allotment or as soon as reasonably practicable thereafter, be dealt in on the Stock Exchange (save that this obligation shall lapse in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for all or any of the Shares where a like offer is extended to the Warrantholders);

APPENDIX III SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

- (d) it will ensure that all requisite consents which may be required in Bermuda and Hong Kong are in place in relation to the Warrants and the Shares to be issued pursuant to the Warrants as described in the Instrument; and
- (e) it will keep available for issue sufficient ordinary capital to satisfy in full all outstanding Subscriptions Rights.

12. NOTICES

The Instrument contains provisions relating to notices to be given to Warrantholders.

13. WINDING-UP OF THE COMPANY

If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company, then if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders or some persons designated by them for such purpose by Special Resolution will be a party, or in conjunction with which a proposal is made to the Warrantholders and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on all the Warrantholders.

In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purposes of considering and if thought fit approving a resolution for the voluntary winding up of the Company, the Company shall forthwith give notice thereof to each Warrantholder and thereupon, every Warrantholder shall be entitled by irrevocable surrender of his Warrant certificate(s) to the Company (such surrender to occur not later than 2 business days prior to the proposed Shareholders' meeting referred to above) with the subscription form(s) duly completed together with payment of the Exercise Moneys or the relative portion thereof, to exercise the Subscription Rights represented by such Warrants, and the company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed Shareholders' meeting allot to the Warrantholders such number of Shares which fall to be issued upon the exercise of Subscription Rights attaching to the Warrants. The Company shall give notice to the Warrantholders of the passing of such resolution within 7 business days of the passing thereof.

Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the commencement of the winding up shall lapse and each Warrant certificate will cease to be valid for any purpose.

14. OVERSEAS WARRANTHOLDERS

If a Warrantholder has a registered address in any territory (other than Hong Kong) where, in the opinion of the Directors, the allotment of Shares to such Warrantholder upon exercise of any Subscription Rights would or might, in the absence of compliance with registration or any other

APPENDIX III SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

special formalities in such territory, be unlawful or impracticable under the laws of such territory, then the Company shall, acting as agent for such Warrantholder, as soon as practicable after an exercise by such Warrantholder of any Subscription Rights, either:

- (a) allot the Shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Company; or
- (b) allot such Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Company,

in each case for the best consideration then reasonably obtainable by the Company. As soon as reasonably practicable following any such allotment or (as the case may be) allotment and sale, the Company shall pay to the relevant Warrantholder an amount equal to the consideration received by the Company therefor (but having deducted therefrom any brokerage, commission, stamp duty, withholding tax and any other payments, charges or taxes incurred by the Company in respect of such payment and, in the case of an allotment and sale as aforesaid, such sale) by posting the relevant remittance, by way of a Hong Kong dollar cheque, to him at his risk. The Company is hereby deemed to be authorised to effect any of the aforesaid transactions pursuant to this condition as agent for such Warrantholder and for this purpose the Company may appoint one or more persons to execute such transfers, renunciations or other documents on behalf of the relevant Warrantholder as may be required to be executed and generally may make all such arrangements as may appear to the Directors to be necessary or appropriate in connection therewith.

15. GOVERNING LAW

The Instrument and the Warrants are governed by and will be construed in accordance with the laws of Hong Kong.

NOTICE OF SGM



ASIA ORIENT HOLDINGS LIMITED

(滙漢控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 214)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders (“Shareholders”) of Asia Orient Holdings Limited (“Company”) will be held at Basement 1, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong at 11:00 a.m. on Friday, 31 August 2007 (or, if later, immediately following the conclusion or adjournment of the annual general meeting of the Company to be held at the same place at 10:45 a.m. on 31 August 2007) for the purpose of considering and, if thought fit, passing the following Resolutions:-

ORDINARY RESOLUTIONS

1. **“THAT** conditional upon (a) the passing of Resolution 2 by the Independent Shareholders (as defined in the circular (the **“Circular”**) of the Company to the shareholders of the Company (the **“Shareholders”**) dated 9 August 2007 of which this notice forms part, a copy of which is marked **“A”** and signed by the Chairman of this meeting for the purpose of identification) as set out in the notice convening this meeting of which this Resolution forms part; and (b) the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval for the listing of, and permission to deal in, the shares of HK\$0.10 each (the **“Shares”**) in the capital of the Company which may fall to be issued upon exercise of the subscription rights attaching to the Warrants (as defined below), the Directors be and are hereby authorised:
 - (A) to create and issue warrants (the **“Warrants”**) to subscribe for new Shares at any time during the period from the date of issue thereof to the date immediately preceding the date falling on the first anniversary of the date of issue of the Warrants (both dates inclusive) at the initial subscription price of HK\$1.62 per Share, subject to adjustment, upon the terms and conditions of the instrument by way of deed poll constituting the Warrants (the **“Warrant Instrument”**) (a copy of the draft Warrant Instrument, subject to further modifications, is marked **“B”** and signed by the Chairman of this meeting for the purpose of identification) by way of bonus issue to the Shareholders whose names appear on the register of members of the Company on 31 August 2007 (the **“Record Date”**) in the proportion of one Warrant for every five Shares then held **PROVIDED THAT** (a) the Warrants shall not be issued to the Excluded Shareholders (as defined in the Circular) but shall be sold through a private matching service to be provided by the Company or its agent and the net proceeds of sale, after deduction of expenses, shall be distributed in Hong Kong dollars to the Excluded Shareholders, if any, pro rata to their respective shareholdings

* For identification purposes only

NOTICE OF SGM

unless the amount falling to be distributed to any such Excluded Shareholder is less than HK\$100, in which case it shall be retained for the benefit of the Company; and (b) fractional entitlements shall not be allotted but shall be aggregated and sold for the benefit of the Company;

(B) to issue and allot to the holders of the Warrants the appropriate number of new Shares upon due exercise of the subscription rights attaching thereto; and

(C) do all things and acts and sign all documents which they consider desirable or expedient to implement and/or give effect to any or all of the transactions contemplated in this Resolution.”

2. “**THAT** conditional upon (a) the passing of Resolution 1 as set out in the notice convening this meeting of which this Resolution forms part; and (b) the Executive (as defined in the Circular) granting the Whitewash Waiver (as defined in the Circular) to Concert Party Group (as defined in the Circular) and the satisfaction of any conditions attached to the Whitewash Waiver imposed by the Executive, the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code (as defined in the Circular) waiving any obligations on the part of Concert Party Group to make a mandatory offer to Shareholders to acquire Shares and other convertible securities of the Company other than those already owned by Concert Party Group which would otherwise arise under Rule 26.1 of the Takeovers Code as a result of any allotment or issue of Shares to Concert Party Group pursuant to the exercise by Concert Party Group of the subscription rights attaching to the Warrants be and is hereby approved by the Independent Shareholders and THAT the Directors be and are hereby authorised to do all things and acts and sign all documents which they consider desirable or expedient to implement and/or give effect to any matter relating to or in connection with the Whitewash Waiver.”

By Order of the Board
Chiu Yuk Ching
Secretary

Hong Kong, 9 August 2007

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business in Hong Kong:
30th Floor
Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Notes:

1. Every Shareholder entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a Shareholder of the Company.

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2. A form of proxy for use at the above meeting is enclosed herewith.
3. Where there are joint holders of any Shares, any one of such persons may vote at the meeting, personally or by proxy or by a duly authorized corporate representative (as defined in the bye-laws of the Company), in respect of such Shares as if he was solely entitled thereto provided that if more than one of such joint holders be present at the meeting personally or by proxy or by a duly authorized corporate representative, the person whose name stands first on the register of Shareholders in respect of such Shares shall alone be entitled to vote in respect thereof.
4. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the head office and principal place of business 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).
5. Members are recommended to read the circular of the Company containing information concerning the Resolutions proposed in this notice.

As at the date hereof, the board of Directors of the Company comprises Mr. Fung Siu To Clement, Dr. Lim Yin Cheng, Mr. Poon Jing, Mr. Lun Pui Kan, Mr. Kwan Po Lam Phileas as executive Directors, Mr. Chan Sze Hung as non-executive Director and Mr. Cheung Kwok Wah Ken, Mr. Hung Yat Ming and Mr. Wong Chi Keung as independent non-executive Directors.