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## **ASIA ORIENT HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0214)**

### **PROPOSED APPLICATION OF CONTRIBUTED SURPLUS**

The Directors propose to the Shareholders that an amount of HK\$920,762,000 standing to the credit of the contributed surplus account of the Company as at 31 March 2005 be applied to set off against the accumulated loss of the Company in the amount of HK\$920,762,000 as at 31 March 2005 such that the accumulated loss of the Company shall be eliminated in full upon the Application of Contributed Surplus.

### **APPLICATION OF CONTRIBUTED SURPLUS**

The Company's contributed surplus account amounted to HK\$2,838,224,000 as at 31 March 2005 as shown in the Company's audited financial statements for the year ended 31 March 2005. Subject to the approval by the Shareholders at the AGM, the Directors propose that an amount of HK\$920,762,000 standing to the credit of the contributed surplus account of the Company as at 31 March 2005 be applied to set off against the accumulated loss of the Company in the amount of HK\$920,762,000 as at 31 March 2005 so that the accumulated loss of the Company shall be eliminated in full upon the Application of Contributed Surplus. After the Application of Contributed Surplus, the Company's contributed surplus account will be reduced to HK\$1,917,462,000.

### **REASONS FOR THE APPLICATION OF CONTRIBUTED SURPLUS**

The Company's audited financial statements as at 31 March 2005 showed that the Company had accumulated losses of HK\$920,762,000. The Company is not permitted to pay dividends on its Shares while there are accumulated losses. The Application of Contributed Surplus will allow the Company to eliminate all such accumulated losses and, as a result, will put the Company in a better position to declare dividends to Shareholders at an earlier opportunity.

**At this stage, however, there can be no assurance that a dividend will be declared or paid in the future even in circumstances where the Application of Contributed Surplus becomes effective.**

Bye-law 142(A) of the bye-laws of the Company provides, inter alia, that the Board may make distributions out of contributed surplus as the Board thinks fit and such distributions shall not be limited in any way save by the Companies Act and other applicable legislation of Bermuda. There is no specific provision in the Companies Act which regulates the use of contributed surplus save that the Company cannot make a distribution out of contributed surplus if there are reasonable grounds for believing that the Company is, or would after the payment be, unable to pay its liabilities as they become due or the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. The Directors confirm that no such grounds exist as at 22 July 2005.

In view of the above, the Directors consider that the Application of Contributed Surplus is in the interests of the Company and the Shareholders as a whole and will not adversely affect the underlying assets, business operations, management or financial position of the Company. The Directors also confirm that the proportionate interests of the Shareholders in the underlying assets of the Company and its subsidiaries will not be changed as a result of the Application of Contributed Surplus.

## **CONDITIONS OF THE APPLICATION OF CONTRIBUTED SURPLUS**

The Application of Contributed Surplus is conditional upon the passing of a Special Resolution by the Shareholders at the AGM approving the Application of Contributed Surplus.

## **GENERAL**

A circular containing, inter alia, further details of the Application of Contributed Surplus and a notice convening the AGM at which the Special Resolution to approve the Application of Contributed Surplus will be dispatched to the Shareholders as soon as possible.

## **DEFINITIONS**

In this announcement, the following expressions have the following meanings:-

“AGM”	the annual general meeting of the Company to be held at Basement 1, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on 26 August, 2005 at 10:30 a.m.
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“Application of Contributed Surplus”	the proposed application of part of the Company’s contributed surplus to set off against the entire amount of the Company’s accumulated loss referred to in the section headed “Application of Contributed Surplus” of this announcement
“Companies Act”	The Companies Act 1981 of Bermuda (as amended)
“Company”	Asia Orient Holdings Limited
“Directors”	the directors of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board  
**ASIA ORIENT HOLDINGS LIMITED**  
**Fung Siu To, Clement**  
*Chairman*

Hong Kong, 29 July 2005

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

# *Independent non-executive Director*

\* *For identification purposes only*