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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 as soon as practicable, be 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.

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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 11:15 a.m. on Wednesday, 27 August 2008 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 27 August 2008), is set out on pages 100 to 102 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

5 August 2008

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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 15 July 2008 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 67.7% 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 Qualifying Shareholders
“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
“Director(s)”	director(s) of the Company

DEFINITIONS

“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 and Shareholders who are interested in the Whitewash Waiver
“Latest Practicable Date”	1 August 2008, 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
“Old Warrant(s)”	the warrant(s) issued by the Company on 7 September 2007 and due to expire on 6 September 2008

DEFINITIONS

“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
“PRC”	the People’s Republic of China, excluding for the purpose of this circular Hong Kong, Macau and Taiwan
“Qualifying Shareholders”	shareholders other than the Excluded Shareholders
“Record Date”	26 August 2008
“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 11:15 a.m. on Wednesday, 27 August 2008 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 27 August 2008), 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”	the initial subscription price in respect of each of the Warrant, which is determined to be at a 5% premium to the average of the closing prices per Share for the three consecutive trading days immediately prior to and including the Record Date, 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
“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 (a) to subscribe, at any time between the date of issue and the date immediately preceding the date falling on the first anniversary of the date of issue of the Warrant(s) (both dates inclusive), for fully paid Shares at the Subscription Price
“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

2008

Last day of dealings in Shares on a cum entitlement to the Warrants	Tuesday, 19 August
First day of dealings in Shares on a ex-entitlement to the Warrants	Wednesday, 20 August
Latest time for lodging transfers of Shares in order to qualify for the Warrants	4:30 p.m. on Thursday, 21 August
Register of members closes (both dates inclusive)	Friday, 22 August to Tuesday, 26 August
Latest time for lodging forms of proxy for the SGM	11:15 a.m. on Monday, 25 August
Record Date for entitlement of Warrants	Tuesday, 26 August
SGM	11:15 a.m. on Wednesday, 27 August
Announcement of results of the SGM to be posted on the website of the Stock Exchange	Wednesday, 27 August
Register of members re-opens	Wednesday, 27 August
Despatch of Warrants certificates	Monday, 8 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 Director:

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

5 August 2008

To the Shareholders

Dear Sir/Madam,

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

INTRODUCTION

On 15 July 2008, 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 10 July 2008, the Company announced the results of the Group for the year ended 31 March 2008 and on the same day, the Board proposed, subject to the satisfaction of the conditions below, the Bonus Issue of Warrants to the Qualifying Shareholders on the basis of one Warrant for every five Shares held on the Record Date.

THE SUBSCRIPTION PRICE OF THE WARRANTS

Each Warrant will entitle the holders thereof to subscribe for one new Share at the Subscription Price 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 of the Warrants, both dates inclusive.

The Subscription Price will be determined to be at a 5% premium to the average of the closing prices per Share for the three consecutive trading days immediately prior to and including the Record Date, 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. The Subscription Price is determined taking into consideration, amongst other things, the past price performance of the Shares and to encourage exercise of the Warrants before expiry. The Directors consider that the Bonus Issue of Warrants, including the Subscription Price, is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Fractional entitlements to the Warrants will not be issued to the Shareholders.

On the basis of 623,321,940 Shares in issue and assuming no further Shares will be issued or repurchased by the Company on or before the Record Date, 124,664,388 Warrants are proposed to be issued.

LETTER FROM THE BOARD

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 the Concert Party Group in full only		Immediately after full conversion of the Warrants	
	<i>Number of Shares</i>	%	<i>Number of Shares</i>	%	<i>Number of Shares</i>	%
Concert Party Group						
Mr. Poon Jing	235,446,930	37.77	282,536,316	42.00	282,536,316	37.77
Mr. Fung Siu To, Clement	<u>11,260,763</u>	<u>1.81</u>	<u>13,512,915</u>	<u>2.01</u>	<u>13,512,915</u>	<u>1.81</u>
Sub-total	246,707,693	39.58	296,049,231	44.01	296,049,231	39.58
Others						
A substantial Shareholder (note)	84,264,629	13.52	84,264,629	12.53	101,117,554	13.52
Public	<u>292,349,618</u>	<u>46.90</u>	<u>292,349,618</u>	<u>43.46</u>	<u>350,819,541</u>	<u>46.90</u>
Sub-total	<u>376,614,247</u>	<u>60.42</u>	<u>376,614,247</u>	<u>55.99</u>	<u>451,937,095</u>	<u>60.42</u>
Total	<u><u>623,321,940</u></u>	<u><u>100.00</u></u>	<u><u>672,663,478</u></u>	<u><u>100.00</u></u>	<u><u>747,986,326</u></u>	<u><u>100.00</u></u>

Note: As at the Latest Practicable Date, according to the records of the Company, Dalton Investments LLC (“Dalton”), a substantial Shareholder of the Company held 84,264,629 Shares, representing 13.52% of the Company’s issued Share capital.

LETTER FROM THE BOARD

As at the Latest Practicable Date, 76,630,501 Old Warrants, none of which was held by the Concert Party Group, remained outstanding and were due to expire on 6 September 2008. The following table illustrates the change in the shareholding structure of the Company if the subscription rights to all the Old Warrants are exercised before the Record Date and 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:

	If conversion of all the Old Warrants before the Record Date		Immediately after conversion of the Warrants by the Concert Party Group in full only		Immediately after full conversion of the Warrants	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Concert Party Group						
Mr. Poon Jing	235,446,930	33.64	282,536,316	37.71	282,536,316	33.64
Mr. Fung Siu To, Clement	11,260,763	1.61	13,512,915	1.80	13,512,915	1.61
Sub-total	246,707,693	35.25	296,049,231	39.51	296,049,231	35.25
Others						
A substantial Shareholder (note)	100,982,608	14.43	100,982,608	13.48	121,179,129	14.43
Public	352,262,140	50.32	352,262,140	47.01	422,714,568	50.32
Sub-total	453,244,748	64.75	453,244,748	60.49	543,893,697	64.75
Total	<u>699,952,441</u>	<u>100.00</u>	<u>749,293,979</u>	<u>100.00</u>	<u>839,942,928</u>	<u>100.00</u>

Note: As at the Latest Practicable Date, according to the records of the Company, Dalton held 84,264,629 Shares and 16,717,979 Old Warrants, and if all the Old Warrants are converted before the Record Date, Dalton will be holding 14.43% of the Company's then issued Share capital.

As at the Latest Practicable Date, there were 38,721,059 share options outstanding. Under the share options scheme of the Company, the proposed Bonus Issue of Warrants would not result in any adjustment on the existing exercise price of the share options granted.

USE OF PROCEEDS

For illustration purposes only and assuming that the Subscription Price is fixed at HK\$1.3125 (calculated on the basis of a 5% premium to the average of the closing prices per Share for the last three trading days immediately prior to and including the Latest Practicable Date), on the basis of full exercise of the 124,664,388 Warrants, the Company will receive approximately HK\$163.6 million, before expenses and (assuming that the Subscription Price is not adjusted) issue 124,664,388 new Shares, representing approximately 20 % of the issued share capital of the Company and

LETTER FROM THE BOARD

approximately 16.67 % of the issued share capital of the Company as enlarged by the issue of such 124,664,388 new Shares. The proceeds from the conversion of the Warrants will be used as general working capital of the Group.

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 329 Overseas Shareholders whose addresses as shown in 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 and holding an aggregate of 7,558 Shares, representing approximately 0.0012% of the entire issued share capital of the Company), 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

LETTER FROM THE BOARD

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.

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 expiry of the outstanding Old Warrants on 6 September 2008;
- the passing of an ordinary resolution by the Independent Shareholders at the SGM by way of poll vote 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.

None of the conditions above may be waived. Save for the Old Warrants in issue 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. Further, the Company will comply with the requirement under Rule 15.02 (1) of the Listing Rules in respect of the Bonus Issue of Warrants.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Friday, 22 August 2008 to Tuesday, 26 August 2008 (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 and transfer office 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 Thursday, 21 August 2008.

LETTER FROM THE BOARD

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.

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 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 rights attaching to 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 currently holds in aggregate 246,707,693 Shares representing approximately 39.58% 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 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, if the exercise of subscription rights attaching to the Warrants by a member of the Concert Party Group results in an increase of the Concert Party Group's aggregate 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.

LETTER FROM THE BOARD

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 the Warrants exercised the subscription rights attaching to the Warrants, the Concert Party Group's aggregate voting rights in the Company would increase by approximately 4.43 %, from approximately 39.58 % to approximately 44.01 %. Therefore, in the absence of the Whitewash Waiver, the exercise by the Concert Party Group of the Warrants in full in these 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, 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 in this announcement 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 25 January 2008, Mr. Poon Jing purchased 416,000 Shares in aggregate from the open market. Such purchase of Shares by Mr. Poon Jing was made prior to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the proposed Bonus Issue of Warrants and therefore does not constitute a disqualifying transaction under the Takeovers Code. Save as disclosed above, none of the members of the Concert Party Group has acquired any Shares in the six months prior to and including the date of the Announcement and the Company has not repurchased any Shares during that period. The Concert Party Group will not, without the prior consent of the Executive, acquire or dispose of voting rights of the Company during the period between the date of the Announcement and the date of issue of the Warrants.

The 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. In connection therewith, VC Capital Limited has been appointed as independent financial advisor (whose appointment has been approved by the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders on the Whitewash Waiver. Due to possible conflicts of interest arising from the provision of legal and nominee services to the Company and companies controlled by Mr. Poon Jing, Mr. Chan Sze Hung, the non-executive Director, was not appointed a member of the independent committee of the Board.

LETTER FROM THE BOARD

SGM

None of the Shareholders are required to abstain from voting at the SGM to approve the Bonus Issue of Warrants. The Concert Party Group is required to abstain from voting at the SGM to approve the Whitewash Waiver.

A notice convening the SGM to be held at 11:15 a.m. on Wednesday, 27 August 2008 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 27 August 2008) is set out on pages 100 to 102 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.

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

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 15 of this circular which contains its advice to the Independent Shareholders; and (ii) the letter from VC Capital set out on pages 16 to 27 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)

5 August 2008

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 16 to 27 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 resolution 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 5 August 2008 to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



5 August 2008

*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 5 August 2008 (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 15 July 2008, the Board announced that the Company proposed the Bonus Issue of Warrants to the Qualifying Shareholders, on the basis of one Warrant for every five Shares held on the Record Date. As disclosed in the Announcement, the Bonus Issue of Warrants is conditional upon, among other things, (a) approval of the issue of the Warrants and the new Shares which may fall to be issued upon the exercise of the subscription rights attached to the Warrants by the Shareholders at the SGM; (b) the expiry of the outstanding Old Warrants on 6 September 2008; (c) the approval of the Whitewash Waiver by the Independent Shareholders by way of poll at the SGM; and (d) the granting of the Whitewash Waiver by the Executive to the Concert Party Group.

As at the Latest Practicable Date, the Concert Party Group was interested in an aggregate of 246,707,693 Shares, representing approximately 39.58% of the total issued share capital of the Company. In the event that the Concert Party Group exercises its rights attached to the Warrants in full whilst none of the Independent Shareholders exercises the rights attached to the Warrants, the aggregate shareholding of the Concert Party Group in the Company will increase from approximately 39.58% to approximately 44.01%, representing an increase of approximately 4.43% which is

LETTER FROM VC CAPITAL

more than 2% from the lowest percentage holding of the Concert Party Group in the 12-month period immediately preceding the exercise date. 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 owned 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 of the Whitewash Waiver by the Independent Shareholders by way of poll at the SGM.

An independent committee of the Board has been formed, 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 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 whether it is 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 businesses and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information supplied.

LETTER FROM VC CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and whether it 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. Background information and prospects of the Group

For the year ended 31 March 2008, the Group recorded audited turnover and net profit of approximately HK\$35.2 million and HK\$287.2 million respectively. The net profit represented an increase of approximately 71.4% over that of the previous year. As disclosed in the results announcement of the Company for the year ended 31 March 2008, such increase in net profit is directly the result of the improved performance of Asia Standard International, an associated company which is the Group's core investment and engaged in the property sales and development business and hotel business in Hong Kong and the PRC. Asia Standard International has recently increased its presence in the PRC by investing in a 2 million square feet gross floor area waterfront residential/commercial development project in Beijing. Though the Group expects there will be full of challenges for the property market with various external uncertainties, given the expectation of a continuing trend of strong influx of visitors in the coming year, with the 2008 Olympic Games (which would help to raise the PRC's profile in the world stage and arouse more widespread interest in the Chinese culture) and Hong Kong's position as the financial and business centre of the region, in particular for the whole of China, and the exhibition business together with the Macau gaming facilities, the Group remains cautiously optimistic of its prospects.

We consider that the Bonus Issue of Warrants would represent a further opportunity to all Shareholders, on an equal basis, to participate in the future growth of the Group. We also consider that the Bonus Issue of Warrants provides a channel for the Company to raise funds for the future development of the Group. As such, we consider that the Bonus Issue of Warrants is in the interests of the Company and Shareholders as a whole.

2. Terms of the Warrants

Subscription Price of the Warrants

The Subscription Price per new Share upon exercise of the Warrants will be determined at a price which is at a 5% premium to the average of the closing prices per Share for the three consecutive trading days immediately prior to and including the Record Date, 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, capitalization of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company.

LETTER FROM VC CAPITAL

We have identified, to the best of our knowledge, the following transactions involving issue of warrants to the then qualifying shareholders of such listed companies (the “Comparable Warrant Issues”) for comparison purposes as shown in Table 1 below. The Comparable Warrant Issues are issues of warrants (including pure issues of warrants, open offers with warrants and rights issues with warrants) to the then qualifying shareholders of such companies since 7 September 2007 (being the date the Old Warrants were issued) up to and including the Latest Practicable Date by Main Board listed companies which are either engaged in property investment or development or hotel and travel businesses similar to those of the Company, its subsidiaries and associated companies, or are of a market capitalization of between HK\$500 million to HK\$1,500 million similar to that of the Company (being about HK\$779.2 million as at the Latest Practicable Date). The Comparable Warrant Issues are an exhaustive list of warrant issues identified by us, to our best effort, in our research through published information based on the above criteria.

Table 1: Comparable Warrant Issues

Company	Stock Code	Core Business(es)	Market capitalization as at the Latest Practicable Date <i>(approx HK\$m)</i>	Transaction	Announcement Date	Subscription Price of Warrants <i>(HK\$)</i>	Closing price/theoretical ex-right price immediately before announcement date <i>(HK\$)</i>	Premium/(Discount) to the closing price/theoretical ex-right price <i>(%)</i>
<i>Companies engaged in a similar industry as that of the Group</i>								
Paliburg Holdings Limited	617	Property development and investment, construction and building related businesses, hotel operations and provision of hotel management services	1,783.9	Open offer with bonus warrants for offer shares subscribed	28-Sep-07	0.21	0.28	(25.0)
Tian An China Investments Limited	28	Development of high-end apartments, villas, office buildings and commercial properties, property investment, property management and hotel operation in the PRC	7,842.4	Open offer with bonus warrants for offer shares subscribed	2-Oct-07	10.00	8.92	12.11
Hongkong Chinese Limited	655	Property investment and development, estate management, securities broking and trading, treasury investment and banking related services	1,690.9	Rights issue with bonus warrants for rights shares subscribed	17-May-08	1.25	1.29	(3.10)

LETTER FROM VC CAPITAL

Company	Stock Code	Core Business(es)	Market capitalization as at the Latest Practicable Date <i>(approx HK\$m)</i>	Transaction	Announcement Date	Subscription Price of Warrants <i>(HK\$)</i>	Closing price/theoretical ex-right price immediately before announcement date <i>(HK\$)</i>	Premium/(Discount) to the closing price/theoretical ex-right price <i>(%)</i>
Lippo Limited	226	Property investment and development, fund management, securities broking and investment, treasury investment, money lending and banking	2,141.6	Rights issue with bonus warrants for rights shares subscribed	17-May-08	4.70	4.79	(1.88)
ITC Properties Group Limited	199	Property development and investment and golf resort and leisure operation	953.4	Rights issue with bonus warrants for rights shares subscribed	6-Jun-08	0.105	0.0995	5.53
<i>Companies in a different industry but with a similar market capitalization as that of the Company</i>								
Sino-Tech International Holdings Limited	724	Manufacture and trading of electronic and electrical components	797.5	Bonus issue of warrants	31-Oct-07	4.80 (before sub-division)	3.99 (before sub-division)	20.30
COL Capital Limited	383	Securities trading and investments, financial services and property investment	1,131.4	Open offer with bonus warrants for offer shares subscribed	30-Nov-07	8.00	5.28	51.52
Yu Ming Investments Limited	666	Holding of listed and unlisted companies in Hong Kong	542.1	Bonus issue of warrants	1-Apr-08	0.33	0.33	0
Wing On Travel (Holdings) Limited	1189	Travel services and hotel operation in Hong Kong and the PRC	547.2	Rights issue with bonus warrants for rights shares subscribed	20-May-08	0.091	0.0906	0.44
ITC Corporation Limited	372	Investment holding, provision of finance, property and treasury investment	652.1	Bonus issue of warrants	31-Jul-08	0.22	0.26	(15.38)
Median								0.22%
Simple Average								4.45%
Minimum								(25.00)%
Maximum								51.52%
The Company								5.00%

Source: The website of the Stock Exchange

LETTER FROM VC CAPITAL

As shown in Table 1 above, the premium/discount of the respective subscription prices to the respective closing prices/theoretical ex-rights prices of the Comparable Warrant Issues range from a discount of approximately 25.00% to a premium of approximately 51.52%. We consider that the aforesaid range of the premium/discount of the respective subscription prices to the respective closing prices/theoretical ex-rights prices of the Comparable Warrant Issues are too wide to be indicative of any market trend in the pricing of warrant issues. Nevertheless, we note that the 5% premium of the Subscription Price to the average of the closing prices per Share for the three consecutive trading days immediately prior to and including the Record Date is relatively small compared with the fluctuation of the Share price in the past one year immediately preceding the date of the Announcement and up to and including the Latest Practicable Date (the “Review Period”), ranging from the highest Share price of HK\$1.95 on 19 July 2007 to the lowest Share price of HK\$1.05 on 18 March 2008. Although there is no certainty that the future performance of the Share price would repeat the Share price performance during the Review Period, given the large Share price range during the Review Period and the relatively small premium of 5% for the purpose of determining the Subscription Price, it would give the Qualifying Shareholders room to exercise the rights attached to the Warrants they hold at the appropriate time when the Share price is at a level above the Subscription Price. Moreover, all Shareholders will be granted the Warrants on an equal basis and on the same terms, including the fact that all Warrants will be granted to the Shareholders at the same Subscription Price. We therefore are of the opinion that the Subscription Price is fair and reasonable.

For comparison and analysis purposes, we have assumed that the Subscription Price is fixed at HK\$1.3125 (the “Hypothetical Subscription Price”), calculated on the basis of 5% premium to the average of the closing prices per Share for the last three trading days immediately prior to and including the Latest Practicable Date. **Shareholders should note, however, that the Hypothetical Subscription Price is, in no way, an indication of the Subscription Price, which will be set with reference to the average of the closing prices per Share for the three consecutive trading days immediately prior to and including the Record Date.** Nevertheless, we consider that adopting the Hypothetical Subscription Price in this letter of advice represents the best possible alternative in presenting our analysis of the Bonus Issue of Warrants for the Independent Shareholders’ consideration.

The Hypothetical Subscription Price represents:

- (a) a premium of approximately 16.15% over the closing price of HK\$1.13 per Share as quoted on the Stock Exchange on 10 July 2008, being the date of approval of the Bonus Issue of Warrants by the Board;
- (b) a premium of approximately 14.13% over the closing price of HK\$1.15 per Share as quoted on the Stock Exchange on 14 July 2008, being the last trading day immediately prior to the date of the Announcement;
- (c) a premium of approximately 15.13% over the average closing price of HK\$1.14 per Share as quoted on the Stock Exchange for the five trading days up to and including 14 July 2008, being the last trading day immediately prior to the date of the Announcement; and

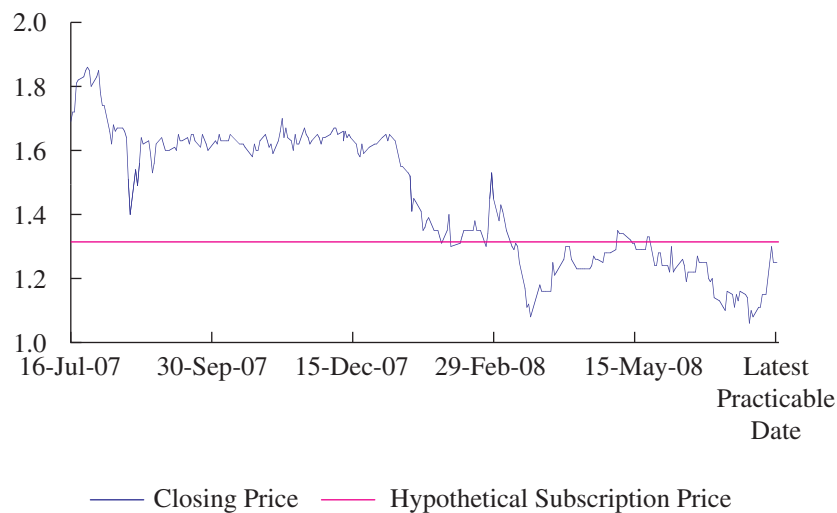
LETTER FROM VC CAPITAL

- (d) a premium of approximately 5.00% over the closing price of HK\$1.25 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Although the Subscription Price will be fixed at a price which is at a 5% premium over the average of the closing prices per Share for the three consecutive trading days immediately prior to and including the Record Date, we are of the view that the Bonus Issue of Warrants and the Subscription Price are fair and reasonable insofar as the Independent Shareholders are concerned after taking into the account of the following:

- (a) We have reviewed the historical price performance of the Shares during the Review Period:

Diagram 1: Closing price per Share as compared with the Hypothetical Subscription Price



As illustrated in the above diagram, the closing price per Share was higher than the Hypothetical Subscription Price at the material time in the Review Period. The Hypothetical Subscription Price represents a discount of approximately 9.23% to the average of the closing prices per Share of HK\$1.4459 and is at a substantial discount of approximately 29.44% as compared to the highest closing price per Share of HK\$1.86 during the Review Period. If the price per Share can be maintained at above the Subscription Price, which is a level at the material time in the Review Period, the Qualifying Shareholders may be able to benefit from the Bonus Issue of Warrants by exercising the rights attached to the Warrants they hold at the appropriate time;

- (b) all Shareholders will be granted the Warrants on an equal basis and on the same terms, including the fact that the Warrants will be granted to all Shareholders at the same Subscription Price; and

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- (c) notwithstanding that the Warrants will not be listed on the Stock Exchange or on any other exchange, the Warrants are freely transferable and holders of the Warrants may realise the Warrants in cash at any time in the one-year period 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 of the Warrants (both dates inclusive).

3. Change in shareholding

As stated in the letter from the Board, the Bonus Issue of Warrants will be made to all Qualifying Shareholders should it proceed. The following table illustrates the shareholding structure of the Company as at the Latest Practicable Date, and the change in the shareholding structure of the Company assuming that the subscription rights to all the Old Warrants are exercised before the Record Date, and following the exercise of the subscription rights attached to the Warrants (a) by the Concert Party Group in full only; and (b) by all holders of the Warrants in full:

SCENARIO 1

	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 holders 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						
Mr. Poon Jing	235,446,930	37.77	282,536,316	42.00	282,536,316	37.77
Mr. Fung Siu To, Clement	<u>11,260,763</u>	<u>1.81</u>	<u>13,512,915</u>	<u>2.01</u>	<u>13,512,915</u>	<u>1.81</u>
Sub-total	246,707,693	39.58	296,049,231	44.01	296,049,231	39.58
Others						
A substantial Shareholder (note)	84,264,629	13.52	84,264,629	12.53	101,117,554	13.52
Public	<u>292,349,618</u>	<u>46.90</u>	<u>292,349,618</u>	<u>43.46</u>	<u>350,819,541</u>	<u>46.90</u>
Sub-total	<u>376,614,247</u>	<u>60.42</u>	<u>376,614,247</u>	<u>55.99</u>	<u>451,937,095</u>	<u>60.42</u>
Total	<u>623,321,940</u>	<u>100.00</u>	<u>672,663,478</u>	<u>100.00</u>	<u>747,986,326</u>	<u>100.00</u>

Note: As at the Latest Practicable Date, according to the records of the Company, Dalton Investments LLC (“Dalton”), a substantial Shareholder, held 84,264,629 Shares, representing approximately 13.52% of the Company’s issued Share capital.

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SCENARIO 2

	If exercise of rights attached to all the Old Warrants in full before the Record 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 holders 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						
Mr. Poon Jing	235,446,930	33.64	282,536,316	37.71	282,536,316	33.64
Mr. Fung Siu To, Clement	<u>11,260,763</u>	<u>1.61</u>	<u>13,512,915</u>	<u>1.80</u>	<u>13,512,915</u>	<u>1.61</u>
Sub-total	246,707,693	35.25	296,049,231	39.51	296,049,231	35.25
Others						
A substantial Shareholder (note)	100,982,608	14.43	100,982,608	13.48	121,179,129	14.43
Public	<u>352,262,140</u>	<u>50.32</u>	<u>352,262,140</u>	<u>47.01</u>	<u>422,714,568</u>	<u>50.32</u>
Sub-total	<u>453,244,748</u>	<u>64.75</u>	<u>453,244,748</u>	<u>60.49</u>	<u>543,893,697</u>	<u>64.75</u>
Total	<u><u>699,952,441</u></u>	<u><u>100.00</u></u>	<u><u>749,293,979</u></u>	<u><u>100.00</u></u>	<u><u>839,942,928</u></u>	<u><u>100.00</u></u>

Note: As at the Latest Practicable Date, according to the records of the Company, Dalton, a substantial Shareholder, held 84,264,629 Shares and 16,717,979 Old Warrants, and if all the Old Warrants are converted before the Record Date, Dalton will be holding approximately 14.43% of the Company's then issued Share capital.

In scenario 1, the Concert Party Group has exercised the Old Warrants held by it in full. If the remaining Old Warrants are not exercised by the warrant holders, and if the rights attached to the Warrants are exercised by the Concert Party Group in full only, the interest of the Concert Party Group in the Company will increase from approximately 39.58% to approximately 44.01%, whereas the interest of the Independent Shareholders in the Company will be diluted by approximately 4.43% from approximately 60.42% to approximately 55.99%.

In scenario 2, if the subscription rights to all the Old Warrants are exercised before the Record Date, and if the rights attached to the Warrants are exercised by the Concert Party Group in full only, the interest of the Concert Party Group in the Company will increase from approximately 35.25% to approximately 39.51%, whereas the interest of the Independent Shareholders in the Company will be diluted by approximately 4.26% from approximately 64.75% to approximately 60.49%.

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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.

Given that the maximum dilution of the interest of the Independent Shareholders in the Company is no more than approximately 4.43%, we consider that such dilution is not material. Furthermore, the exercise of the Warrants in full by the Concert Party Group will not result in a change in the Concert Party Group as the controlling Shareholder, which will be further discussed in the paragraph headed "Application of the Whitewash Waiver" below.

4. Financial impact on the Group

Shareholders should note that the Subscription Price will be determined with reference to the average of the closing prices per Share for the three consecutive trading days immediately prior to and including the Record Date and thus, there may be deviation in the following analysis, which is based on the Hypothetical Subscription Price, from the actual situation upon determination of the Subscription Price. Nevertheless, we consider that adopting the Hypothetical Subscription Price in our letter of advice represents the best possible alternative in presenting our analysis of the Bonus Issue of Warrants for the Independent Shareholders' consideration.

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\$163.6 million (before expenses and assuming that the Subscription Price is not adjusted) on the assumption that the 124,664,388 Warrants will be fully exercised at the Hypothetical Subscription Price. Based on the audited consolidated balance sheet of the Group as at 31 March 2008, the Group had cash and bank balances of approximately HK\$124 million and had no debt and borrowings as at 31 March 2008. The Directors consider that the Bonus Issue of Warrants could strengthen the equity base of the Company and increase the Company's working capital if and when the subscription rights attached to the Warrants are exercised. We concur with the Directors' view in this regard.

Net asset value ("NAV")

The exercise of all Warrants will enhance the NAV of the Group as additional equity capital will be injected into the Company. As the Hypothetical Subscription Price is lower than the NAV per Share of approximately HK\$4.16 (being the NAV of the Group of approximately HK\$2,590.7 million as at 31 March 2008 divided by 623,321,940 Shares in issue as at the Latest Practicable Date), the exercise of the Warrants will result in a decrease of NAV per Share.

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The decrease in NAV per Share immediately after exercise in full of the rights attached to the Warrants is mainly due to the fact that the Hypothetical Subscription Price for the Bonus Issue of Warrants is at a discount to the NAV per Share as at 31 March 2008. Taking into account the fact that the Bonus Issue of Warrants will enlarge the capital base of the Group and provides a right to the Qualifying Shareholders to subscribe for Shares at a price that will be approximately 31.55% of the NAV per Share (calculated on the basis of the Hypothetical Subscription Price), we consider the overall impact on the NAV and NAV per Share resulting from the Bonus Issue of Warrants to be favourable to the Company and the Shareholders as a whole.

5. Other considerations

We consider that fund-raising by the Bonus Issue of Warrants is a better alternative to the 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 Shareholders. We also consider that the Bonus Issue of Warrants is a better alternative than either a bonus issue of Shares or scrip dividend only as such proposal does 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 further invest and 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 246,707,693 Shares, representing approximately 39.58% of the total issued share capital of the Company. In the event that the Concert Party Group exercises its rights attached to the Warrants in full whilst none of the Qualifying Shareholders exercises the rights attached to the Warrants, the aggregate shareholding in the Company of the Concert Party Group will increase from approximately 39.58% to approximately 44.01%, representing an increase of approximately 4.43% which is more than 2% from the lowest percentage holding of the Concert Party Group in the 12-month period immediately preceding the exercise date. 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 aggregate shareholding of the Independent Shareholders in the Company may reach a maximum of approximately 4.43% and the shareholding of the Concert Party Group in the Company may reach a maximum of approximately 44.01%, 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 the Concert Party Group as the controlling Shareholder. The Concert Party Group has confirmed that it has no intention to change the composition

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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 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 of the Group.

The Bonus Issue of Warrants is conditional upon, inter alia, the granting of the Whitewash Waiver by the Executive. 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 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver will be granted subject to the Independent Shareholders' approval of the Whitewash Waiver by way of poll at the SGM. Members of the Concert Party Group will abstain from voting on the relevant resolution to approve the Whitewash Waiver to be proposed at the SGM.

RECOMMENDATION

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. Shareholders should note that the Whitewash Waiver is one of the conditions precedent to the Bonus Issue of Warrants and the Executive has indicated that he will grant the Whitewash Waiver, subject to the Independent Shareholders' approval by way of poll 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. 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

Philip Chau

Managing Director

Keith Lou

Executive 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 2008, 2007 and 2006 as extracted from the published annual reports of the Company for the financial years ended 31 March 2008 and 2007. 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 2008, 2007 and 2006.

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.

	Year ended 31 March		
	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	35,201	118,650	45,090
Profit before income tax	287,667	167,535	56,405
Income tax (expense)/credit	(499)	36	—
Profit for the year attributable to Shareholders of the Company	<u>287,168</u>	<u>167,571</u>	<u>56,405</u>
Dividends	<u>23,371</u>	<u>23,791</u>	<u>—</u>
Earnings per Share			
Basic (Note 1)	<u>HK 52 cents</u>	<u>HK 40 cents</u>	<u>HK 19 cents</u>
Diluted (Note 1)	<u>HK 51 cents</u>	<u>HK 39 cents</u>	<u>HK 19 cents</u>
Dividends per Share	<u>HK 3.75 cents</u>	<u>HK 5.2 cents</u>	<u>NIL</u>

Note 1: Calculations of basic and diluted earnings 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.

Note 2: The Company has no minority interests in the three financial years ended 31 March 2008, 2007 and 2006.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is an extract of the audited consolidated profit and loss account of the Group for the two years ended 31 March 2008, the audited consolidated balance sheet of the Group as at 31 March 2007 and 2008, the consolidated statement of changes in equity and consolidated cash flow statement for the year ended 31 March 2007 and 2008 together with accompanying notes extracted from the audited accounts of the Company for the year ended 31 March 2008. There were no material changes to the accounting policy of the Group for the two years ended 31 March 2008.

Consolidated Profit and Loss Accounts

For the year ended 31st March 2008

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	5, 6	<u>35,201</u>	<u>118,650</u>
Revenue	5, 6	28,471	15,157
Cost of sales	6	<u>(12,940)</u>	<u>(8,895)</u>
Gross profit		15,531	6,262
Administrative expenses	6	(13,181)	(22,302)
Other income and charges	7	<u>76,111</u>	<u>61,390</u>
Operating profit		78,461	45,350
Finance costs	8	(636)	(688)
Share of profits less losses of			
Jointly controlled entities		(800)	—
Associated companies		<u>210,642</u>	<u>122,873</u>
Profit before income tax		287,667	167,535
Income tax (expense)/credit	11	<u>(499)</u>	<u>36</u>
Profit for the year attributable to shareholders of the Company	12	<u>287,168</u>	<u>167,571</u>
Dividends	13	<u>23,371</u>	<u>23,791</u>
Earnings per share			
Basic	14	<u>HK\$ 0.52</u>	<u>HK\$ 0.40</u>
Diluted	14	<u>HK\$ 0.51</u>	<u>HK\$ 0.39</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
Consolidated Balance Sheet
As at 31st March 2008

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	15	1,172	1,876
Jointly controlled entities	17	7,272	7,272
Associated companies	18	2,400,136	1,876,465
Available-for-sale investments	19	88,760	—
Deferred income tax assets	28	3,047	3,885
		<u>2,500,387</u>	<u>1,889,498</u>
Current assets			
Trade and other receivables	20	2,771	891
Financial assets at fair value through profit or loss	21	7,136	50,321
Warrant assets	22	10,163	—
Derivative financial instruments	23	—	5,902
Bank balances and cash	24	123,999	115,045
		<u>144,069</u>	<u>172,159</u>
Current liabilities			
Trade and other payables	25	35,633	39,100
Warrant liabilities	26	7,341	—
Amounts due to associated companies	18	1,925	1,641
Amounts due to minority shareholders	27	8,311	8,311
		<u>53,210</u>	<u>49,052</u>
Net current assets		<u>90,859</u>	<u>123,107</u>
Total assets less current liabilities		2,591,246	2,012,605
Non-current liabilities			
Deferred income tax liabilities	28	508	9
Net assets		<u>2,590,738</u>	<u>2,012,596</u>
Equity			
Share capital	29	62,332	38,572
Reserves	30	2,528,406	1,974,024
		<u>2,590,738</u>	<u>2,012,596</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****Balance Sheet***As at 31st March 2008*

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current assets			
Subsidiaries	16	3,887,916	3,648,228
Associated companies	18	91,912	—
Deferred income tax assets	28	<u>171</u>	<u>171</u>
		<u>3,979,999</u>	<u>3,648,399</u>
Current assets			
Trade and other receivables		118	109
Warrant assets		688	—
Bank balances and cash	24	23,227	52
		<u>24,033</u>	<u>161</u>
Current liabilities			
Trade and other payables		1,081	1,236
Warrant liabilities	26	7,341	—
		<u>8,422</u>	<u>1,236</u>
Net current assets/(liabilities)		<u>15,611</u>	<u>(1,075)</u>
Net assets		<u>3,995,610</u>	<u>3,647,324</u>
Equity			
Share capital	29	62,332	38,572
Reserves	30	<u>3,933,278</u>	<u>3,608,752</u>
		<u>3,995,610</u>	<u>3,647,324</u>

Consolidated Cash Flow Statement*For the year ended 31st March 2008*

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Cash flows from operating activities			
Net cash generated from operations	34(a)	38,330	86,222
Net income tax refunded/(paid)		6	(73)
Interest paid		(636)	(688)
		<u>37,700</u>	<u>85,461</u>
Cash flows from investing activities			
Interest received		9,145	7,507
Addition to property, plant and equipment		(82)	(13)
Dividend received from financial assets at fair value through profit or loss		534	480
Dividend received from associated companies		24,039	878
Increase in investment in associated companies		(378,400)	(256,785)
Decrease in advances to associated companies		283	4,145
Increase in advances to a jointly controlled entity		(800)	—
Proceeds on disposal of subsidiaries	34(b)	—	150
Proceeds on disposal of associated companies		110,000	14,080
Purchase of available-for-sale investments		(84,002)	—
		<u>(319,283)</u>	<u>(229,558)</u>
Net cash used in investing activities		<u>(319,283)</u>	<u>(229,558)</u>
Net cash used before financing activities		<u>(281,583)</u>	<u>(144,097)</u>
Cash flows from financing activities			
Rights issue		245,963	160,451
Conversion of warrants		63,314	—
Drawdown of short term bank loans		430,087	114,424
Repayment of short term bank loans		(430,087)	(114,424)
Dividend paid to shareholders		(15,717)	(5,778)
		<u>293,560</u>	<u>154,673</u>
Net cash generated from financing activities		<u>293,560</u>	<u>154,673</u>
Net increase in cash and cash equivalents		11,977	10,576
Cash and cash equivalents at the beginning of the year		<u>81,779</u>	<u>71,203</u>
Cash and cash equivalents at the end of the year		<u>93,756</u>	<u>81,779</u>
Analysis of the balances of cash and cash equivalents			
Bank balances and cash (excluding restricted bank balance)	24	<u>93,756</u>	<u>81,779</u>

Consolidated Statement of Changes in Equity*For the year ended 31st March 2008*

	Shareholders of the Company <i>HK\$'000</i>
At 1st April 2006	1,672,201
Currency translation differences	467
Profit for the year	<u>167,571</u>
Total recognised income for the year	----- 168,038
Shares issued for scrip dividend	6,441
2007 interim dividend with scrip option	(12,219)
Net proceeds pursuant to rights issue	160,451
Grant of share options	11,913
Share options granted by a listed associated company	2,295
Convertible notes and bonds of listed associated companies	<u>3,476</u>
	----- 172,357
At 31st March 2007	<u><u>2,012,596</u></u>
At 1st April 2007	----- 2,012,596
Fair value gain on available-for-sale investments	4,758
Less: provision for deferred tax	(832)
Available-for-sale investment reserve of listed associated companies	4,234
Currency translation differences	6,019
Profit for the year	<u>287,168</u>
Total recognised income for the year	----- 301,347
2007 final dividend with scrip option	(3,251)
2008 interim dividend	(12,466)
Net proceeds pursuant to rights issue	245,963
Grant of warrants	(32,840)
Conversion of warrants	75,046
Share options granted by a listed associated company	7,038
Convertible notes and bonds of listed associated companies	<u>(2,695)</u>
	----- 276,795
At 31st March 2008	<u><u>2,590,738</u></u>

Notes to the Financial Statements**1 Basis of preparation**

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investments, financial assets at fair value through profit or loss, derivative financial instruments, warrant assets and warrant liabilities, 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 consolidated 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 both years presented, unless otherwise stated.

2 Principal accounting policies**(a) The adoption of new/revised HKFRS**

During the year, the Group adopted the new standard, amendment and interpretations of HKFRS below, which are relevant to its operations.

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 11	HKFRS 2 — Group and Treasury Share Transactions
HKFRS 7	Financial Instruments: Disclosures

The Group has assessed the impact of the adoption of these standard, amendments and interpretations 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, except that additional disclosures relating to capital management and financial instruments are required under HKAS 1 (Amendment) and HKFRS 7 respectively.

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

Effective from 1st January 2008

HK (IFRIC) — Int 12	Service Concession Arrangement
HK (IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

Effective from 1st July 2008

HK (IFRIC) — Int 13	Customer Loyalty Programmes
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Effective from 1st January 2009

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations
HKFRS 8	Operating Segments

Effective from 1st July 2009

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combination

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, being negative goodwill, is recognised directly in the profit and loss account.

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 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 accounting 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 might 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. If the cost of acquisition is less than the relevant interest acquired of the carrying value of the net assets of the subsidiary, the difference being negative goodwill is recognised in the consolidated profit and loss account.

(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 accounting 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 accounting policies adopted by the Group.

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

(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, available-for-sale investments 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 re-evaluates 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.

(iii) ***Available-for-sale investments***

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. 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 and available-for-sale investments 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. Dividend received from financial assets at fair value through profit or loss are recognised in the profit and loss account as part of income when the company’s right to receive payments is established. Change in the fair value of available-for-sale investments are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investments.

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 Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss — is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment test of receivables is described in note 2(p).

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 in Hong Kong	Shorter of 50 years or the remaining lease period of the land on which the buildings is located
Hotel buildings in Overseas	25 years
Other equipment	3 to 10 years

No depreciation is provided for buildings under development.

Freehold land is not amortised.

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

The gain or loss on disposal of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

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 have not yet available for use 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) ***Warrant assets and liabilities***

Warrant assets and liabilities are initially recognised at fair value on the date of grant and are subsequently remeasured at their fair value. Changes in the fair value of warrant assets and liabilities are recognised in the profit and loss account.

(k) ***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. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

(l) *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.

(m) *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 (note 2(n)), construction costs, interest and other direct expenses capitalised during the course of development. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(n) *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. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the profit and loss account. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold or transferred to the cost of the properties upon completion. Where there is impairment, impairment are expensed in the profit and loss account.

(o) *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. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

(p) *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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "administrative expenses". When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the profit and loss account. Trade and other receivables in the balance sheet are stated net of such provision.

(q) 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. Provisions are not recognised for future operating losses.

(r) 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. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent nonconvertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised in shareholders' equity, net of tax.

(s) 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.

(t) *Current and deferred income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, jointly controlled entities and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

(u) *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.

(v) *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.

(w) *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, where the risks and rewards of the properties are transferred to the purchasers. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities.

(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.

(x) ***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.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

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.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

(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.

(y) ***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.

(z) ***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.

(aa) ***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.

(ab) ***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.

(ac) ***Dividend distribution***

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group and its associated companies' activities expose it to a variety of financial risks: market risk (including foreign exchange 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's financial instruments are denominated in Hong Kong dollars.

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

At 31st March 2008, if the prices of the Group's available-for-sale investments had decreased/increased by 1% with all other variable held constant, post-tax available-for-sale investment reserve of the Group would have been HK\$732,000 (2007: Nil) lower/higher.

At 31st March 2008, if the prices of the Group's financial assets at fair value through profit or loss had decreased/increased by 1% with all other variable held constant, post-tax profit of the Group would have been HK\$59,000 (2007: HK\$74,000) lower/higher.

At 31st March 2008, if the share price of the Company underlying the warrant liabilities had decreased/increased by 1% with all other variable held constant, post-tax profit of the Group would have been HK\$322,000 (2007: Nil) higher/lower.

(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. Customers are assessed and rated based on the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set by management and the utilisation of credit limits is regularly monitored. No credit limit was exceeded during the year, and management does not expect any significant losses from non-performance by these relevant parties.

For bank balances and cash, the Group has limited its credit exposure by restricting their selection of financial institutions on those reputable banks with good credit ratings.

The maximum exposure to credit risk at the reporting date is the carrying value of total unimpaired trade and other receivables and bank balances and cash in the consolidated balance sheet.

(c) *Interest rate risk*

The Group's interest rate risk arise from short-term bank deposits issued at variable rates.

During the year, the deposits of the Group at variable rate were denominated in Hong Kong dollar and United States dollar. At 31st March 2008, if market interest rates had been 10 basis points higher/lower with all other variables held constant, post-tax profit of the Group for the year would have been HK\$67,000 (2007: HK\$64,000) higher/lower.

(d) *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.

The relevant maturity groupings on the contractual undiscounted cash flows based on the remaining period at the balance sheet date to the contractual maturity date of the Group's and the Company's financial liabilities are analysed in the financial statements. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

3.2 *Capital risk management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total current and non-current borrowings shown in the consolidated balance sheet less cash and cash equivalents. Total capital is equivalent to equity shown in the consolidated balance sheet, plus net debt. There was no borrowings at 31st March 2008 and 2007.

3.3 *Fair value estimation*

The fair value of financial instruments traded in active markets (such as trading and available-for-sale investments) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) 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 contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value of trade and other receivables, financial assets at fair value through profit or loss, derivative financial instruments, bank balances and cash, and trade and other payables are approximate to their fair values. The fair value of financial assets and 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 does not hold any collateral as security.

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.

(d) *Fair value of derivative financial instruments and warrants*

The fair values of derivative financial instruments and warrants that are not traded in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are periodically reviewed. To the extent practical, models use only observable data, however areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the fair values of derivative financial instruments and warrants.

(e) *Share-based payments*

The fair value of options granted is appraised based on the various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the share options at the date of grant.

5 **Turnover 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, Wanchai, Hong Kong.

The Group, its jointly controlled entities and its associated companies are principally engaged in property management, development and investment, hotel, catering services and travel agency, and investment. Turnover comprises revenue from property management, dividend and interest income, together with gross proceeds from securities investment. Revenues include revenue from property management, dividend and interest income, and net realised gains/(losses) on sale of financial assets at fair value through profit or loss.

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. Additional segment information of jointly controlled entities and associated companies was set out in supplementary notes.

Net gains/(losses) on financial assets at fair value through profit or loss are included in contribution to segment results of investment.

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

	Property management	Investment	Other operations	Group
2008 (in HK\$'000)				
Turnover	15,787	9,762	9,652	35,201
Segment revenue	<u>15,787</u>	<u>3,032</u>	<u>9,652</u>	<u>28,471</u>
Contribution to segment results	2,847	3,032	9,652	15,531
Other income and charges	—	91,109	(14,998)	76,111
Unallocated corporate expenses				<u>(13,181)</u>
Operating profit				78,461
Finance costs				(636)
Share of results of				
Jointly controlled entities (note (i))				(800)
Associated companies (note (i))				<u>210,642</u>
Profit before income tax				287,667
Income tax expenses				<u>(499)</u>
Profit for the year				<u><u>287,168</u></u>
2007 (in HK\$'000)				
Turnover	11,838	98,893	7,919	118,650
Segment revenue	<u>11,838</u>	<u>(4,600)</u>	<u>7,919</u>	<u>15,157</u>
Contribution to segment results	2,943	(4,600)	7,919	6,262
Other income and charges	—	61,390	—	61,390
Unallocated corporate expenses				<u>(22,302)</u>
Operating profit				45,350
Finance costs				(688)
Share of results of associated companies (note (i))				<u>122,873</u>
Profit before income tax				167,535
Income tax credit				<u>36</u>
Profit for the year				<u><u>167,571</u></u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

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

	2008		2007	
	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	—	35,530	—	47,457
Property leasing	—	174,051	—	114,129
Hotel and travel	—	21,473	—	33,276
Investment	—	255	—	(4,614)
Other operations	(800)	47,791	—	21,080
Finance costs	—	(27,632)	—	(45,561)
Unallocated corporate expenses	—	(40,826)	—	(42,894)
	<u>(800)</u>	<u>210,642</u>	<u>—</u>	<u>122,873</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

	Property management	Investment	Other operations	Group
2008 (in HK\$'000)				
Segment assets	30,885	95,896	3,163	129,944
Jointly controlled entities and associated companies (<i>note (ii)</i>)				2,407,408
Unallocated assets				<u>107,104</u>
				<u><u>2,644,456</u></u>
Segment liabilities	34,704	—	8,311	43,015
Unallocated liabilities				<u>10,703</u>
				<u><u>53,718</u></u>
Capital expenditure	82	—	—	82
Depreciation	44	—	742	786
2007 (in HK\$'000)				
Segment assets	33,754	56,223	2,147	92,124
Jointly controlled entities and associated companies (<i>note (ii)</i>)				1,883,737
Unallocated assets				<u>85,796</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

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

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

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property sales	627,818	632,327
Property leasing	871,567	664,208
Hotel and travel	559,473	571,323
Investment	196,162	36,142
Other operations	67,069	19,947
Unallocated net assets/(liabilities)	<u>85,319</u>	<u>(40,210)</u>
	<u>2,407,408</u>	<u>1,883,737</u>

Secondary reporting format — geographical segments

For the year ended 31st March 2008 and 2007, the activities of the Group are mainly based in Hong Kong. The Group incurred its capital expenditure, derived most of its revenue and operating profit from Hong Kong. Over 90% of its total assets are located in Hong Kong.

6 Income and expenses by nature

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income		
Interest income	9,143	7,508
Dividend income	534	480
Realised gains on financial assets at fair value through profit or loss	<u>2,498</u>	<u>—</u>
Expenses		
Auditor's remuneration	1,097	813
Depreciation	786	784
Net realised losses on financial assets at fair value through profit or loss	—	5,080
Employee benefit expenses, including Directors' emoluments (<i>note 10</i>)	13,643	23,598
Operating lease rental expenses for land and buildings	<u>407</u>	<u>269</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****7 Other income and charges**

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unrealised losses on financial assets at fair value through profit or loss	(1,890)	(1,650)
Unrealised gains on derivative financial instruments	—	5,902
Fair value losses on warrant assets (<i>note 22</i>)	(28,765)	—
Fair value gains on warrant liabilities (<i>note 26</i>)	13,767	—
Negative goodwill recognised on acquisition of additional interest in listed associated companies	84,154	43,760
Gain on disposal of		
— Subsidiaries	—	163
— Associated companies	8,845	12,883
— Jointly controlled entities	—	332
	<u>76,111</u>	<u>61,390</u>

8 Finance costs

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on short term bank loans and overdrafts	<u>636</u>	<u>688</u>

9 Directors' and senior management emoluments

- (a) The aggregate amount of emoluments paid and payable to Directors of the Company for the years ended 31st March 2008 and 2007 are as follows:

Name of director	Salaries, allowances and benefits			Salaries, allowances and benefits			2007 Total HK\$'000
	Directors' fee HK\$'000	benefits in kind HK\$'000	2008 Total HK\$'000	Directors' fee HK\$'000	Share options HK\$'000	benefits in kind HK\$'000	
<i>Executive</i>							
Mr. Fung Siu To, Clement	—	1,000	1,000	—	600	—	600
Dr. Lim Yin Cheng	—	—	—	—	600	—	600
Mr. Poon Jing	—	4,500	4,500	—	—	4,000	4,000
Mr. Lun Pui Kan	—	—	—	—	600	—	600
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>5,500</u>	<u>6,120</u>	<u>620</u>	<u>2,400</u>	<u>4,000</u>	<u>7,020</u>

- (b) The five highest paid individuals in the Group for the year include two (2007: two) Directors whose emoluments are already reflected in the analysis presented above.

The emoluments payable to the remaining three (2007: three) individuals during the years are as follows:

	2008 HK\$'000	2007 HK\$'000
Basic salaries, allowances, benefits in kind and share option benefits	<u>1,168</u>	<u>3,416</u>

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Emolument bands		
Below HK\$1,000,000	3	—
HK\$1,000,001 — HK\$1,500,000	—	3

10 **Employee benefit expense**

	2008	2007
	HK\$'000	HK\$'000
Wages and salaries	13,333	11,514
Retirement benefits costs (<i>note (a)</i>)	310	171
Employee share option benefits (<i>note (b)</i>)	—	11,913
	<u>13,643</u>	<u>23,598</u>

Employee benefit expense is stated inclusive of Directors' emoluments.

Notes:

(a) **Retirement benefits costs**

	2008	2007
	HK\$'000	HK\$'000
Gross contributions	310	311
Forfeitures utilised	—	(140)
Net contributions	<u>310</u>	<u>171</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 employee's monthly salaries are made by the employees and by the Group. The Group's contributions may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also participates in the MPF scheme, which is available to all employees not joining the ORSO schemes in Hong Kong. Monthly contributions to the MPF scheme are made equal to 5% (2007: 5%) of the employee's 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 2008, no forfeitures (2007: 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. Following the adjustments made to the number of options granted under the share option scheme of the Company adopted on 11th November 2002 ("Share Option Scheme") and the subscription price thereof as a result of the rights issue of the Company on the basis of 1 rights share for every 2 shares held by the shareholders as of 5th July 2007 ("Rights Issue"), the subscription price of the share option was adjusted from HK\$1.602 to HK\$1.4315 per share and the total number of options granted was adjusted from 37,700,000 to 42,190,287 on 30th July 2007.

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

Grantee	Expiry date	2008	2007
		Number	Number
Directors	29th March 2017	8,505,204	7,600,000
Employees	29th March 2017	26,746,627	23,900,000
Directors of a listed associated company	29th March 2017	<u>3,469,228</u>	<u>6,200,000</u>
		<u>38,721,059</u>	<u>37,700,000</u>

During the year, no options (2007: 37,700,000 options) to subscribe for shares of the Company were granted. No options were exercised or forfeited (2007: Nil), there was an increase of 4,490,287 options adjusted for the effect of Rights Issue and 3,469,228 options were lapsed during the year (2007: Nil).

11 **Income tax (expense)/credit**

	2008	2007
	HK\$'000	HK\$'000
Current income tax		
Over/(under) provisions in prior years	6	(73)
Deferred income tax	<u>(505)</u>	<u>109</u>
	<u>(499)</u>	<u>36</u>

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 (2007: Nil)

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Share of income tax of associated companies for the year of HK\$21,454,000 (2007: HK\$24,146,000) is included in the profit and loss account as share of profits of associated companies. There is no income tax for jointly controlled entities for the year (2007: Nil).

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:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	287,667	167,535
Share of profits less losses of jointly controlled entities and associated companies	<u>(209,842)</u>	<u>(122,873)</u>
	<u>77,825</u>	<u>44,662</u>
Calculated at a tax rate of 17.5% (2007: 17.5%)	(13,619)	(7,816)
Over/(under) provisions in prior years	6	(73)
Income not subject to income tax	20,299	10,961
Expenses not deductible for tax purposes	(6,460)	(1,414)
Tax losses not recognised	(2,020)	(4,938)
Other temporary difference	33	20
Recognition of previously unrecognised tax losses	1,253	3,187
Others	<u>9</u>	<u>109</u>
Income tax (expense)/credit	<u>(499)</u>	<u>36</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 profit of HK\$75,834,000 (2007: Loss of HK\$13,170,000).

13 Dividends

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, paid, of HK2.0 cents (2007: HK3.2 cents) per share	12,463	12,219
Final, proposed, of HK1.75 cents (2007: HK2.0 cents) per share	<u>10,908</u>	<u>11,572</u>
	<u>23,371</u>	<u>23,791</u>

At a meeting held on 10th July 2008, the Board of Directors has proposed to pay a final dividend of HK1.75 cents per share in scrip. This proposed dividend is not reflected in the financial statements, but will be reflected as an appropriation of revenue reserve in the year ending 31st March 2009.

14 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$287,168,000 (2007: HK\$167,571,000) and divided by the weighted average number of 556,415,813 (2007: 423,803,159, adjusted for the effect of rights issue in July 2007) shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31st March 2008 is based on profit attributable to shareholders of the Company of HK\$287,168,000 and divided by 561,288,934 shares equalling to the weighted average number of 556,415,813 shares in issue during the year with an increase of 4,873,121 potential shares deemed to be in issue assuming the Company's share options had been converted. The Company's outstanding warrants and the outstanding share options and warrants of Asia Standard and AS Hotel did not have a dilutive effect on the earnings per share in 2008.

The calculation of diluted earnings per share for the year ended 31st March 2007 was based on HK\$164,964,000 equalling to the profit attributable to shareholders of the Company of HK\$167,571,000 with a decrease in share of profit after tax of HK\$2,607,000 from Asia Standard arising from potential conversion of the convertible notes of Asia Standard, and divided by the weighted average number of 423,803,159 (adjusted for the effect of rights issue in July 2007) shares in issue during the year. The outstanding share options of the Company, Asia Standard and AS Hotel did not have a dilutive effect on the earnings per share in 2007.

15 Property, plant and equipment

	Other equipment
	<i>HK\$'000</i>
Cost	
At 31st March 2007	4,984
Additions	<u>82</u>
At 31st March 2008	----- 5,066
Accumulated depreciation	
At 31st March 2007	3,108
Charge for the year	<u>786</u>
At 31st March 2008	----- <u>3,894</u>
Net book value	
At 31st March 2008	<u>1,172</u>
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>1,876</u>

16 Subsidiaries

	2008	2007
	<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>1,064,277</u>	<u>824,589</u>
	<u>3,887,916</u>	<u>3,648,228</u>

Details of the principal subsidiaries are set out in note 37.

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

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****17 Jointly controlled entities**

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net liabilities	(35,764)	(35,764)
Advances to jointly controlled entities less provisions	<u>43,036</u>	<u>43,036</u>
Total carrying amounts of jointly controlled entities	<u><u>7,272</u></u>	<u><u>7,272</u></u>

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

Details of the principal jointly controlled entities are set out in note 37.

The Group's share of assets and liabilities and results of jointly controlled entities

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets		
Non-current assets	11	19
Current assets	<u>314</u>	<u>411</u>
	----- 325	----- 430
Liabilities		
Non-current liabilities	33,404	32,857
Current liabilities	<u>2,685</u>	<u>3,337</u>
	----- 36,089	----- 36,194
Net liabilities	<u><u>(35,764)</u></u>	<u><u>(35,764)</u></u>
Income	—	—
Expenses	<u>(800)</u>	<u>—</u>
Loss before income tax	(800)	—
Income tax expense	<u>—</u>	<u>—</u>
Loss for the year	<u><u>(800)</u></u>	<u><u>—</u></u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**18 **Associated companies***Group*

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	2,359,082	1,876,465
Share of incremental fair value of net assets upon acquisition of additional interests	<u>41,054</u>	<u>—</u>
Total carrying amounts of associated companies	2,400,136	1,876,465
Amounts due to associated companies included in current liabilities	<u>(1,925)</u>	<u>(1,641)</u>
	<u>2,398,211</u>	<u>1,874,824</u>
Market value of listed shares	<u>747,667</u>	<u>779,045</u>

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

Details of the principal associated companies are set out in note 37.

The Group's share of assets and liabilities (before fair value adjustments) and results of associated companies

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets	3,287,705	3,494,038
Liabilities	<u>(928,623)</u>	<u>(1,617,573)</u>
Net assets	<u>2,359,082</u>	<u>1,876,465</u>
Revenues	512,157	607,750
Profit for the year	210,642	122,873
Financial guarantee	<u>88,924</u>	<u>100,629</u>

Company

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Shares listed in Hong Kong at cost	<u>91,912</u>	<u>—</u>
Market value of listed shares	<u>55,716</u>	<u>—</u>

19 Available-for-sale investments

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities		
Listed in Hong Kong	<u>88,760</u>	<u>—</u>

There were no disposals or impairment provisions on available-for-sale investments during the year.

20 Trade and other receivables

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	227	302
Deposits and prepayments	174	174
Dividend receivable from available-for-sale investments	2,129	—
Other receivables	<u>241</u>	<u>415</u>
	<u>2,771</u>	<u>891</u>

Trade and other receivables of the Group include trade receivables, utility and other deposits, interest and other receivables. The carrying amounts approximate their fair values.

Aging analysis of trade receivables is as follows:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	227	226
61 days to 120 days	<u>—</u>	<u>76</u>
	<u>227</u>	<u>302</u>

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 receivables, credit evaluations of customers are performed periodically. The carrying values of trade receivable at the balance sheet date are due on presentation of invoices.

21 Financial assets at fair value through profit or loss

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Equity securities		
Listed in Hong Kong	7,136	9,026
Pledged United States treasury bills (note)	—	41,295
	<u>7,136</u>	<u>50,321</u>

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

22 Warrant assets

On 7th September 2007, the Group received 617,469,000 bonus warrants from Asia Standard, a listed associated company. The warrants are exercisable at any time within one year from the date of issue. Following the adjustments made to the number of warrants held and the exercise price thereof as a result of the rights issue of Asia Standard on the basis of 1 rights share for every 2 shares held by the shareholders as of 13th February 2008 and reset arrangement on 6th March 2008, the exercise price of the warrants was adjusted to HK\$0.179 per share.

On 7th September 2007, the Group received 65,369,000 bonus warrants from AS Hotel, another listed associated company. The warrants are exercisable at any time within three year from the date of issue. Following the reset arrangement on 6th March 2008, the exercise price of the warrants was adjusted to HK\$0.084 per share.

Movement of the warrant assets during the year is as follows:

	Group <i>HK\$'000</i>
Fair value of warrants at date of issue	38,928
Fair value losses debited to profit and loss account (note 7)	<u>(28,765)</u>
At 31st March 2008	<u><u>10,163</u></u>

The fair value of warrants at date of issue and at 31st March 2008 is determined using Lattice model.

The following assumptions were used to calculate the fair values of warrants at 31st March 2008.

	Asia Standard	AS Hotel
Closing share price at 31st March 2008 (HK\$)	0.147	0.076
Exercise price (HK\$)	0.179	0.084
Expected remaining life of warrants (years)	0.4	2.4
Expected volatility (%)	47.13	43.85
Risk free rate (%)	0.80	1.39

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****23 Derivative financial instruments**

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets, held for trading		
— United States Dollars currency forward contract	<u>—</u>	<u>5,902</u>

At 31st March 2007, the notional principal amounts of the outstanding forward foreign exchange contracts were US\$100,000,000.

24 Bank balances and cash

	Group		Company	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at bank and in hand	12,844	11,709	242	52
Restricted bank balances	30,243	33,266	—	—
Short-term deposits	<u>80,912</u>	<u>70,070</u>	<u>22,985</u>	<u>—</u>
	<u>123,999</u>	<u>115,045</u>	<u>23,227</u>	<u>52</u>

The effective interest rate on restricted bank balances is 1.0% (2007: 3.2%) per annum. These deposits have an average maturity of 26 days (2007: 52 days). These balances are restricted for buildings managed by the Group.

The effective interest rate on short-term bank deposits is 1.0% (2007: 4.9%) per annum for the Group and 0.8% (2007: Nil) per annum for the Company. These deposits have an average maturity of 3 days (2007: 3 days) for the Group and 1 day (2007: Nil) for the Company.

25 Trade and other payables

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	3,170	4,181
Building management account surplus	30,387	31,980
Other payables	634	1,708
Accrued expenses	<u>1,442</u>	<u>1,231</u>
	<u>35,633</u>	<u>39,100</u>

Trade and other payables of the Group include trade payables, rental and management fee deposits, interest and other payables and various accruals. The carrying amounts approximate their fair values.

Aging analysis of trade payables is as follows:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	2,984	3,629
61 days to 120 days	75	28
More than 120 days	<u>111</u>	<u>524</u>
	<u><u>3,170</u></u>	<u><u>4,181</u></u>

26 Warrant liabilities

On 7th September 2007, the Company issued warrants to shareholders on the basis of one warrant for every five shares of the Company. The warrants are exercisable at any time within one year from the date of issue. Apart from the adjustments upon occurrence of the usual adjustment events, the subscription price is subject to the reset adjustment at the end of each six months period from the date of issue of the warrants and a final reset adjustment on the tenth business day before the date of expiration of the warrants. Following the reset arrangement on 6th March 2008, the exercise price of the warrants was adjusted from the initial HK\$1.62 per share to HK\$1.368 per share.

Movement of the warrant liabilities during the year is as follows:

	Group and Company
	<i>HK\$'000</i>
Fair value of warrants at date of issue	32,840
Set off against reserve upon exercise of warrants	(11,732)
Fair value gains credited to profit and loss account (note 7)	<u>(13,767)</u>
At 31st March 2008	<u><u>7,341</u></u>

The fair value of warrants at date of issue and at 31st March 2008 is determined using Lattice model.

The following assumptions were used to calculate the fair values of warrants at 31st March 2008.

Closing share price at 31st March 2008 (HK\$)	1.160
Exercise price (HK\$)	1.368
Expected remaining life of warrants (years)	0.4
Expected volatility (%)	43.11
Risk free rate (%)	0.80

27 Amounts due to minority shareholders

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

28 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	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred income tax assets	3,047	3,885	171	171
Deferred income tax liabilities	<u>(508)</u>	<u>(9)</u>	<u>—</u>	<u>—</u>
	<u>2,539</u>	<u>3,876</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*

	Accelerated accounting depreciation		Tax losses		Total	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	40	51	3,845	3,893	3,885	3,944
Recognised in the profit and loss account	<u>(8)</u>	<u>(11)</u>	<u>(498)</u>	<u>(48)</u>	<u>(506)</u>	<u>(59)</u>
At the end of the year	<u>32</u>	<u>40</u>	<u>3,347</u>	<u>3,845</u>	<u>3,379</u>	<u>3,885</u>

Deferred income tax liabilities

	Fair value gains on available-for-sale investments		Accelerated tax depreciation		Total	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	—	—	(9)	(177)	(9)	(177)
Recognised in the profit and loss account	—	—	1	168	1	168
Charged directly to equity	(832)	—	—	—	(832)	—
At the end of the year	<u>(832)</u>	<u>—</u>	<u>(8)</u>	<u>(9)</u>	<u>(840)</u>	<u>(9)</u>

Company*Deferred income tax assets*

	Tax losses	
	2008	2007
	HK\$'000	HK\$'000
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 (2007: HK\$6 million) in respect of losses amounting to HK\$35 million (2007: HK\$34 million) that can be carried forward against future taxable income. These tax losses have no expiry date.

29 Share capital

	Number of shares		Amount	
	2008	2007	2008 HK\$'000	2007 HK\$'000
Shares of HK\$0.1 each				
Authorised				
At the beginning of the year	750,000,000	750,000,000	75,000	75,000
Increase during the year (note (a))	<u>750,000,000</u>	<u>—</u>	<u>75,000</u>	<u>—</u>
At the end of the year	<u>1,500,000,000</u>	<u>750,000,000</u>	<u>150,000</u>	<u>75,000</u>
Issued and fully paid:				
At the beginning of the year	385,717,565	254,557,972	38,572	25,456
Shares issued pursuant to rights issue (note (b))	192,858,782	127,278,986	19,286	12,728
Scrip dividend (note (c))	5,660,825	3,880,607	566	388
Conversion of warrants (note (d))	<u>39,084,768</u>	<u>—</u>	<u>3,908</u>	<u>—</u>
At the end of the year	<u>623,321,940</u>	<u>385,717,565</u>	<u>62,332</u>	<u>38,572</u>

Notes:

- (a) On 31st August 2007, an ordinary resolution was passed to increase the authorised share capital to HK\$150 million.
- (b) In July 2007, the Company issued 192.9 million shares at HK\$1.30 each for a gross amount of HK\$250.7 million pursuant to a rights issue of 1 rights share for 2 shares held. The net proceeds formed part of the consideration for subscription of Asia Standard's rights issue in March 2008.
- (c) In August 2007, the Company allotted and issued 5,660,825 (2007: 3,880,607) new shares at HK\$1.47 for HK\$8.3 million as scrip dividend.
- (d) During the year, 39,084,768 new shares at HK\$1.62 each for HK\$63.3 million (2007: Nil) were allotted and issued upon conversion of warrants.

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30 Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Convertible notes and bonds HK\$'000	Available- for-sale investment reserve HK\$'000	Share option reserve HK\$'000	Warrants reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
Group									
At 31st March 2006	1,564,357	360,302	71,829	—	—	3,420	—	(353,163)	1,646,745
Currency translation differences	—	—	—	—	—	—	—	467	467
Profit for the year	—	—	—	—	—	—	—	167,571	167,571
2007 interim dividend (with scrip option)	6,053	—	—	—	—	—	—	(12,219)	(6,166)
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
At 31st March 2007	1,718,133	398,021	71,829	3,476	—	14,280	—	(231,715)	1,974,024
Fair value gain on available-for-sale investments	—	—	—	—	4,758	—	—	—	4,758
Less: provision for deferred tax	—	—	—	—	(832)	—	—	—	(832)
Currency translation differences	—	—	—	—	—	—	—	6,019	6,019
Profit for the year	—	—	—	—	—	—	—	287,168	287,168
2007 final dividend (with scrip option)	7,755	—	(11,572)	—	—	—	—	—	(3,817)
2008 interim dividend	—	—	—	—	—	—	—	(12,466)	(12,466)
Rights issue less expenses	226,677	—	—	—	—	—	—	—	226,677
Share options lapsed	—	—	—	—	—	(980)	—	980	—
Grant of warrants	—	—	—	—	—	—	(32,840)	—	(32,840)
Conversion of warrants	59,406	—	—	—	—	—	11,092	640	71,138
Share options granted by a listed associated company	—	—	—	—	—	6,159	—	879	7,038
Share of reserve of associated companies	—	—	—	(3,476)	4,234	—	—	781	1,539
At 31st March 2008	<u>2,011,971</u>	<u>398,021</u>	<u>60,257</u>	<u>—</u>	<u>8,160</u>	<u>19,459</u>	<u>(21,748)</u>	<u>52,286</u>	<u>2,528,406</u>
Representing:									
2008 proposed scrip dividend	—	—	—	—	—	—	—	10,908	10,908
Others	2,011,971	398,021	60,257	—	8,160	19,459	(21,748)	41,378	2,517,498
At 31st March 2008	<u>2,011,971</u>	<u>398,021</u>	<u>60,257</u>	<u>—</u>	<u>8,160</u>	<u>19,459</u>	<u>(21,748)</u>	<u>52,286</u>	<u>2,528,406</u>

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	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Warrants reserve <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Company						
At 31st March 2006	1,564,357	1,907,378	3,348	—	(6,631)	3,468,452
Loss for the year	—	—	—	—	(13,170)	(13,170)
2007 interim dividend (with scrip option)	6,053	—	—	—	(12,219)	(6,166)
Rights issue less expenses	147,723	—	—	—	—	147,723
Grant of share options	—	—	11,913	—	—	11,913
Cancellation of share options	—	—	(3,348)	—	3,348	—
At 31st March 2007	1,718,133	1,907,378	11,913	—	(28,672)	3,608,752
Profit for the year	—	—	—	—	75,834	75,834
2007 final dividend (with scrip option)	7,755	(11,572)	—	—	—	(3,817)
2008 interim dividend	—	—	—	—	(12,466)	(12,466)
Rights issue less expenses	226,677	—	—	—	—	226,677
Share options lapsed	—	—	(980)	—	980	—
Grant of warrants	—	—	—	(32,840)	—	(32,840)
Conversion of warrants	59,406	—	—	11,092	640	71,138
At 31st March 2008	2,011,971	1,895,806	10,933	(21,748)	36,316	3,933,278
Representing:						
2008 proposed scrip dividend	—	—	—	—	10,908	10,908
Others	2,011,971	1,895,806	10,933	(21,748)	25,408	3,922,370
At 31st March 2008	2,011,971	1,895,806	10,933	(21,748)	36,316	3,933,278

Note:

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. Total distributable reserves of the Company amounted to HK\$1,921,307,000 (2007: HK\$1,890,619,000) as at 31st March 2008.

31 Capital commitments

At 31st March 2008, neither the Group nor the Company had any capital commitments which were contracted but not provided for, nor authorised but not contracted for (2007: Nil).

32 **Operating lease arrangements***Lessee*

At 31st March 2008, the future aggregate minimum lease payments payable under non-cancellable operating leases were as follows:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
In respect of land and building		
Within one year	136	407
In the second to fifth year inclusive	<u>—</u>	<u>136</u>
	<u>136</u>	<u>543</u>

33 **Contingent liabilities**

The Group and the Company did not have any material contingent liabilities as at 31st March 2008 (2007: Nil).

34 Notes to consolidated cash flow statement

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

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	287,667	167,535
Share of profits less losses of		
Jointly controlled entities	800	—
Associated companies	(210,642)	(122,873)
Dividend income	(534)	(480)
Depreciation	786	784
Employee share option benefits	—	11,913
Gain on disposal of subsidiaries	—	(163)
Gain on disposal of associated companies and a jointly controlled entity	(8,845)	(13,215)
Net realised and unrealised losses on financial assets at fair value through profit or loss	690	6,730
Realised and unrealised gains on derivative financial instruments	(1,298)	(5,902)
Net fair value losses on warrant assets and liabilities	14,998	—
Negative goodwill recognised on acquisition of additional interest in listed associated companies	(84,154)	(43,760)
Interest income	(9,143)	(7,508)
Interest expense	636	688
	<u> </u>	<u> </u>
Operating loss before working capital changes	(9,039)	(6,251)
(Increase)/decrease in trade and other receivables	(1,882)	102,069
Decrease/(increase) in financial assets at fair value through profit or loss	42,495	(11,109)
Receipt on derivative financial instruments	7,200	—
Decrease in restricted bank balances	3,023	1,036
(Decrease)/increase in trade and other payables	(3,467)	477
	<u> </u>	<u> </u>
Net cash generated from operations	<u>38,330</u>	<u>86,222</u>

(b) Disposal of subsidiaries

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net liabilities disposed of		
Accrued expenses	—	(13)
Add: Gain on disposal	—	163
	<u> </u>	<u> </u>
Cash proceeds received less expenses	<u>—</u>	<u>150</u>

35 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

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from/(expense to) associated companies		
Management fee income (<i>note (a)</i>)	1,027	1,044
Cleaning income (<i>note (b)</i>)	809	881
Rental expenses (<i>note (c)</i>)	<u>(407)</u>	<u>(269)</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) Rental expenses are subject to terms agreed by the parties involved, which are at a fixed monthly fee.

36 Comparative figures

Certain comparative figures have been restated to conform with the current year's presentation.

37 Principal subsidiaries, jointly controlled entities and associated companies

Listed below are the principal subsidiaries, jointly controlled entities and associated companies which, in the opinion of the Directors, principally affect the results and/or net assets of the Group.

Subsidiaries

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

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Percentage of equity held by the Group
<i>Incorporated in the 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%

* *Direct subsidiary of the Company*

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

(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 except otherwise stated	Percentage of equity held by the Group
<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%
<i>Jointly controlled entities</i>			
Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	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%
<i>Incorporated in the People's Republic of China ("PRC")</i>			
Cultural Palace Entertainment Company Limited [#]	Leasing of an entertainment complex	US\$4,750,000	25.0%

[#] Cooperative Joint Venture operating in the PRC

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
Associated companies

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest
<i>Incorporated in Bermuda</i>			
Asia Standard Hotel Group Limited	Hotel, catering services and travel	HK\$221,605,000	33.4%
Asia Standard International Group Limited	Property development, property leasing, hotel and travel	HK\$69,173,000	44.9%
<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	44.9%
Asia Standard Finance Company Limited	Financing services	HK\$1,000,000	44.9%
Asia Standard International Limited	Investment holding	HK\$1,214,916,441	44.9%
Asia Standard Management Services Limited	Management services	HK\$2	44.9%
Full Union Development Limited	Property development	HK\$2	44.9%
Get Rich Enterprises Limited	Property development	HK\$2	36.0%
Hoi Chak Properties Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$2	44.9%
JBC Travel Company Limited	Travel agency	HK\$2,500,000	33.4%
Lucky New Investment Limited	Property development	HK\$1	22.5%
Master Asia Enterprises Limited	Hotel holding	HK\$10,000	33.4%
Paramount Shine Limited	Property development	HK\$2	22.5%
Perfect Wave Limited	Catering operation	HK\$2	33.4%
Stone Pole Limited	Hotel holding	HK\$10	33.4%
Tilpifa Company Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$10,000	44.9%
Tonlok Limited	Property development	HK\$1,000	44.9%
Union Rich Resources Limited	Property development	HK\$2	36.0%
Vinstar Development Limited	Hotel holding	HK\$2	33.4%
Weststar Enterprises Limited	Property development	HK\$2	22.5%
Winfast Engineering Limited	Construction	HK\$2	44.9%
<i>Incorporated in the British Virgin Islands</i>			
Enrich Enterprises Limited ^{##}	Hotel holding	US\$1	33.4%
Global Gateway Corp. ^{##}	Hotel operation	US\$1	33.4%
Glory Ventures Enterprises Inc. ^{##}	Hotel holding	US\$1	33.4%
Greatime Limited	Securities investment	US\$1	33.4%

^{##} Operates in Canada

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest
<i>Incorporated in the Cayman Islands</i>			
Asia Standard International Capital Limited	Financing services	US\$2	44.9%
<i>Incorporated in the People's Republic of China ("PRC")</i>			
Shanghai Hong Hua TGIF Restaurant Company Limited ^{###}	Catering operation	RMB17,384,640	31.7%
漁陽房地產開發(深圳)有限公司 ^{###}	Property development	RMB40,000,000	18.6%
北京黃海房地產開發有限公司 ^{###}	Property development	RMB240,000,000 (RMB232,138,000 paid)	19.8%

^{###} Operates in PRC

38 Approval of financial statements

The financial statements were approved by the Board of Directors on 10th July 2008.

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 2008, being the date to which the latest published audited accounts of the Group were made up.

4. INDEBTEDNESS

As at the close of business on 30 June 2008, 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, and apart from intra-group liabilities and normal trade payables, at the close of business on 30 June 2008, 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 jointly and severally 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 not contained in this circular, the omission of which would make any statement in this circular 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>1,500,000,000</u>	Shares	<u>150,000,000.00</u>
<i>Issued and fully paid:</i>		
<u>623,321,940</u>	Shares	<u>62,332,194.00</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.

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 2008.

(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	27,641,912
Directors	1.4315	29 March 2007	29 March 2007 to 28 March 2017	8,505,204
Other	1.4315	29 March 2007	29 March 2007 to 28 March 2017	2,573,943

(c) Warrants

Details of the outstanding Old Warrants as at the Latest Practicable Date were as follows:

	Subscription price (subject to adjustment) <i>HK\$</i>	Number of shares subject to the outstanding Old Warrants
The public	1.368	76,630,501

The Old Warrants are exercisable from 7 September 2007 to 6 September 2008 at an initial subscription price of HK\$1.62 per Share. Following reset arrangement on 6 March 2008, the exercise price of the warrants has been adjusted to HK\$1.368 per Share.

Save as disclosed above, the Company did not have any other options, warrants, derivatives 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 (Note)	Family interest			
Mr. Poon	123,873,694	107,619,384	3,953,852	235,446,930	37.77	
Mr. Fung	11,260,763	—	—	11,260,763	1.81	

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	25,326,359	4.06
Heston Holdings Limited	37,399,588	6.0
Teddington Holdings Limited	<u>44,893,437</u>	<u>7.21</u>
	<u>107,619,384</u>	<u>17.27</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	9,397,533	4,888,401,048 (Note 2)	4,897,798,581	45.03
Mr. Poon	Asia Standard Hotel	403,383	9,121,284,139 (Note 2)	9,121,687,522	70.67
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 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 (as adjusted) 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 (as adjusted) 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.

(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

(iii) **Long position in warrants**

Name of Director	Associated corporation	Personal interest	Corporate interest	Number of warrants held
Poon Jing	Asia Standard International	1,415,675	729,156,442	730,572,117 (Note 1)
Poon Jing	Asia Standard Hotel	76,686	1,742,211,916	1,742,288,602 (Note 2)

Notes:

- The warrants of Asia Standard International are exercisable from 7 September 2007 to 6 September 2008 at an initial subscription price of HK\$0.29 per share of Asia Standard International. Following the adjustments made to the number of warrants held and the exercise price thereof as a result of the rights issue of Asia Standard International on the basis of 1 rights share for every 2 shares held by the shareholders as of 13 February 2008 and the reset adjustment on 6 March 2008, the exercise price of the warrants has been adjusted to HK\$0.179 per share of Asia Standard International.
- The warrants of Asia Standard Hotel are exercisable from 7 September 2007 to 6 September 2010 at an initial subscription price of HK\$0.146 per share of Asia Standard Hotel. Following the reset adjustment on 6 March 2008, the exercise price of the warrants has been adjusted to HK\$0.084 per share of Asia Standard Hotel.

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. ADDITIONAL DISCLOSURE OF THE CONCERT PARTY GROUP

- (a) As at the Latest Practicable Date, the Concert Party Group were interested in 246,707,693 Shares representing approximately 39.58% of the issued capital of the Company.

The principal members of the Concert Party Group are:-

Mr. Poon Jing, whose address is N.T.D.D. 381, Lot 951, Section J, New Territories, Hong Kong; and

Mr. Fung Siu To, Clement, whose address is House No.1, Barbecue Garden, 17½ Milestone, Castle Peak Road, N.T., Hong Kong.

- (b) As Mr. Poon and Mr. Fung are the principal members of the Concert Party Group and the Directors, interests of Mr. Poon and Mr. Fung in the Company are 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.
- (c) Save as mentioned in 4 (a) and (b) above, the Concert Party Group did not hold any shares, options, warrants, derivatives, or other convertible securities and rights affecting the Shares as at the Latest Practicable Date.
- (d) It is the 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 does not have any plan to cause any change to the continued employment of the Group’s employees.

5. 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\$)
25 January 2008	Mr. Poon	416,000	1.35

Save as disclosed above, none of members of the Concert Party Group or the Directors 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, none of the Directors and the Company or any persons acting in concert with any of them, held or dealt 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.
- (c) None of the Directors has borrowed or lent any Shares during the period beginning six months of the date of the Announcement and ending on the Latest Practicable Date.
- (d) None of the members of the Concert Party Group has borrowed or lent any Shares during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

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

- (a) 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.
- (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, 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.

- (d) 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.
- (e) 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.
- (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) 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.
- (h) 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.
- (i) 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.

7. 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 15 July 2008; (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 2008	1.33
29 February 2008	1.45
31 March 2008	1.16
30 April 2008	1.28
30 May 2008	1.24
30 June 2008	1.13
15 July 2008	1.14
31 July 2008	1.25
Latest Practicable Date	1.25

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\$1.53 per Share on 28 February 2008 and HK\$1.06 per Share on 16 July 2008, respectively.

8. 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 2008, 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.

9. 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.

10. 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:

- (i) the irrevocable undertaking dated 25 September 2006 given by the Company pursuant to which the Company undertook, inter alia, to take up its assured entitlement under the rights issue as announced by Asia Standard International on 26 September 2006;
- (ii) the underwriting agreement dated 13 June 2007 in relation to the Rights Issue.

- (iii) the deed poll dated 31 August 2007 executed by the Company constituting the Old Warrants; and
- (iv) the irrevocable undertaking dated 7 January 2008 given by the Company pursuant to which the Company undertook, inter alia, to take up its assured entitlement under the rights issue as announced by Asia Standard International on 9 January 2008.

11. 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.

12. 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.

13. GENERAL

- (a) 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.
- (b) The English text of this circular prevails over the Chinese text.

14. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of this circular, having attached thereto the written consent 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 as soon as practicable, be filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended).

15. 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 27 August 2008 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 2007 and 31 March 2008;
- (e) the letter from the Independent Board Committee, the text of which is set out on page 15 of this circular; and
- (f) the letter from VC Capital, the text of which is set out on pages 16 to 27 of this circular.

APPENDIX III SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

In this Appendix, the following words and expressions shall have the following meaning unless the context otherwise requires:

“Bye-laws”	the bye-laws of the Company;
“Exercise Moneys”	in relation to any Warrant, the amount stated on the face of the Warrant certificate issued in respect of such Warrant as the amount in cash which the Warrantholder of such Warrant is entitled to subscribe upon the exercise of the Subscription Rights represented thereby;
“Instrument”	the instrument constituting the Warrants (as from time to time modified in accordance with the terms thereof) and includes any instrument supplemental thereto which is executed in accordance with the provisions of such Instrument (as from time to time modified as aforesaid);
“Maximum Warrant Amount”	the maximum aggregate amount of the Warrants, being the total number of Warrants to be issued by the Company on the basis of one Warrant for every five Shares held by the Qualifying Shareholders on the Record Date multiplied by the Subscription Price;
“Registrars”	in the case of the register of Warrantholders maintained in the Bermuda, Butterfield Fund Services (Bermuda) Limited and, in the case of the branch register of Warrantholders maintained in Hong Kong, Computershare Hong Kong Investor Services Limited, or such other person, firm or company as for the time being maintains in Bermuda the register of members of the Company or maintains in Hong Kong the branch register of the members of the Company, as the case may be (and/or such of the place as may be determined by the Directors);
“Subscription Period”	the period from the date of issue of the Warrants to 4:00 p.m. on the date immediately preceding the date falling on the first anniversary of the date of issue of the Warrants (or the last business day before such date if such date is not a business day) (both dates inclusive);
“Subscription Rights”	the rights of the Warrantholders represented by the Warrants to subscribe in aggregate up to the Maximum Warrant Amount for Shares pursuant to the Warrants and, in relation to each Warrant, means the right of the relevant Warrantholder to subscribe the Exercise Moneys at the Subscription Price for Shares upon and subject to the terms and conditions of the Warrants; and

“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 the Maximum Warrant Amount for Shares, at the Subscription Price (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 the Maximum Warrant Amount for Shares at the Subscription Price (subject to the adjustments referred to below). 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 date and accordingly will entitle the Warrantholders to participate in all dividends or other

APPENDIX III SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

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 Warranholders:
 - (i) a certificate (or certificates) for the relevant Shares in the name(s) of such Warranholder(s); and
 - (ii) (if applicable) a balancing Warrant certificate in registered form in the name(s) of such Warranholder(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 Warranholder(s) to the address of such Warranholder(s) or (in the case of a joint holding) to that one of them whose name stands first in the register of Warranholders. If the Company agrees, such certificates may by prior arrangement be retained by the Registrars to await collection by the relevant Warranholder(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 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;
 - (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);

APPENDIX III SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

- (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); and
 - (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.
- (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:
- (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;

APPENDIX III SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

- (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.
- (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 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 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 Warrantheolders 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 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);
- (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 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

APPENDIX III SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

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 11:15 a.m. on Wednesday, 27 August 2008 (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 27 August 2008) 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 5 August 2008 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 Subscription Price (as defined in the Circular) 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 26 August 2008 (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

* For identification purposes only

NOTICE OF SGM

dollars to the Excluded Shareholders, if any, pro rata to their respective shareholdings 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
Lun Pui Kan
Secretary

Hong Kong, 5 August 2008

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

NOTICE OF SGM

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.
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.