
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus or as to the actions to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

A copy of each of the Rights Issue Documents (as defined herein), having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to this prospectus, has been registered with 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 prospectus has been filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility for the contents of any of these documents.

If you have sold or transferred all your Shares (as defined herein), you should at once hand the Rights Issue Documents to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Dealings in the Shares and, the Rights Shares in their nil-paid form and fully-paid form may be settled through CCASS (as defined below) and you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange (as defined herein) as well as compliance with the stock admission requirements of HKSCC (as defined below), the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.



ASIA ORIENT HOLDINGS LIMITED

(滙漢控股有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 214)

RIGHTS ISSUE OF 192,858,782 RIGHTS SHARES AT HK\$1.30 EACH ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE

Financial adviser to Asia Orient Holdings Limited



TAIFOOK CAPITAL LIMITED
大福融資有限公司

Underwriter of the Rights Issue



TAIFOOK SECURITIES CO. LTD.
大福證券有限公司

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Monday, 23 July 2007. The procedure for acceptance and payment or transfer is set out on pages 16 and 17 of this prospectus.

It should be noted that Taifook Securities may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to the Company at any time prior to the Latest Time for Termination if:

- (a) in the reasonable opinion of Taifook Securities acting in good faith, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (ii) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof, of a political, financial, economic currency, market or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (iii) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
 - (iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (v) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (vi) the commencement by any third party of any litigation or claim against any company in the Group which is or might be material to the Group taken as a whole; or
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group and a change in currency conditions for the purpose of the Underwriting Agreement includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the U.S.) occurs which makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it.

Taifook Securities shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (i) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter and such material breach materially and adversely affects the success of the Rights Issue; or
- (ii) any event occurring or matter arising on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriter and such event or matter materially and adversely affects the success of the Rights Issue.

Any such notice shall be served by Taifook Securities prior to the Latest Time for Termination.

If the Underwriting Agreement is terminated by Taifook Securities before the Latest Time for Termination or does not become unconditional, the Underwriting Agreement shall terminate forthwith (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor Taifook Securities shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

It should also be noted that the existing Shares have been dealt with on an ex-rights basis from Thursday, 28 June 2007 and that the Rights Shares are expected to be dealt with in their nil-paid form from Wednesday, 11 July 2007 to Wednesday, 18 July 2007 (both dates inclusive). Such dealings will take place when the conditions of the Rights Issue remain unfulfilled. Any person dealing in the securities of the Company from now up to the date on which all such conditions are fulfilled and any person dealing in the nil-paid Rights Shares from Wednesday, 11 July 2007 to Wednesday, 18 July 2007 (being the first and last days of dealings in the nil-paid Rights Shares respectively) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Company and/or the Rights Shares in their nil-paid form during this period who is in any doubt about his or her position is recommended to consult his or her own professional adviser.

It is expected that the conditions referred to in the section headed "Conditions of the Rights Issue" in this prospectus are to be fulfilled by 4:00 p.m. Hong Kong time on Wednesday, 25 July 2007. If the conditions referred to in that section are not fulfilled or waived by the Underwriters on or before 4:00 p.m. Hong Kong time on Wednesday, 25 July 2007 or the Underwriting Agreement has been terminated in accordance with the terms thereof, the Rights Issue will not proceed.

* For identification purpose only

6 July 2007

CONTENTS

	<i>Page</i>
Expected timetable	ii
Definitions	1
Summary of the Rights Issue	5
Rescission and termination of the Underwriting Agreement	6
Letter from the Board	8
Appendix I — Financial information on the Group	22
Appendix II — Unaudited pro forma financial information of the Group	94
Appendix III — General information	97
Appendix IV — Notice to Overseas Shareholders	115

EXPECTED TIMETABLE

Set out below is an indicative timetable for the implementation of the Rights Issue. The timetable is subject to change in accordance with the agreement between the Company and Taifook Securities. The Company will inform the Shareholders of any changes to the expected timetable as and when appropriate. All times and dates in this prospectus refer to Hong Kong local times and dates.

2007

First day of dealings in nil-paid Rights Shares	Wednesday, 11 July
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on Friday, 13 July
Last day of dealings in nil-paid Rights Shares	Wednesday, 18 July
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares (<i>Note</i>)	4:00 p.m. on Monday, 23 July
Latest time for termination of the Underwriting Agreement	4:00 p.m. on Wednesday, 25 July
Announcement of results of the Rights Issue	Monday, 30 July
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or before	Monday, 30 July
Certificates for Rights Shares expected to be despatched on or before	Monday, 30 July
Dealings in fully-paid Rights Shares commence on	Thursday, 2 August

EXPECTED TIMETABLE

Note:

The latest time for acceptance of, and payment for, Rights Shares and application for excess Rights Shares is expected to be at 4:00 p.m. on Monday, 23 July 2007, or such later date as may be agreed between the Company and Taifook Securities. If there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m. on Monday, 23 July 2007, the Latest Acceptance Time will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.. Under such circumstances, the dates mentioned in the expected timetable above (including, but without limitation to, the Latest Time for Termination) may be affected. Further announcement will be made by the Company if such circumstances arise.

It should be noted that the Underwriting Agreement contains provisions granting Taifook Securities, by notice in writing, the right to terminate its obligations thereunder on the occurrence of certain events. These events are set out in the section headed “Rescission and termination of the Underwriting Agreement” on pages 6 to 7 of this prospectus. If the Underwriting Agreement is terminated by Taifook Securities or does not become unconditional, the Rights Issue will not proceed.

DEFINITIONS

In this prospectus, the following expressions have the meanings set out below unless the context otherwise requires:

“Announcement”	the announcement of the Company dated 13 June 2007 in relation to the Rights Issue
“Asia Standard”	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 Stock Exchange. Asia Standard is an associated company of the Company
“Associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	board of Directors
“Business Day”	any day (other than a Saturday) on which banks in Hong Kong are generally open for business
“Bye-Laws”	the bye-laws of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Asia Orient Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Directors”	the directors of the Company
“Excluded Shareholder(s)”	Overseas Shareholder(s) where the Directors, based on opinions to be provided by legal advisers before the Posting Date, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKFRS”	The Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Irrevocable Undertakings”	the irrevocable undertakings to be given by the Relevant AOHL Shareholders to the Company and the Underwriter pursuant to which the Relevant AOHL Shareholders undertake, inter alia, to subscribe for or procure the subscription for the Rights Shares to be provisionally allotted to them pursuant to the Rights Issue
“Latest Acceptance Time”	4:00 p.m. on 23 July 2007 or such later time to be agreed in writing between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares
“Latest Practicable Date”	Tuesday, 3 July 2007, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus
“Latest Time for Termination”	4:00 p.m. on the second Business Day after the Latest Acceptance Time
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Fung”	Mr. Fung Siu To, Clement, the Chairman, who was beneficially interested in approximately 1.6% of the issued share capital of the Company as at the Latest Practicable Date
“Mr. Poon”	Mr. Poon Jing, the managing Director and the controlling shareholder of the Company, who was interested in approximately 31.9% of the issued share capital of the Company as at the Latest Practicable Date
“Overseas Shareholders”	Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are a place(s) outside Hong Kong
“Posting Date”	Friday, 6 July 2007 or such other date as Taifook Securities may agree in writing with the Company for the despatch of the Rights Issue Documents
“PRC”	the People’s Republic of China, which, for the purpose of this prospectus, excludes Hong Kong, Macau and Taiwan
“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders in connection with the Rights Issue

DEFINITIONS

“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date, other than Excluded Shareholders
“Relevant AOHL Shareholders”	Mr. Poon and his associates and Mr. Fung
“Record Date”	Thursday, 5 July 2007, or such other date as the Underwriter may agree in writing with the Company as the date by reference to which entitlements of the Shareholders to participate in the Rights Issue are determined
“Registrar”	the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the issue by way of rights of 192,858,782 Rights Shares at the Subscription Price on the basis of one Rights Share for every two existing Shares held on the Record Date on the terms and conditions set out in the Rights Issue Documents
“Rights Issue Documents”	the Prospectus, the provisional allotment letters in respect of the Rights Issue and the forms of application for use by the Qualifying Shareholders to apply for excess Rights Shares
“Rights Share(s)”	new Share(s) to be allotted and issued under the Rights Issue
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Options”	the share options granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 11 November 2002
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$1.30 per Rights Share
“Taifook Securities”	Taifook Securities Company Limited, a licensed corporation to carry out types 1, 3 and 4 regulated activities under Securities and Futures Ordinance

DEFINITIONS

“Undertaken Rights Shares”	Rights Shares undertaken by the Relevant AOHL Shareholders that it/he/she shall accept or procure the acceptance of 61,565,569 Rights Shares and 3,092,923 Rights Shares respectively to be provisionally allotted to it/him/her or its/his/her nominee(s) as the holder of such Shares pursuant to the Rights Issue
“Underwriter”	Taifook Securities
“Underwriting Agreement”	the underwriting agreement entered into between Taifook Securities and the Company dated 13 June 2007 in relation to the Rights Issue
“Underwritten Shares”	Rights Shares other than Undertaken Rights Shares
“U.S.”	United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this prospectus:

Number of Rights Shares to be issued:	192,858,782 Rights Shares
Basis of the Rights Issue:	one Rights Share for every two existing Shares held by the Shareholders as at the close of business on the Record Date
Subscription Price:	HK\$1.30 per Rights Share, payable in full upon acceptance
Basis of entitlement:	Rights Shares will be allotted in the proportion of one Rights Shares for every two existing Shares held by the Qualifying Shareholders as at the close of business on the Record Date. No Rights Shares will be offered to the Excluded Shareholders
Right of excess application:	Qualifying Shareholders will have the right to apply for excess Rights Shares
Amount to be raised by the Rights Issue:	approximately HK\$250.7 million before expenses

RESCISSION AND TERMINATION OF THE UNDERWRITING AGREEMENT

Taifook Securities may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to the Company at any time prior to the Latest Time for Termination if:

- (a) in the reasonable opinion of Taifook Securities acting in good faith, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (ii) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof, of a political, financial, economic currency, market or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (iii) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
 - (iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (v) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (vi) the commencement by any third party of any litigation or claim against any company in the Group which is or might be material to the Group taken as a whole; or
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group and a change in currency conditions for the purpose of the Underwriting Agreement includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the U.S.) occurs which makes it inexpedient or inadvisable to proceed with the Rights Issue; or

RESCISSION AND TERMINATION OF THE UNDERWRITING AGREEMENT

- (c) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it,

Taifook Securities shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (i) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter and such material breach materially and adversely affects the success of the Rights Issue; or
- (ii) any event occurring or matter arising on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriter and such event or matter materially and adversely affects the success of the Rights Issue.

Any such notice shall be served by Taifook Securities prior to the Latest Time for Termination.

If the Underwriting Agreement is terminated by Taifook Securities before the Latest Time for Termination or does not become unconditional, the Underwriting Agreement shall terminate forthwith (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor Taifook Securities shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

LETTER FROM THE BOARD



ASIA ORIENT HOLDINGS LIMITED

(滙漢控股有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 214)

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

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Non-executive Director:

Mr. Chan Sze Hung

Head office and principal

place of business in Hong Kong:

30th Floor
Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Independent non-executive Directors:

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

6 July 2006

To the Qualifying Shareholders and, for information only, the Excluded Shareholders

Dear Sirs,

**RIGHTS ISSUE OF 192,858,782
RIGHTS SHARES AT HK\$1.30 EACH ON THE BASIS OF
ONE RIGHTS SHARE FOR EVERY TWO
EXISTING SHARES HELD ON THE RECORD DATE**

INTRODUCTION

On 13 June 2007, the Board announced that the Company proposes to raise approximately not less than HK\$250.7 million and not more than HK\$275.2 million before expenses by way of the Rights Issue of not less than 192,858,782 Rights Shares and not more than 211,708,782 Rights Shares at the Subscription Price of HK\$1.30 per Rights Share on the basis of one Rights Share for every two existing Shares held on the Record Date. Pursuant to the Rights Issue, the Qualifying Shareholders will be provisionally allotted one Rights Share in nil-paid form for every two existing Shares held on the Record Date.

* For identification purpose only

LETTER FROM THE BOARD

The Rights Issue will be fully underwritten by the Underwriter, on the terms and subject to the conditions set out in the Underwriting Agreement (see the section headed “Underwriting arrangements” below). As at the Latest Practicable Date, the Relevant AOHL Shareholders were interested in an aggregate of 129,316,995 Shares, representing approximately 33.5% of the total issued share capital of the Company. The Relevant AOHL Shareholders have undertaken to the Company and the Underwriter that they will continue to own such number of Shares as at the date of the Irrevocable Undertakings and subscribe for or procure subscription for such number of Rights Shares in respect of the Shares held by them. Mr. Fung has also undertaken to (i) continue to hold any additional Shares to be issued to him if he exercises on or before the Record Date any of the outstanding Share Options attaching subscription rights to subscribe for 1,900,000 Shares held by him; and (ii) subscribe for or procure the subscription of the additional Rights Shares to be provisionally allotted to him in respect of the additional Shares to be issued to him if he exercises on or before the Record Date any of the outstanding Share Options attaching subscription rights to subscribe for 1,900,000 Shares held by him. As at the Record Date, none of the outstanding Share Options held by Mr. Fung has been exercised.

If Taifook Securities terminates the Underwriting Agreement (see sub-section headed “Rescission and termination of the Underwriting Agreement” above) or the conditions precedent to the Rights Issue (see sub-section headed “Conditions precedent to the Rights Issue” below) are not fulfilled or (as the case may be) waived in whole or in part by Taifook Securities, the Rights Issue will not proceed. **Accordingly, the Rights Issue may or may not proceed. Investors’ attention is drawn to the section headed “Warning of the risks of dealings in the Shares and the nil-paid Rights Shares” below.**

The last day of dealing in the Shares on a cum-rights basis was Wednesday, 27 June 2007. The Rights Shares are expected to be dealt with in their nil-paid form from Wednesday, 11 July 2007 to Wednesday, 18 July 2007 (both dates inclusive). To qualify for the Rights Issue, any transfer of the Shares (together with the relevant share certificates) should have been lodged for registration with the Registrar by 4:00 p.m. by Friday, 29 June 2007.

LETTER FROM THE BOARD

The purpose of this prospectus is to provide you with further details regarding the Rights Issue, including information on dealings in and transfers and acceptances of the Rights Shares.

THE RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue:	one Rights Share for every two existing Shares held on the Record Date
Number of Shares in issue:	385,717,565 Shares
Number of authorised Shares:	750,000,000
Number of Shares in issue after completion of Rights Issue:	578,576,347 Shares
Number of Rights Shares:	192,858,782 Rights Shares
Underwriter:	Taifook Securities

All Underwritten Shares will be fully underwritten by Taifook Securities on the terms and subject to the conditions set out in the Underwriting Agreement. The 192,858,782 nil-paid Rights Shares proposed to be provisionally allotted represent approximately 50.0% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

As at the Record Date, there were outstanding Share Options attaching the rights entitling holders thereof to subscribe for 37,700,000 Shares.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of Shares should have been lodged (together with the relevant share certificate(s)) with the Registrar by 4:00 p.m. (Hong Kong time) by Friday, 29 June 2007.

The Company will send the Rights Issue Documents to the Qualifying Shareholders and the Prospectus only to the Excluded Shareholders for information purposes.

LETTER FROM THE BOARD

Excluded Shareholders

This prospectus will be sent to the Excluded Shareholders only for their information.

The Rights Issue Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda.

Based on the register of members of the Company, there were 321 Overseas Shareholders with registered addresses in 27 jurisdictions outside Hong Kong as at the Latest Practicable Date. Pursuant to Rule 13.36(2) of the Listing Rules, the Board has made enquiries with its legal advisers in these 27 jurisdictions as to whether there is any legal restriction under the applicable securities legislation of the relevant jurisdiction or requirement of any relevant regulatory body or stock exchange with respect to the offer of Rights Shares to such Overseas Shareholders.

The Company has been advised by its legal advisers on the laws of Canada, Gibraltar, Indonesia, Malaysia, Philippines, Saudi Arabia, Switzerland, Taiwan and U.S. that either (i) the Rights Issue Documents will be required to be registered or filed with or subject to approval by the relevant regulatory authorities in the relevant jurisdictions (as the case may be); or (ii) the Company would need to take additional steps to comply with the regulatory requirements of the relevant regulatory authorities in the relevant jurisdictions. Therefore, the Company would be required to comply with the relevant laws and regulations if the Rights Issue is to be offered to the Overseas Shareholders with registered addresses in these nine jurisdictions. Having considered the circumstances, the Directors are of the view that it is not expedient to extend the Rights Issues to such Overseas Shareholders taking into consideration that the time and costs involved in complying with the legal requirements of these jurisdictions will outweigh the possible benefits to the relevant Overseas Shareholders and the Company. Thus, the Rights Issue would not be extended to the Overseas Shareholders in Canada, Gibraltar, Indonesia, Malaysia, Philippines, Saudi Arabia, Switzerland, Taiwan and U.S.. The Company would send this prospectus, for information only, to such Overseas Shareholders with registered addresses in Canada, Gibraltar, Indonesia, Malaysia, Philippines, Saudi Arabia, Switzerland, Taiwan and U.S. but will not send the provisional allotment letter and the form of application for excess Rights Shares to them.

The Company has also been advised by its legal advisers on the laws of Australia, British Virgin Islands, Germany, Ireland, Israel, Japan, Liechtenstein, Macau, Mauritius, Netherlands, New Zealand, Portugal, PRC, Singapore, Spain, Thailand, United Kingdom and Zimbabwe that either (i) there is no legal restriction under the applicable legislation of the relevant jurisdictions or requirement of any relevant regulatory body or stock exchange with respect to the offer of the Rights Issue to the Overseas Shareholders in the relevant jurisdictions; or (ii) the Company would be exempt from obtaining approval from, and/or registration of the Rights Issue Documents with, the relevant regulatory authorities under the applicable laws and regulations of the relevant jurisdictions since the Company would meet the relevant requirements for exemption under the relevant jurisdictions. Based on the advice of the Company's legal advisers on the laws of Australia, British Virgin Islands, Germany, Ireland, Israel, Japan, Liechtenstein, Macau, Mauritius, Netherlands, New Zealand, Portugal, PRC, Singapore, Spain, Thailand, United Kingdom and Zimbabwe, the Directors believe that the Rights Issue Documents would not be required to be registered under the relevant laws and regulations of these eighteen jurisdictions and may be despatched to the Overseas Shareholders with registered

LETTER FROM THE BOARD

addresses in these eighteen jurisdictions without any restrictions. In view of this, the Directors have decided to extend the Rights Issue to the Overseas Shareholders with registered addresses in Australia, British Virgin Islands, Germany, Ireland, Israel, Japan, Liechtenstein, Macau, Mauritius, Netherlands, New Zealand, Portugal, PRC, Singapore, Spain, Thailand, United Kingdom and Zimbabwe and such Overseas Shareholders, together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders. The Company will send the Rights Issue Documents to such Qualifying Shareholders.

In addition, the Directors have been advised by its legal advisers on the laws of PRC, Thailand and Zimbabwe that while Overseas Shareholders with registered addresses in these three jurisdictions may be lawfully offered the Rights Shares, they need to comply with the relevant exchange control regulations in their own jurisdictions if they wish to take up the Rights Shares. Therefore, although Overseas Shareholders from these three jurisdictions will not be excluded from the Rights Issue, such Overseas Shareholders are advised to consult their own professional advisers whether it would be beneficial or expedient for them to participate in the Rights Issue and if so, to ensure that they have complied with all the applicable exchange control regulations in their own jurisdictions before taking up the Rights Shares.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the open market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for its own benefit.

Closure of register of members

The register of members of the Company has been closed from Tuesday, 3 July 2007 to Thursday, 5 July 2007, both dates inclusive. No transfer of Shares was registered during this period.

TERMS OF THE RIGHTS ISSUE

Subscription Price

HK\$1.30 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 42.2% to the closing price of HK\$2.25 per Share as quoted on the Stock Exchange on 12 June 2007;
- (ii) a discount of approximately 36.9% to the average closing price of HK\$2.06 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including 12 June 2007;

LETTER FROM THE BOARD

- (iii) a discount of approximately 30.9% to the average closing price of HK\$1.88 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including 12 June 2007;
- (iv) a discount of approximately 32.6% to the theoretical ex-right price of HK\$1.93 based on the closing price of HK\$2.25 per Share as quoted on the Stock Exchange on 12 June 2007;
- (v) a discount of approximately 73.4% to the unaudited consolidated net tangible assets value per Share of approximately HK\$4.89 as at 30 September 2006; and
- (vi) a discount of approximately 24.4% to the closing price of HK\$1.72 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and Taifook Securities with reference to the market price of the Shares under the prevailing market conditions. The Directors consider the terms of the Rights Issue to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Basis of provisional allotments:

One Rights Share (in nil-paid form) for every two existing Shares held by Qualifying Shareholders as at the close of business on the Record Date.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank pari passu with the then existing Shares in issue in all respects. Holders of fully paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Rights Shares.

Certificates for the Rights Shares

Subject to the fulfillment or the waiver in whole or in part by Taifook Securities of the conditions of the Rights Issue, certificates for fully-paid Rights Shares are expected to be posted by Monday, 30 July 2007 to those Qualifying Shareholders who have paid for and have accepted the Rights Shares, at their own risk.

Fractions of the Rights Shares

The Company will not provisionally allot and issue and will not accept application for any fraction of the Rights Shares. The Company will sell any nil-paid Rights Shares created by adding fractions of the Rights Shares in the market, if any, and will keep the net proceeds for its own benefit.

Application for excess Rights Shares

Qualifying Shareholders will be entitled to apply for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and

LETTER FROM THE BOARD

any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. Application may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their sole discretion, but on a fair and reasonable basis as far as practicable.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted by Monday, 30 July 2007 by ordinary post to the relevant unsuccessful applicants therefor at their own risk.

Shareholders with their Shares held by a nominee company should note that the Directors will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the application for excess Rights Shares will not be extended to beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For Shareholders whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they should have completed the relevant registration with the Registrar by 4:00 p.m. on Friday, 29 June 2007.

At present, Mr. Poon and Mr. Fung have no intention to apply for the excess Rights Shares. However, in the event that they apply for the excess Rights Shares, they would comply with the relevant provisions of the Listing Rules and the Hong Kong Codes on Takeovers and Mergers.

Application for listing

The Company has made an application to the Listing Committee for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

Nil-paid Rights Shares are expected to be traded in board lots of 2,000 (the Shares are currently traded on the Stock Exchange in board lots of 2,000). Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, Securities and Futures Commission transaction levy or any other applicable fees and charges in Hong Kong.

LETTER FROM THE BOARD

Undertakings from the Relevant AOHL Shareholders

As at the Latest Practicable Date, the Relevant AOHL Shareholders were interested in an aggregate of 129,316,995 Shares, representing approximately 33.5% of the total issued share capital of the Company.

The Relevant AOHL Shareholders have undertaken to the Company and the Underwriter that they will continue to own such number of Shares as at the date of the Irrevocable Undertakings and subscribe for or procure subscription for such number of Rights Shares in respect of the Shares held by them. Mr. Fung has also undertaken to (i) continue to hold any additional Shares to be issued to him if he exercises on or before the Record Date any of the outstanding Share Options attaching subscription rights to subscribe for 1,900,000 Shares held by him; and (ii) subscribe for or procure the subscription of the additional Rights Shares to be provisionally allotted to him in respect of the additional Shares to be issued to him if he exercises on or before the Record Date any of the outstanding Share Options attaching subscription rights to subscribe for 1,900,000 Shares held by him. As at the Record Date, none of the outstanding Share Options held by Mr. Fung has been exercised.

Conditions precedent to the Rights Issue

The Rights Issue is conditional, among other matters, upon the following:

- (1) the delivery by or on behalf of the Company not later than the Posting Date of (i) one copy of each of the Rights Issue Documents together with any requisite accompanying documents to the Stock Exchange and the Registrar of Companies in Hong Kong for filing and registration; and (ii) one copy of the Prospectus together with any requisite accompanying documents to the Registrar of Companies in Bermuda for filing;
- (2) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) before 8:00 a.m. on the date of commencement of dealing in the nil-paid Rights Shares on the Stock Exchange and not having withdrawn or revoked such listings and permission before 8:00 a.m. on the date of commencement of dealing in the fully-paid Rights Shares on the Stock Exchange;
- (3) the Bermuda Monetary Authority granting consent (if required) to the issue of the Rights Shares by no later than the Posting Date;
- (4) the posting of the Rights Issue Documents to the Qualifying Shareholders and of the Prospectus to the Excluded Shareholders;
- (5) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (6) compliance with and performance of each of the Relevant AOHL Shareholders of all of his/her/its obligations and undertakings under the terms of the Irrevocable Undertakings; and
- (7) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement.

In the event that the conditions of the Rights Issue are not fulfilled (or, in respect of conditions (5) and (6), waived in whole or in part by the Underwriter) by the Latest Time for Termination or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) neither the Company nor the Underwriter will have any claim against the other for costs, damages, compensation or otherwise.

LETTER FROM THE BOARD

PROCEDURE FOR ACCEPTANCE AND PAYMENT OR TRANSFER

A provisional allotment letter which entitles the Qualifying Shareholders to take up the number of the Rights Shares shown therein is enclosed with this prospectus. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the provisional allotment letter, the Qualifying Shareholders must lodge the provisional allotment letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar by no later than 4:00 p.m. on Monday, 23 July 2007. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "ASIA ORIENT HOLDINGS LIMITED — PROVISIONAL ALLOTMENT ACCOUNT" and crossed "ACCOUNT PAYEE ONLY".

It should be noted that unless the provisional allotment letter, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Monday, 23 July 2007, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

The provisional allotment letter contains full information regarding the procedures to be followed. If the Qualifying Shareholders wish to accept only part of the provisional allotment or if the Qualifying Shareholders wish to transfer all or part of their provisional allotment to more than one person, the provisional allotment letter must be surrendered by no later than 4:00 p.m. on Friday, 13 July 2007 to the Registrar which will cancel the original provisional allotment letter and issue a new provisional allotment letter in the denominations required. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of the rights to subscribe for the Rights Shares.

All cheques and cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any provisional allotment letter in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the relevant provisional allotment of Rights Shares and all rights thereunder will be deemed to have been declined and will be cancelled.

No action has been taken to permit the offering of the Rights Shares or the distribution of this prospectus or the provisional allotment letter for the Rights Shares in any territory other than Hong Kong. Subject to the paragraph headed "Excluded Shareholders" above, no person receiving a provisional allotment letter for the Rights Shares in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares, unless in the relevant territory such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself as to the observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. No application for Rights Shares will be accepted from any person whose address is outside Hong Kong unless the Company is satisfied (in its absolute discretion) that such acceptance would not involve a breach of any applicable laws or regulatory requirements of any

LETTER FROM THE BOARD

need for compliance with any registration or other legal or regulatory requirements. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of the territory of residence of the applicant.

If Taifook Securities exercises its right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination, which is expected to be 4:00 p.m. on Wednesday, 25 July 2007, or if any of the conditions of the Underwriting Agreement (as set out in the section headed “Underwriting Arrangements” below) is not fulfilled or waived by 4:00 p.m. on Wednesday, 25 July 2007, the Rights Issue will not proceed and the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form shall have been validly transferred without interest, by means of cheques crossed “ACCOUNT PAYEE ONLY” to be despatched by ordinary post to their registered address and in the case of joint applicants to the registered address of the applicant whose name first appears on the register of members or the transfer form at their own risk on or before Monday, 30 July 2007.

APPLICATION FOR EXCESS RIGHTS SHARES

Any Rights Shares to which the Excluded Shareholders would otherwise have been provisionally allotted and which are not sold, any unsold Rights shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be available for application through the form of application for excess Rights Shares by the Qualifying Shareholders.

If the Qualifying Shareholders wish to apply for any Rights Shares in addition to their provisional allotment indicated on the provisional allotment letter, they must complete and sign the enclosed form of application for excess Rights Shares in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Rights Shares applied for, with the Registrar by no later than 4:00 p.m. on Monday, 23 July 2007. All remittances must be made by cheque or cashier’s order in Hong Kong dollars. Cheques must be drawn on account with, or cashier’s order must be issued by, a licensed bank in Hong Kong and made payable to “ASIA ORIENT HOLDINGS LIMITED — EXCESS APPLICATION ACCOUNT” and crossed “ACCOUNT PAYEE ONLY”. The Registrar will notify you of any allotment of excess Rights Shares made to you, the allotment of which will be allocated on a fair and reasonable basis to be decided at the sole discretion of the Directors.

All cheques and cashier’s orders will be presented for payment following receipt and all interest earned on such monies shall be retained for the benefit of the Company. Any form of application for excess Rights Shares in respect of which the accompanying cheque or cashier’s order is dishonored on first presentation is liable to be rejected and cancelled.

LETTER FROM THE BOARD

If no excess Rights Shares are allotted to the Qualifying Shareholders, the amount tendered on application is expected to be refunded in full on or before Monday, 30 July 2007. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, the surplus application monies are also expected to be refunded on or before Monday, 30 July 2007.

No action has been taken to permit the offering of the Rights Shares or the distribution of this prospectus or the form of application for excess Rights Shares in any territory outside Hong Kong and therefore the form of application for excess Rights Shares may not be used by the Excluded Shareholders. Subject to the paragraph headed “Excluded Shareholders” above, no person receiving a copy of the form of application for excess Rights Shares in any territory outside Hong Kong may treat it as an offer or invitation to apply for excess Rights Shares, unless in the relevant territory such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the excess Rights Shares to satisfy himself/herself as to the observance of the laws and regulations of the relevant territory, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. No application for excess Rights Shares will be accepted from any person whose address is outside Hong Kong unless the Company is satisfied (in its absolute discretion) that such acceptance would not involve a breach of any applicable laws or regulatory requirements of any need for compliance with any registration or other legal or regulatory requirements. The Company reserves the right to refuse to accept any application for excess Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of the territory of residence of the applicant.

If Taifook Securities exercises the right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination, which is expected to be 4:00 p.m. on Wednesday, 25 July 2007, or if any of the conditions of the Underwriting Agreement (as set out in the section headed “Underwriting Arrangements” below) is not fulfilled or waived by 4:00 p.m. on Wednesday, 25 July 2007, the Rights Issue will not proceed and the monies received in respect of applications for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person without interest, by means of cheques crossed “ACCOUNT PAYEE ONLY” to be despatched by ordinary post to their registered address and in the case of joint applicants to the registered address of the applicant whose name first appears on the register of members or the form of application for excess Rights Shares at their own risk on or before Monday, 30 July 2007.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date:	13 June 2007
Underwriter:	Taifook Securities
Number of the Rights Shares underwritten:	not less than 128,200,290 Rights Shares and not more than 146,100,290 Rights Shares

LETTER FROM THE BOARD

Commission: 2% of the aggregate Subscription Price of all the Underwritten Shares (i.e. up to 146,100,290 Rights Shares), which amounts up to approximately HK\$3.8 million

Taifook Securities is principally participates in investment holding, securities broking and dealing, leverage foreign exchange trading, margin financing, provision of placing, underwriting and sub-underwriting and nominee services.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Rights Issue assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue save pursuant to the exercise of outstanding Share Options and the transactions contemplated under the Underwriting Agreement, and further assuming that the Underwriter takes up the Rights Shares to the maximum extent:

Name of Shareholder	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming that all shareholders take up their entitlements		Immediately after completion of the Rights Issue assuming that no shareholders take up their entitlements	
	<i>No. of Shares held</i>	<i>Percentage shareholdings</i>	<i>No. of Shares held</i>	<i>Percentage shareholdings</i>	<i>No. of Shares held</i>	<i>Percentage shareholdings</i>
<u>Relevant AOHL Shareholders</u>						
Mr. Poon and his associates	123,131,148	31.9%	184,696,717	31.9%	184,696,717	31.9%
Mr. Fung	<u>6,185,847</u>	<u>1.6%</u>	<u>9,278,770</u>	<u>1.6%</u>	<u>9,278,770</u>	<u>1.6%</u>
Sub-total:	129,316,995	33.5%	193,975,487	33.5%	193,975,487	33.5%
Taifook Securities	—	0%	—	0%	128,200,290	22.2%
Public	<u>256,400,570</u>	<u>66.5%</u>	<u>384,600,860</u>	<u>66.5%</u>	<u>256,400,570</u>	<u>44.3%</u>
Total	<u><u>385,717,565</u></u>	<u><u>100%</u></u>	<u><u>578,576,347</u></u>	<u><u>100%</u></u>	<u><u>578,576,347</u></u>	<u><u>100%</u></u>

In the event that some or all of the existing Shareholders do not take up their entitlements of the Rights Shares, Taifook Securities may procure certain independent investors to take up the relevant Rights Shares.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Rights Shares will be dealt with in their nil-paid form from Wednesday, 11 July 2007 to Wednesday, 18 July 2007 (both dates inclusive). If prior to the Latest Time for Termination, Taifook Securities terminates the Underwriting Agreement (see sub-section headed “Rescission and termination of the Underwriting Agreement” above) or any of the conditions precedent to the Rights Issue (see sub-section headed “Conditions precedent to the Rights Issue” above) cannot be fulfilled or (as the case may be) is not waived, the Rights Issue will not proceed.

Any dealings in the Shares from the Latest Practicable Date up to the date on which all the conditions of the Rights Issue are fulfilled or waived, and any dealings in the Rights Shares in their nil-paid form between Wednesday, 11 July 2007 and Wednesday, 18 July 2007 (both dates inclusive), accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid forms are recommended to consult their own professional advisers.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Directors have decided to take advantage of favourable conditions in the market to raise further equity on a fully underwritten basis and on a basis which will allow all Qualifying Shareholders to participate in the Rights Issue in proportion to their shareholdings. The Company intends to use the net proceeds from the Rights Issue, being approximately HK\$245 million for future investment opportunities in Hong Kong, Macau and the PRC. The Directors consider that the additional capital generated from the Rights Issue will further strengthen the financial position of the Group and will be used for investment purpose in order to expand the Group’s investment portfolio. The Directors have not identified any specific investment projects for the time being and will continue to identify suitable investment opportunities for the Group. The Company 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. The Directors consider that any new investment is likely to be in one of these sectors and that the Rights Issue provides a good opportunity for the Company to strengthen its capital position so that when suitable opportunities are identified by the Directors from time to time, the Company will be financially flexible to respond to the market prospects, which in turn will be beneficial to the Group in the long run. Further announcement will be made by the Company in accordance with or as required under the Listing Rules if any investment opportunity materializes.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS IMMEDIATELY BEFORE THE DATE OF THE ANNOUNCEMENT

The Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise in the past 12 months immediately before the date of the Announcement.

LETTER FROM THE BOARD

GENERAL

All documents, including share certificates, cheques or cashier orders for cash entitlement, will be sent by ordinary post at the risk of the persons entitled thereto to their registered addresses.

ADDITIONAL INFORMATION

Your attention is drawn to the further information set out in the appendices to this prospectus.

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

1. FINANCIAL SUMMARY

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 2004, 2005 and 2006 as extracted from the published annual reports of the Company for the financial years ended 31 March 2005 and 2006, and the consolidated results of the Group and the financial position for the six months ended 30 September 2005 and 2006 as extracted from the published interim report for the period ended 30 September 2006 of the Company.

For the year ended 31 March 2006, the Group adopted the new and revised HKFRS which are effective for accounting periods commencing on or after 1 January 2005, resulting in changes to certain accounting policies of the Group.

For the purpose of this summary, the figures as at and for the year ended 31 March 2004 have not been restated to reflect the changes in accounting policies. For the year ended 31 March 2006, the Group has adopted the new HKFRS and the figures for the year ended 31 March 2005 have been restated only as required under the new and revised HKFRS. These restated figures have been adopted for the purpose of this summary.

The key changes have been discussed in note 2 and 3 of the annual report for the year ended 31 March 2006. The new HKFRSs principally affect the accounting policies of the Group for the three financial years ended 31 March 2004, 2005 and 2006 in respect of investment properties (and the related deferred taxation on fair value gains), leasehold land in Hong Kong and financial instruments.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****Summary of consolidated results of the Group**

	For the six months				
	For the year ended 31 March			ended 30 September	
	2004	2005	2006	2005	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		<i>(restated)</i>			
Turnover	<u>767,390</u>	<u>553,180</u>	<u>45,090</u>	<u>10,867</u>	<u>40,802</u>
(Loss) / profit before taxation	(302,108)	57,859	56,405	1,306	28,829
Taxation credit	<u>908</u>	<u>3,830</u>	<u>—</u>	<u>753</u>	<u>—</u>
(Loss) / profit for the year / period	(301,200)	61,689	56,405	2,059	28,829
Minority interests	<u>72,955</u>	<u>(113,588)</u>	<u>—</u>	<u>—</u>	<u>—</u>
(Loss) / profit attributable to shareholders of the Company	<u>(228,245)</u>	<u>(51,899)</u>	<u>56,405</u>	<u>2,059</u>	<u>28,829</u>
Total dividend and distribution	<u>—</u>	<u>14,081</u>	<u>—</u>	<u>—</u>	<u>12,219</u>
Dividend and distribution per share	<u>—</u>	<u>6.3 cents</u>	<u>—</u>	<u>—</u>	<u>3.2 cents</u>
(Loss) / earnings per share (HK cents)					
Basic	(149.0)	(27.4)	23.4	0.78	7.68
Diluted	<u>N/A</u>	<u>(30.6)</u>	<u>23.4</u>	<u>0.76</u>	<u>7.58</u>

Summary of financial position of the Group

	As at 30			
	As at 31 March			September
	2004	2005	2006	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		<i>(restated)</i>		
Total assets	7,716,429	1,679,547	1,725,746	1,916,550
Less:				
Total liabilities	(3,381,006)	(110,380)	(53,545)	(50,858)
Minority interests	<u>(2,245,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total net assets attributable to shareholders of the Company	<u>2,090,423</u>	<u>1,569,167</u>	<u>1,672,201</u>	<u>1,865,692</u>

2. AUDITED FINANCIAL STATEMENTS

The following is the audited consolidated income statement of the Group for the two years ended 31 March 2006, the audited consolidated balance sheets of the Group and the audited balance sheets of the Company as at 31 March 2005 and 31 March 2006, the audited consolidated statements of changes in equity of the Group and the audited consolidated cash flow statements of the Group for the two years ended 31 March 2006, together with accompanying notes to the accounts extracted from the annual report of the Company for the year ended 31 March 2006:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2006

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> <i>(restated)</i>
Turnover	6, 8	45,090	553,180
Cost of sales	8	<u>(49,802)</u>	<u>(382,783)</u>
Gross (loss)/profit		(4,712)	170,397
Administrative expenses	8	(11,872)	(91,282)
Other income and charges	7, 8	<u>2,419</u>	<u>(6,495)</u>
Operating (loss)/profit		(14,165)	72,620
Finance costs	9	(1,363)	(75,522)
Share of profits less losses of			
Jointly controlled entities		6,334	125,798
Associated companies		<u>65,599</u>	<u>(65,037)</u>
Profit before income tax		56,405	57,859
Income tax credit	12	<u>—</u>	<u>3,830</u>
Profit for the year		<u>56,405</u>	<u>61,689</u>
Attributable to			
Shareholders of the Company	13	56,405	(51,899)
Minority interests		<u>—</u>	<u>113,588</u>
		<u>56,405</u>	<u>61,689</u>
Dividend and distribution	14	<u>—</u>	<u>14,081</u>
Earnings/(loss) per share			
Basic	15	<u>23.4 cents</u>	<u>(27.4) cents</u>
Diluted	15	<u>23.4 cents</u>	<u>(30.6) cents</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
CONSOLIDATED BALANCE SHEET
As at 31st March 2006

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> <i>(restated)</i>
Non-current assets			
Property, plant and equipment	16	2,646	1,362
Jointly controlled entities	18	11,694	12,254
Associated companies	19	1,453,079	1,371,705
Deferred income tax assets	27	3,902	5,303
		<u>1,471,321</u>	<u>1,390,624</u>
Current assets			
Trade and other receivables	20	102,977	131,426
Financial assets at fair value through profit or loss	21	45,943	28,654
Bank balances and cash	22	105,505	128,843
		<u>254,425</u>	<u>288,923</u>
Current liabilities			
Trade and other payables	23	40,659	39,347
Amounts due to jointly controlled entities	18	4,422	4,422
Amounts due to associated companies	19	18	15
Amounts due to minority shareholders	28	8,311	8,311
Short term bank loans and overdrafts, secured	26	—	14,676
Current portion of long term bank loans	26	—	37,372
		<u>53,410</u>	<u>104,143</u>
Net current assets		<u>201,015</u>	<u>184,780</u>
Total assets less current liabilities		<u>1,672,336</u>	<u>1,575,404</u>
Non-current liabilities			
Long term bank loans	26	—	6,226
Deferred income tax liabilities	27	135	11
		<u>135</u>	<u>6,237</u>
Net assets		<u>1,672,201</u>	<u>1,569,167</u>
Equity			
Share capital	24	25,456	23,452
Reserves	25	1,646,745	1,545,715
		<u>1,672,201</u>	<u>1,569,167</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****BALANCE SHEET****As at 31st March 2006**

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-current assets			
Subsidiaries	17	3,478,137	3,429,508
Deferred income tax assets	27	<u>171</u>	<u>171</u>
		<u>3,478,308</u>	<u>3,429,679</u>
Current assets			
Trade and other receivables		1,600	109
Bank balances and cash	22	<u>16,298</u>	<u>39,098</u>
		<u>17,898</u>	<u>39,207</u>
Current liabilities			
Trade and other payables		<u>2,298</u>	<u>695</u>
Net current assets		<u>15,600</u>	<u>38,512</u>
Net assets		<u>3,493,908</u>	<u>3,468,191</u>
Equity			
Share capital	24	25,456	23,452
Reserves	25	<u>3,468,452</u>	<u>3,444,739</u>
		<u>3,493,908</u>	<u>3,468,191</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2006

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> <i>(restated)</i>
Cash flows from operating activities			
Cash generated from/(used in) operations	32(a)	19,822	(330,195)
Net income tax refunded		—	98
Interest paid		<u>(1,377)</u>	<u>(71,288)</u>
Net cash generated from/(used in) operating activities		<u>18,445</u>	<u>(401,385)</u>
Cash flows from investing activities			
Interest received		10,475	6,487
Dividends received from a jointly controlled entity		—	165,330
Dividend received from an associated company		8,221	—
Dividends received from financial assets at fair value through profit or loss		—	142
Proceeds on disposal of financial assets at fair value through profit or loss		27,727	18,640
Purchase of financial assets at fair value through profit or loss		(54,618)	(20,116)
Addition to property, plant and equipment		(1,754)	(4,673)
Disposal of subsidiaries	32(b)	—	(7,493)
Partial disposal of interest in a listed subsidiary		—	27,100
Proceeds on disposal of property, plant and equipment		—	2,900
Acquisition of additional interest in a listed associated company		(7,290)	—
Increase in advances to associated companies		(2,163)	(25,274)
Decrease in advances to jointly controlled entities		<u>6,894</u>	<u>126,838</u>
Net cash (used in)/generated from investing activities		<u>(12,508)</u>	<u>289,881</u>
Net cash generated from/(used in) before financing activities		5,937	(111,504)

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

	<i>Note</i>	2006	2005
		<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(restated)</i>
Cash flows from financing activities			
(Increase)/decrease in restricted bank balances		(1,141)	6,350
Drawdown of long term bank loans		—	1,449,052
Repayment of long term bank loans		(43,598)	(1,209,303)
Redemption of convertible notes		—	(46,000)
Placement of new shares		28,999	84,146
Exercise of share options of a listed subsidiary		—	668
Dividend paid to shareholders		—	(3,743)
Dividend paid to minority shareholders		—	(4,042)
Decrease in short term bank loans		(10,000)	(102,599)
Increase in loans from minority shareholders of subsidiaries		—	2,206
		<u> </u>	<u> </u>
Net cash (used in)/generated from financing activities		(25,740)	176,735
		<u> </u>	<u> </u>
Net (decrease)/increase in cash and cash equivalents		(19,803)	65,231
Cash and cash equivalents at beginning of the year		91,006	24,798
Changes in exchange rates		—	977
		<u> </u>	<u> </u>
Cash and cash equivalents at end of the year		<u>71,203</u>	<u>91,006</u>
		<u> </u>	<u> </u>
Analysis of the balances of cash and cash equivalents			
Bank balances (excluding restricted bank balance)		71,203	95,682
Bank overdrafts		—	(4,676)
		<u> </u>	<u> </u>
		<u>71,203</u>	<u>91,006</u>
		<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2006

	Shareholders of the Company	Minority interests <i>(Note)</i>	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April 2004, as previously reported	2,090,423	2,245,000	4,335,423
Retrospective effects of change in accounting policies (<i>note 3</i>)	<u>(466,909)</u>	<u>(647,876)</u>	<u>(1,114,785)</u>
At 1st April 2004, as restated	1,623,514	1,597,124	3,220,638
Currency translation differences and net loss directly recognised in equity	4,985	9,552	14,537
(Loss)/profit for the year	(51,899)	113,588	61,689
Partial disposal of interest in a listed subsidiary	(19,075)	55,126	36,051
Disposal of a listed subsidiary	(8,253)	(1,771,349)	(1,779,602)
Deemed disposal of interest in a listed associated company	<u>(92,108)</u>	<u>—</u>	<u>(92,108)</u>
Total recognised loss for the year	<u>(166,350)</u>	<u>(1,593,083)</u>	<u>(1,759,433)</u>
Conversion of convertible notes	31,600	—	31,600
Scrip dividend	254	—	254
Placement of new shares	84,146	—	84,146
Dividend paid	<u>(3,997)</u>	<u>(4,041)</u>	<u>(8,038)</u>
	<u>112,003</u>	<u>(4,041)</u>	<u>107,962</u>
At 31st March 2005	<u>1,569,167</u>	<u>—</u>	<u>1,569,167</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

	Shareholders of the Company	Minority interests (Note)	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April 2005, as per above	1,569,167	—	1,569,167
Opening adjustment for the adoption of HKAS 39 (note 3)	<u>7,466</u>	<u>—</u>	<u>7,466</u>
At 1st April 2005, as restated	<u>1,576,633</u>	<u>—</u>	<u>1,576,633</u>
Currency translation differences and net income directly recognised in equity	2,283	—	2,283
Profit for the year	<u>56,405</u>	<u>—</u>	<u>56,405</u>
Total recognised income for the year	<u>58,688</u>	<u>—</u>	<u>58,688</u>
Placement of new shares	28,999	—	28,999
Grant of share options	3,348	—	3,348
Share options granted by a listed associated company	<u>4,533</u>	<u>—</u>	<u>4,533</u>
	<u>36,880</u>	<u>—</u>	<u>36,880</u>
At 31st March 2006	<u><u>1,672,201</u></u>	<u><u>—</u></u>	<u><u>1,672,201</u></u>

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

NOTES TO THE ACCOUNTS

1 BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

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

2 PRINCIPAL ACCOUNTING POLICIES

(a) Change in accounting policies

Commencing from 1st April 2005, the Group adopted the new/revised standards and interpretation of HKFRS set out below, which are relevant to its operations and have significant effect on the financial statements. The changes mainly affect the Group through its associated companies. The comparatives have been amended as required, in accordance with the relevant provisions of these new/revised standards and interpretations.

HKAS 1	Presentation of Financial Statements
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS-Int 21	Income Taxes — Recovery of Revalued Non-Depreciable Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HK-Int 3	Pre-completion Contracts for the Sale of Development Properties
HK-Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases

(i) *Presentation of Financial Statements*

HKAS 1 has affected the presentation of minority interests, share of net after-tax results of jointly controlled entities, associated companies and other disclosures.

(ii) *Hotel properties*

The adoption of HKAS 16 and HKAS 40 has resulted in a change in the accounting policy for the hotel properties, which are now stated at cost less accumulated depreciation and impairment loss. In prior years, hotel properties were stated at valuation and were not depreciated.

(iii) *Leasehold land in Hong Kong*

The adoption of revised HKAS 17 and HK-Int 4 has resulted in a change in the accounting policy relating to the reclassification of leasehold land to prepaid operating leases. The up-front prepayments made for the leasehold land are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land was stated at cost.

(iv) *Goodwill*

The adoption of HKAS 36, HKAS 38 and HKFRS 3 results in a change in the accounting policy for goodwill. Amortisation of goodwill ceased from 1st April 2005; accumulated amortisation as at 31st March 2005 has been eliminated with a corresponding decrease in the cost of goodwill and from the year ended 31st March 2006 onwards, goodwill is tested at least annually for impairment, as well as when there is an indication of impairment.

(v) *Financial instruments*

The adoption of HKASs 32 and 39 has resulted in a change in the classification of financial assets at fair value through profit or loss and the measurement of financial liabilities.

While there is no change in their measurement basis and the treatment of subsequent fair value changes, financial assets at fair value through profit or loss were previously classified as other investments.

Borrowings are now recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the profit and loss account over the period of the borrowing using the effective interest method. Borrowings were previously carried at cost.

The adoption has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

(vi) *Investment properties*

The adoption of revised HKAS 40 has resulted in a change in the accounting policy in respect of which the changes in fair values of investment properties are recorded in the profit and loss account. In prior years, the changes in fair value were credited or charged to revaluation reserve.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred income tax liabilities arising from the revaluation of investment properties. Such deferred income tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use.

(vii) *Share options*

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. The Group now expenses the cost of share options in the profit and loss account whereas no cost was recognised in the past.

(viii) *Pre-completion sale of development properties*

The adoption of HK-Int 3 has resulted in a change in the accounting policy for the revenue recognition of pre-completion sale of development properties. The stage of completion method would no longer be used to recognise revenue from pre-completion sale of development properties and revenue is now recognised after the completion of those properties.

The adoption of new/revised HKASs 2, 7, 8, 10, 21, 23, 24, 27, 28, 31, 33 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All the new/revised standards and interpretations adopted by the Group require retrospective application other than those stated below:

- (a) HKAS 39 — the adjustments to recognise all derivatives at fair value and to remeasure those financial assets or financial liabilities are adjusted to the opening balance of the revenue reserve at 1st April 2005;
- (b) HKFRS 2 — only retrospective application for all equity instruments granted after 7th November 2002 and not vested on 1st April 2005.
- (c) HKFRS 3 and HK-Int 3 — prospectively after the adoption date.

A summary of effects of the change in accounting policies between the Statements of Standard Accounting Practices in effect until 31st December 2004 (the "Old Hong Kong Accounting Standards") and the new HKFRS which has been applied in the financial statements for the year ended 31st March 2006 is set out in note 3.

Certain new standards and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning or after 1st April 2006 or later periods but which the Group has not early adopted, as follows:

- (a) HKAS 39 and HKFRS 4 (Amendment) — Financial Guarantee Contracts (effective from 1st April 2006);
- (b) HKFRS 7 — Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statement — Capital Disclosures (effective from 1st April 2007).

These new standard and amendments have no material effect on the Group's financial statements.

(b) **Basis of consolidation**

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent

liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

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 and any related exchange reserve.

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

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

(c) Subsidiaries

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

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

(d) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with other venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

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

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

(e) Associated companies

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

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

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

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 dividends 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 at least annually for impairment, as well as when there is an indication of 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 and loans and receivables. 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.

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

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

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

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

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

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

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

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

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

Hotel and other buildings	Shorter of 50 years or the remaining lease period of the land on which the buildings is located
Other equipment	3 1/3 to 10 years

No depreciation is provided for buildings under development.

Freehold land is not depreciated.

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

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

(i) **Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to 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 amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) **Investment properties**

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

Investment properties are measured initially at its cost, including related transaction costs. After initial recognition, investment properties are carried at fair value and are valued at least annually by independent valuers. The valuations are performed in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors and 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.

(k) Properties held for/under development for sale

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

(l) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises leasehold land at amortised cost, construction costs, interest and other direct expenses capitalised during the course of development. Net realisable value is determined by the Directors based on prevailing market conditions.

(m) Hotel and restaurant inventories

Hotel and restaurant inventories comprise consumables and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis.

(n) Trade and other receivables

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

(o) Provisions

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

(p) Borrowings

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

(q) Employee benefits**(i) *Employee leave entitlements***

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension 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 (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining vesting period.

(r) **Deferred income tax**

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(s) **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 completion of the sale and purchase contracts.

(ii) *Investment properties*

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

(iii) *Hotel, travel agency and management services businesses*

Revenue from hotel and catering operations is recognised upon provision of services.

Revenue from sale of air tickets and hotel reservation service is recognised when customers confirm the booking.

Management fee income is recognised when services are rendered.

(iv) *Investment and others*

Revenue from sale of financial assets at fair value through profit or loss is recognised when the significant risks and rewards of ownership have been transferred to the purchaser.

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

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

(t) **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 is the Company's functional and presentation currency.

(ii) *Transactions and balances*

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

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

(iii) *Group companies*

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

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

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

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

(u) **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.

(v) **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.

(w) **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.

(x) **Related parties**

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

3 SUMMARY OF EFFECTS OF THE CHANGE IN ACCOUNTING POLICIES

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

Year ended 31st March 2006	Profit/(loss) attributable to shareholders of the Company	Basic EPS
	<i>HK\$'000</i>	<i>HK cents</i>
Reported under the Old Hong Kong Accounting Standards	(60,885)	(25.2)
Increase/(decrease) in profits of the Company and Subsidiaries		
HKAS 16		
Decrease in loss on deemed disposal of interest in a listed associated company	5,439	2.3
HKAS 17		
Decrease in loss on deemed disposal of interest in a listed associated company	1,215	0.5
HKAS 39		
Decrease in realised gain on financial assets at fair value through profit or loss	(8,712)	(3.6)
HKFRS 2		
Increase in employee share option expenses	(3,348)	(1.4)
HKFRS 3		
Negative goodwill recognised on acquisition of additional interest in a listed associated company	8,811	3.6
	3,405	1.4
Increase/(decrease) in share of profits less losses of associated companies		
HKAS 16		
Increase in depreciation	(21,319)	(8.8)
Renovation costs of hotel property capitalised	9,647	4.0
Reversal of revaluation deficit of a hotel property	6,285	2.6
Net effect of increase in rental income and administrative expenses	429	0.2
Decrease in income tax expense	4,282	1.8
Decrease in loss on deemed disposal of interest in a listed associated company	49,227	20.4
HKAS 17 and HK-Int 4		
Amortisation of leasehold land	(10,657)	(4.4)
Increase in income tax expense	(350)	(0.1)
Decrease in loss on deemed disposal of interest in a listed associated company	11,004	4.5
HKAS 32 and HKAS 39		
Decrease in net interest expenses	1,269	0.5
Increase in income tax expense	(301)	(0.1)
HKAS 36 and HKAS 38		
Decrease in goodwill amortisation	104	—
HKAS 40		
Surplus on revaluation of investment properties	122,703	50.8

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

	Profit/(loss) attributable to shareholders of the Company	Basic EPS
Year ended 31st March 2006	<i>HK\$'000</i>	<i>HK cents</i>
HKAS-Int 3		
Decrease in profit from sale of development properties	(39,228)	(16.2)
Decrease in income tax expense	6,106	2.5
HK-Int 21		
Increase in income tax expense	(21,636)	(9.0)
HKFRS 2		
Increase in employee share option expenses	(5,074)	(2.1)
Decrease in income tax expense	1,394	0.6
	<u>113,885</u>	<u>47.2</u>
Reported under new HKFRS	<u>56,405</u>	<u>23.4</u>
	Profit/(loss) attributable to shareholders of the Company	Basic EPS
Year ended 31st March 2005	<i>HK\$'000</i>	<i>HK cents</i>
Reported under the Old Hong Kong Accounting Standards	(160,970)	(84.9)
Increase/(decrease) in profits of the Company and subsidiaries		
HKAS 16		
Increase in depreciation	(36,984)	(19.5)
Decrease in loss on partial disposal of interest in a listed subsidiary	9,980	5.3
Decrease in loss on disposal of a listed subsidiary	4,418	2.3
Decrease in loss on deemed disposal of interest in a listed associated company	49,309	26.0
Renovation costs in hotel property capitalised	2,718	1.4
Decrease in income tax expense	7,097	3.7
Decrease in profit attributable to minority interests	16,363	8.6
HKAS 17 and HK-Int 4		
Amortisation of leasehold land	(22,290)	(11.7)
Decrease in loss on partial disposal of interest in a listed subsidiary	5,195	2.7
Decrease in loss on disposal of a listed subsidiary	2,260	1.2
Decrease in loss on deemed disposal of interest in a listed associated company	25,246	13.3
Increase in interest expenses	(1,678)	(0.9)
Decrease in income tax expense	328	0.2
Decrease in share of profits less losses of jointly controlled entities	(97)	(0.1)
Decrease in profit attributable to minority interests	15,218	8.0

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

Year ended 31st March 2005	Profit/(loss) attributable to shareholders of the Company	Basic EPS
	<i>HK\$'000</i>	<i>HK cents</i>
HKAS 32 and HKAS 39		
Increase in interest expenses	(561)	(0.3)
Increase in loss on partial disposal of interest in a listed subsidiary	(58)	—
Increase in loss on disposal of a listed subsidiary	(25)	—
Increase in loss on deemed disposal of interest in a listed associated company	(278)	(0.1)
Decrease in profit attributable to minority interests	330	0.2
HKAS 40		
Decrease in loss on partial disposal of interest in a listed subsidiary	258	0.1
Decrease in loss on disposal of a listed subsidiary	153	0.1
Decrease in loss on deemed disposal of interest in a listed associated company	1,710	0.9
HKAS-Int 21		
Decrease in loss on partial disposal of interest in an listed subsidiary	1,619	0.9
Decrease in loss on disposal of a listed subsidiary	700	0.4
Decrease in loss on deemed disposal of interest in a listed associated company	<u>7,817</u>	<u>4.1</u>
	88,748	46.8
	-----	-----
Increase/(decrease) in share of profits less losses of associated companies		
HKAS 16	(1,383)	(0.7)
HKAS 17	(5,467)	(2.9)
HKAS 32 and HKAS 39	(10)	—
HKAS 40	38,087	20.0
HKAS-Int 21	<u>(10,904)</u>	<u>(5.7)</u>
	20,323	10.7
	-----	-----
Reported under new HKFRS	<u><u>(51,899)</u></u>	<u><u>(27.4)</u></u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
(b) Effects of the change in accounting policies on consolidated balance sheet

	HKAS 16 <i>HK\$'000</i>	HKAS 17 and HK- Int 4 <i>HK\$'000</i>	HKAS 32 and HKAS 39 <i>HK\$'000</i>	HKAS 36 and HKAS 38 <i>HK\$'000</i>	HKAS 40 <i>HK\$'000</i>	HKAS- Int 21 <i>HK\$'000</i>	HKAS- Int 3 <i>HK\$'000</i>	HKFRS 2 <i>HK\$'000</i>	HKFRS 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st March 2006										
<i>Increase/(decrease) in net assets/equity</i>										
Associated companies and net assets	<u>(315,692)</u>	<u>(115,925)</u>	<u>859</u>	<u>104</u>	<u>(11,738)</u>	<u>(65,845)</u>	<u>(33,125)</u>	<u>793</u>	<u>8,811</u>	<u>(531,758)</u>
Investment properties revaluation reserves	—	—	—	—	(165,217)	—	—	—	—	(165,217)
Hotel properties revaluation reserves	(189,836)	—	—	—	—	—	—	—	—	(189,836)
Share option reserves	—	—	—	—	—	—	—	3,420	—	3,420
Revenue reserves	<u>(125,856)</u>	<u>(115,925)</u>	<u>859</u>	<u>104</u>	<u>153,479</u>	<u>(65,845)</u>	<u>(33,125)</u>	<u>(2,627)</u>	<u>8,811</u>	<u>(180,125)</u>
Equity	<u>(315,692)</u>	<u>(115,925)</u>	<u>859</u>	<u>104</u>	<u>(11,738)</u>	<u>(65,845)</u>	<u>(33,125)</u>	<u>793</u>	<u>8,811</u>	<u>(531,758)</u>

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

4 FINANCIAL RISK MANAGEMENT

The Group and its associated companies' activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow 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 use derivative financial instruments to hedge certain risk exposures.

(a) Market risk**(i) Foreign exchange risk**

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

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

(ii) Price risk

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

(b) Credit risk

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

(c) Liquidity risk

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

(d) Cash flow interest rate risk

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

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

5 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.

6 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 principal office is 30th Floor, Asia Orient Tower, Tower Place, 33 Lockhart Road, Wan Chai, Hong Kong.

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

Primary reporting format — business segment

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

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

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

2006 (in HK\$'000)	Property sales	Property leasing and management	Hotel and travel	Investment	Other operations	Group
Segment revenue	<u>—</u>	<u>11,263</u>	<u>—</u>	<u>27,727</u>	<u>6,100</u>	<u>45,090</u>
Contribution to segment results	—	2,946	—	(13,758)	6,100	(4,712)
Other income/(charges)	—	—	—	2,889	(470)	2,419
Unallocated corporate expenses						<u>(11,872)</u>
Operating loss						(14,165)
Finance costs						(1,363)
Share of results of						
Jointly controlled entities (<i>note (i)</i>)						6,334
Associated companies (<i>note (i)</i>)						65,599
Profit before income tax						56,405
Income tax expense						<u>—</u>
Profit for the year						<u>56,405</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

2005 (restated) (in HK\$'000)	Property sales	Property leasing and management	Hotel and travel	Investment	Other operations	Group
Segment revenue	<u>36,165</u>	<u>49,038</u>	<u>439,054</u>	<u>18,782</u>	<u>10,141</u>	<u>553,180</u>
Contribution to segment results	(19,126)	35,883	82,823	2,767	10,140	112,487
Other income/(charges)	4,336	(258)	(54,482)	45,972	(2,063)	(6,495)
Unallocated corporate expenses						<u>(33,372)</u>
Operating profit						72,620
Finance costs						(75,522)
Share of results of						
Jointly controlled entities (<i>note (i)</i>)						125,798
Associated companies (<i>note (i)</i>)						<u>(65,037)</u>
Profit before income tax						57,859
Income tax credit						<u>3,830</u>
Profit for the year						<u>61,689</u>

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

	2006		2005	
	Jointly controlled entities <i>HK\$'000</i>	Associated companies <i>HK\$'000</i>	Jointly controlled entities <i>HK\$'000</i> <i>(restated)</i>	Associated companies <i>HK\$'000</i> <i>(restated)</i>
Property sales	—	(13,597)	168,200	(4,978)
Property leasing and management	—	144,758	—	34,288
Hotel and travel	—	12,835	—	7,636
Investments	6,334	(7,428)	(42,402)	(86,178)
Other operations	—	7,766	—	(1,944)
Finance costs	—	(49,537)	—	(10,855)
Unallocated corporate expenses	—	<u>(29,198)</u>	—	<u>(3,006)</u>
	<u>6,334</u>	<u>65,599</u>	<u>125,798</u>	<u>(65,037)</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

2006 (in HK\$'000)	Property sales	Property leasing and management	Hotel and travel	Investments	Other operations	Group
Segment assets	101,000	2,105	—	45,943	2,519	151,567
Jointly controlled entities and associated companies (note (ii))						1,464,773
Unallocated assets						<u>109,406</u>
						<u>1,725,746</u>
Segment liabilities	—	35,575	—	—	8,311	43,886
Unallocated liabilities						<u>9,659</u>
						<u>53,545</u>
Capital expenditure	—	77	—	—	1,677	1,754
Depreciation	—	42	—	—	428	470
2005 (restated) (in HK\$'000)						
Segment assets	101,000	546	—	28,748	30,936	161,230
Jointly controlled entities and associated companies (note (ii))						1,383,959
Unallocated assets						<u>134,358</u>
						<u>1,679,547</u>
Segment liabilities	—	35,817	—	—	8,311	44,128
Unallocated liabilities						<u>66,252</u>
						<u>110,380</u>
Capital expenditure	22	88	2,858	—	1,705	4,673
Depreciation	15	88	37,537	—	408	38,048
Amortisation of leasehold land	7,023	237	15,030	—	—	22,290
Amortisation of goodwill	—	—	1,848	4,001	—	5,849

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

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Property sales	315,367	293,661
Property leasing and management	708,162	603,376
Hotel and travel	319,485	326,863
Investments	50,009	60,659
Other operations	20,044	8,016
Unallocated net assets	<u>51,706</u>	<u>91,384</u>
	<u>1,464,773</u>	<u>1,383,959</u>

Secondary reporting format — geographical segments

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

A summary of geographical segments for the year ended 31st March 2005 is set out as follows:

2005 (restated) (in HK\$'000)	Segment revenue	Operating profit	Total assets	Capital expenditure
Hong Kong	490,442	53,479	1,455,360	4,669
Mainland China	6,252	732	124,506	4
Canada	<u>56,486</u>	<u>18,409</u>	<u>99,681</u>	<u>—</u>
	<u>553,180</u>	<u>72,620</u>	<u>1,679,547</u>	<u>4,673</u>

7 OTHER INCOME AND CHARGES

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
Write-back of provision for diminution in value of properties under development/held for sale	—	11,400
Unrealised (losses)/gains on financial assets at fair value through profit or loss	(4,556)	92,271
Write-back of provision for impairment of doubtful debts	—	12,325
Depreciation	(470)	(38,048)
Amortisation of leasehold land	—	(22,290)
Loss on disposal of subsidiaries	—	(3,946)
Loss on partial disposal of interest in a listed subsidiary	—	(8,278)
Loss on disposal of a listed subsidiary	—	(2,688)
Loss on deemed disposal of interest in a listed associated company	(1,366)	(31,390)
Negative goodwill recognised on acquisition of additional interest in a listed associated company	8,811	—
Impairment loss of goodwill	—	(10,002)
Amortisation of goodwill	—	(5,849)
	<u>2,419</u>	<u>(6,495)</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
8 INCOME AND EXPENSES BY NATURE

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
Income		
Net rental income (<i>note (a)</i>)	—	33,391
Interest income		
Financial assets at fair value through profit or loss	274	226
Others	5,440	9,682
Dividends from listed financial assets at fair value through profit or loss	—	142
Gain on disposal of property, plant and equipment	—	1,008
Unrealised gains on financial assets at fair value through profit or loss	—	92,271
Net realised gains on financial assets at fair value through profit or loss	—	2,625
	<u> </u>	<u> </u>
Expenses		
Operating lease rental expenses for land and buildings	259	3,952
Impairment loss of goodwill	—	10,002
Provision for long term investment	—	1,601
Amortisation of goodwill	—	5,849
Employee benefit expense, including Directors' emoluments (<i>note 11</i>)	15,016	72,438
Depreciation	470	38,048
Amortisation of leasehold land	—	22,290
Auditors' remuneration	914	2,933
Unrealised loss on financial assets at fair value through profit or loss	4,556	—
Net realised loss on financial assets at fair value through profit or loss	13,758	—
	<u> </u>	<u> </u>

Note:

(a) **Net rental income**

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross rental income		
Investment properties	—	24,130
Properties held for sale	—	13,595
	<u> </u>	<u> </u>
	—	37,725
Outgoings	—	(4,334)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	—	33,391
	<u> </u>	<u> </u>

9 FINANCE COSTS

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
Interest expense		
Long term bank loans	1,284	52,519
Convertible bonds	—	23,362
Convertible notes	—	2,687
Loans from minority shareholders of subsidiaries	—	2,328
Short term bank loans and overdrafts	<u>79</u>	<u>6,535</u>
	1,363	87,431
Capitalised as cost of properties under development		
Interest expense	<u>—</u>	<u>(11,909)</u>
	<u>1,363</u>	<u>75,522</u>

In 2005, certain funds were borrowed generally and used for the purpose of financing certain properties under development, the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation as part of the costs of these properties under development was 5.3% per annum.

10 DIRECTORS' AND SENIOR MANAGEMENT EMOLUMENTS

- (a) The aggregate amount of emoluments paid and payable to Directors of the Company for the year ended 31st March 2006 and 31st March 2005 are set out as follows:

Name of director	Directors'	Salaries, allowances and benefits	Employer's contribution to pension scheme	2006 Total	Directors' fee	Salaries, allowances and benefits in kind (note)	Employer's contribution to pension scheme	2005 Total
	fee	in kind	to pension scheme	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive</i>								
Mr. Fung Siu To, Clement	—	—	—	—	—	1,795	32	1,827
Dr. Lim Yin Cheng	—	—	—	—	—	2,835	45	2,880
Mr. Poon Jing	—	3,500	—	3,500	—	11,573	9	11,582
Mr. Lun Pui Kan	—	300	—	300	—	1,422	73	1,495
Mr. Kwan Po Lam, Phileas	—	—	—	—	—	2,292	40	2,332
<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	100	—	—	100
Mr. Hung Yat Ming	200	—	—	200	133	—	—	133
	<u>620</u>	<u>3,800</u>	<u>—</u>	<u>4,420</u>	<u>453</u>	<u>19,917</u>	<u>199</u>	<u>20,569</u>

Note:

In 2005, the balances included HK\$9,667,000 paid by Asia Standard International Group Limited ("Asia Standard") and HK\$6,750,000 paid by Asia Standard Hotel Group Limited ("Asia Standard Hotel") prior to their changes from subsidiaries to associated companies.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

- (b) The five highest paid individuals in the Group for the year include two (2005: five) Directors whose emoluments are already reflected in the analysis presented above. The emoluments payable to the remaining three (2005: nil) individuals during the years are as follows:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, allowances, benefits in kind and share option benefits	<u>2,643</u>	<u>—</u>

11 EMPLOYEE BENEFIT EXPENSE

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages and salaries	11,399	72,372
Retirement benefits costs (<i>note (a)</i>)	269	2,329
Employee share option benefits (<i>note (b)</i>)	<u>3,348</u>	<u>—</u>
	15,016	74,701
Capitalised under properties under development	<u>—</u>	<u>(2,263)</u>
	<u>15,016</u>	<u>72,438</u>

Employee benefit expense are stated inclusive of Directors' emoluments.

Notes:

(a) Retirement benefits costs

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross contributions	308	2,429
Forfeitures utilised	<u>(39)</u>	<u>(100)</u>
Net contributions	<u>269</u>	<u>2,329</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 a defined contribution scheme under the ORSO which is available to employees joining before 1st December 2000. Under the scheme, 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% (2005: 5%) of the employee's relevant income in accordance with the legislative requirements.

In 2005, the Group, through its subsidiary group of Asia Standard International Group Limited ("Asia Standard"), also participated in Canada Pension Plan ("CPP") in Canada, monthly contributions of 4.95% of the employee's relevant income are made in accordance with local legislative requirements. Asia Standard also contributed to retirement plans for its employees in Mainland China at a percentage of applicable payroll costs in compliance with the requirements of the relevant municipal government in Mainland China.

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 2006, no forfeitures (2005: nil) were available to reduce the Group's future contributions to the ORSO schemes.

(b) **Share options**

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

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

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

Grantee	Expiry date	Exercise price	2006	2005
			Number	Number
Directors	11th February 2014	HK\$ 3.3	6,872,000	6,872,000
Employees	24th February 2015	HK\$2.895	5,400,000	5,400,000
Employees	7th April 2015	HK\$2.425	<u>2,700,000</u>	<u>—</u>
			<u>14,972,000</u>	<u>12,272,000</u>

During the year, 2,700,000 (2005: 5,400,000) options to subscribe for shares of the Company were granted. No share options were exercised, cancelled or lapsed (2005: Nil) during the year.

The fair value of the options granted and vested in the current year determined using the Binomial option pricing model is HK\$3,348,000 and is recognised in the profit and loss account. The following assumptions were used to calculate the fair values of share options granted on 8th April 2005:

Closing share price at the date of grant (HK\$)	2.425
Exercise price (HK\$)	2.425
Expected life of options (years)	10
Expected volatility (%)— note (i)	50.59
Expected dividend yield (%)— note (ii)	2.6
Risk free rate (%)	4.24

Notes:

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

12 INCOME TAX EXPENSES

No provision for Hong Kong profits tax and overseas income tax has been made as the Group has no estimated assessable profit for the year (2005: Nil).

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
Current income tax		
Overprovisions in prior years	—	140
Deferred income tax	—	3,690
	<u>—</u>	<u>3,830</u>

Share of income tax of jointly controlled entities and associated companies for the year of nil (2005: HK\$36,464,000) and HK\$15,551,000 (2005 restated: HK\$15,438,000) are included in the profit and loss account as share of profits less losses of jointly controlled entities and associated companies respectively.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

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

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
Profit before income tax	<u>56,405</u>	<u>57,859</u>
Calculated at a tax rate of 17.5% (2005: 17.5%)	(9,871)	(10,125)
Share of profits less losses of jointly controlled entities and associated companies	12,588	10,633
Overprovisions in prior years	—	140
Effect of different tax rates in other countries	—	634
Income not subject to tax	1,614	38,806
Expenses not deductible for tax purposes	(1,386)	(27,749)
Tax losses not recognised	(2,945)	(7,974)
Utilisation of previously unrecognised temporary difference	—	166
Recognition of previously unrecognised temporary difference	—	160
Derecognition of deferred income tax assets	<u>—</u>	<u>(861)</u>
Income tax credit	<u>—</u>	<u>3,830</u>

13 PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit/(loss) attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of loss of HK\$6,630,000 (2005: HK\$229,894,000).

14 DIVIDEND AND DISTRIBUTION

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend, paid, of nil (2005: 2 cents) per share	—	3,997
Final distribution, proposed, of nil (2005: 4.3 cents) per share	<u>—</u>	<u>10,084</u>
	<u>—</u>	<u>14,081</u>

15 EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on profit attributable to shareholders of the Company of HK\$ 56,405,000 (2005 restated: loss of HK\$51,899,000) and on the weighted average of 241,494,958 (2005: 189,759,765) shares in issue during the year.

The basic and diluted earnings per share are the same for the year ended 31st March 2006 as the exercise of subscription rights attached to the share options and the conversion of the convertible bonds of Asia Standard would not have a dilutive effect on the earnings per shares.

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

The calculation of diluted loss per share for the year ended 31st March 2005 was based on HK\$58,134,000 (restated) equalling to the loss attributable to shareholders of the Company of HK\$51,899,000 (restated) with a decrease in share of profit after tax of HK\$6,235,000 (restated) from Asia Standard arising from conversion of its convertible bonds and the weighted average number of 189,759,765 shares in issue during the year.

16 PROPERTY, PLANT AND EQUIPMENT

	Freehold land of a hotel in Canada	Hotel buildings	Buildings under development	Other buildings	Other equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost						
At 31st March 2004, as previously reported	60,869	3,106,681	42,326	10,507	50,352	3,270,735
Effects of change in accounting policies	—	(2,006,239)	(41,963)	11,027	—	(2,037,175)
At 31st March 2004, as restated	60,869	1,100,442	363	21,534	50,352	1,233,560
Translation differences	5,000	29,336	—	—	25	34,361
Additions	—	2,719	—	—	1,954	4,673
Disposals	—	(2,188)	—	(2,534)	(28)	(4,750)
Disposal of a listed subsidiary	(65,869)	(1,130,309)	(410)	(19,000)	(49,087)	(1,264,675)
Cost adjustment	—	—	47	—	—	47
At 31st March 2005	—	—	—	—	3,216	3,216
Accumulated depreciation and impairment						
At 31st March 2004, as previously reported	—	—	—	2,210	48,489	50,699
Effects of change in accounting policies	—	282,226	—	980	—	283,206
At 31st March 2004, as restated	—	282,226	—	3,190	48,489	333,905
Translation differences	—	10,430	—	—	22	10,452
Charge for the year	—	37,537	—	223	288	38,048
Disposals	—	(2,188)	—	(642)	(28)	(2,858)
Disposal of a listed subsidiary	—	(328,005)	—	(2,771)	(46,917)	(377,693)
At 31st March 2005	—	—	—	—	1,854	1,854
Net book value						
At 31st March 2005	—	—	—	—	1,362	1,362

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

17 SUBSIDIARIES

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Unlisted shares, at cost	2,823,639	2,823,639
Amounts due by subsidiaries	1,634,498	1,585,869
Provisions on advances to subsidiaries	<u>(980,000)</u>	<u>(980,000)</u>
	<u><u>3,478,137</u></u>	<u><u>3,429,508</u></u>

Details of the principal subsidiaries are set out in note 35.

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

18 JOINTLY CONTROLLED ENTITIES

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net liabilities	(31,506)	(37,841)
Advances to jointly controlled entities	47,673	54,568
Provisions on advances to jointly controlled entities	<u>(4,473)</u>	<u>(4,473)</u>
Total carrying amounts of jointly controlled entities	11,694	12,254
Amount due to a jointly controlled entity included in current liabilities	<u>(4,422)</u>	<u>(4,422)</u>
	<u>7,272</u>	<u>7,832</u>

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

Detail of the principal jointly controlled entities are set out in note 35.

The Group's share of assets and liabilities and results

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets		
Non-current assets	14	1,278
Current assets	<u>729</u>	<u>254</u>
	<u>743</u>	<u>1,532</u>
Liabilities		
Non-current liabilities	29,481	35,418
Current liabilities	<u>2,768</u>	<u>3,955</u>
	<u>32,249</u>	<u>39,373</u>
Net liabilities	<u>(31,506)</u>	<u>(37,841)</u>
Income	9,064	475,427
Expenses	<u>(2,730)</u>	<u>(313,165)</u>
Profit before income tax	6,334	162,262
Income tax expense	<u>—</u>	<u>(36,464)</u>
Profit for the year	<u>6,334</u>	<u>125,798</u>

19 ASSOCIATED COMPANIES

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	1,450,730	1,371,522
Advances to associated companies	<u>2,349</u>	<u>183</u>
Total carrying amounts of associated companies	1,453,079	1,371,705
Amounts due to associated companies included in current liabilities	<u>(18)</u>	<u>(15)</u>
	<u>1,453,061</u>	<u>1,371,690</u>
Market value of listed shares	<u>619,330</u>	<u>691,512</u>

The Group equity accounted for the results and net assets of Asia Standard following the partial disposal of its interest in Asia Standard in January 2005. Extracts of Asia Standard's audited consolidated profit and loss account and balance sheet are shown on pages 88 to 90.

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

Details of the principal associated companies are set out in note 35.

The Group's share of assets and liabilities and results

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets	2,930,346	2,831,248
Liabilities	<u>(1,479,616)</u>	<u>(1,459,726)</u>
Net assets	<u>1,450,730</u>	<u>1,371,522</u>
Revenues	319,911	85,997
Profit/(loss) for the year	<u>65,599</u>	<u>(65,037)</u>
Contingent liabilities	<u>57,809</u>	<u>64,309</u>

20 TRADE AND OTHER RECEIVABLES

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

Trade receivables of the Group amounted to HK\$159,000 (2005: HK\$349,000). The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

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

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	98	283
61 days to 120 days	11	24
More than 120 days	<u>50</u>	<u>42</u>
	<u>159</u>	<u>349</u>

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

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities		
Listed in Hong Kong	39,679	24,154
Listed overseas	<u>6,264</u>	<u>—</u>
	45,943	24,154
Debt securities	<u>—</u>	<u>4,500</u>
	<u>45,943</u>	<u>28,654</u>

22 BANK BALANCES AND CASH

	Group		Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand	9,808	95,682	1,416	39,098
Restricted bank balances	34,302	33,161	—	—
Short-term bank deposits	<u>61,395</u>	<u>—</u>	<u>14,882</u>	<u>—</u>
	<u>105,505</u>	<u>128,843</u>	<u>16,298</u>	<u>39,098</u>

The effective interest rate on restricted bank balances is 3.4% (2005: 1.5%). These balances are held in trust in respect of buildings managed by the Group on behalf of third parties.

The effective interest rate on short-term bank deposits is 3.3% (2005: Nil) for the Group and 3% (2005: Nil) for the Company. These deposits have an average maturity of 4 days (2005: Nil) for the Group and 1 day (2005: Nil) for the Company.

23 TRADE AND OTHER PAYABLES

Trade and other payables of the Group include trade payables, rental and management fee deposits, interest and other payables and various accruals. Trade payables of the Group amounted to HK\$2,173,000 (2005: HK\$3,779,000).

Aging analysis of trade payables is as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
0 day to 60 days	1,807	3,029
61 days to 120 days	12	122
More than 120 days	<u>354</u>	<u>628</u>
	<u>2,173</u>	<u>3,779</u>

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

24 SHARE CAPITAL

Shares of HK\$0.1 each	Number of shares	Amount HK\$'000
Authorised		
At 31st March 2005 and 2006	<u>750,000,000</u>	<u>75,000</u>

	Number of shares		Amount	
	2006	2005	2006 HK\$'000	2005 HK\$'000
Issued and fully paid:				
At beginning of the year	234,516,210	173,493,094	23,452	17,349
Conversion of convertible notes (note (a))	—	26,333,332	—	2,634
Scrip distribution/dividend (note (b))	4,041,762	89,784	404	9
Placement of shares (note (c))	<u>16,000,000</u>	<u>34,600,000</u>	<u>1,600</u>	<u>3,460</u>
	<u>254,557,972</u>	<u>234,516,210</u>	<u>25,456</u>	<u>23,452</u>

Notes:

- (a) In 2005, holders of HK\$31,600,000 convertible notes of the Company exercised the conversion rights attaching to the notes by converting those notes into 26,333,332 new shares of the Company at HK\$1.20 per share.
- (b) In October 2005, 4,041,762 new shares (2005: 89,784 new shares as scrip dividend) were allotted and issued as scrip distribution.
- (c) (i) Pursuant to a placing and subscription agreement dated 11th January 2006, the Company issued 16 million new shares at HK\$1.85 per share, a discount of approximately 9.76% to the closing price of HK\$2.05 per share as quoted on the Stock Exchange on 11th January 2006, to more than six independent third parties. The net proceeds from the subscription was approximately HK\$29.0 million representing HK\$1.81 per share, and would be used for general working capital purpose. The reasons for this share placement were to broaden the entity capital base as well as to strengthen the financial position of the Group.
- (ii) Pursuant to a placing and subscription agreement dated 2nd March 2005, the Company issued 34.6 million shares at HK\$2.50 per share, a discount of approximately 9.9% to the closing price of HK\$2.775 per share as quoted on the Stock Exchange on 1st March 2005, to more than six independent third parties. The net proceeds from the subscription was approximately HK\$84.1 million representing HK\$2.43 per share, of which about HK\$70 million was used for the repayment of bank loans and the remaining balance was used for general working capital purpose. The reasons for this share placement were to broaden the shareholder and capital base as well as to strengthen the financial position of the Group.

25 RESERVES

	Revaluation reserve							Total
	Share premium	Capital reserve	Investment properties	Hotel properties	Contributed surplus	Share option reserve	Revenue reserve	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Group								
At 31st March 2004, as originally stated	1,417,381	479,738	—	120,156	1,002,675	—	(946,876)	2,073,074
Retrospective effects of change in accounting policies (<i>note 3</i>)	—	—	—	(120,156)	—	—	(346,753)	(466,909)
At 31st March 2004, as restated	1,417,381	479,738	—	—	1,002,675	—	(1,293,629)	1,606,165
Currency translation differences	—	—	—	—	—	—	4,985	4,985
Conversion of convertible notes	28,966	—	—	—	—	—	—	28,966
Placement of new shares	80,686	—	—	—	—	—	—	80,686
Scrip dividend	245	—	—	—	—	—	—	245
Partial disposal of interest in a listed subsidiary	—	(19,075)	—	—	—	—	—	(19,075)
Disposal of a listed subsidiary	—	(8,253)	—	—	—	—	—	(8,253)
Deemed disposal of interest in a listed associated company	—	(92,108)	—	—	—	—	—	(92,108)
Dividend paid	—	—	—	—	—	—	(3,997)	(3,997)
Loss for the year	—	—	—	—	—	—	(51,899)	(51,899)
At 31st March 2005	<u>1,527,278</u>	<u>360,302</u>	<u>—</u>	<u>—</u>	<u>1,002,675</u>	<u>—</u>	<u>(1,344,540)</u>	<u>1,545,715</u>
Opening adjustment for the adoption of HKAS 39 (<i>note 3</i>)	—	—	—	—	—	—	7,466	7,466
At 1st April 2005, as restated	1,527,278	360,302	—	—	1,002,675	—	(1,337,074)	1,553,181
Offsetting of accumulated losses (<i>note</i>)	—	—	—	—	(920,762)	—	920,762	—
Currency translation differences	—	—	—	—	—	—	2,283	2,283
Placement of new shares	27,399	—	—	—	—	—	—	27,399
Scrip distribution	9,680	—	—	—	(10,084)	—	—	(404)
Grant of share options	—	—	—	—	—	3,348	—	3,348
Share options granted by a listed associated company	—	—	—	—	—	4,533	—	4,533
Exercise of share options of a listed associated company	—	—	—	—	—	(4,461)	4,461	—
Profit for the year	—	—	—	—	—	—	56,405	56,405
At 31st March 2006	<u>1,564,357</u>	<u>360,302</u>	<u>—</u>	<u>—</u>	<u>71,829</u>	<u>3,420</u>	<u>(353,163)</u>	<u>1,646,745</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

	Share premium	Contributed surplus	Share option reserve	Revenue reserve	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Company					
At 31st March 2004	1,417,381	2,838,224	—	(686,872)	3,568,733
Conversion of convertible notes	28,966	—	—	—	28,966
Placement of new shares	80,686	—	—	—	80,686
Scrip dividend	245	—	—	—	245
Dividend paid	—	—	—	(3,997)	(3,997)
Loss for the year	—	—	—	(229,894)	(229,894)
At 31st March 2005	1,527,278	2,838,224	—	(920,763)	3,444,739
Offsetting of accumulated losses (note)	—	(920,762)	—	920,762	—
Placement of new shares	27,399	—	—	—	27,399
Scrip distribution	9,680	(10,084)	—	—	(404)
Grant of share options	—	—	3,348	—	3,348
Loss for the year	—	—	—	(6,630)	(6,630)
At 31st March 2006	<u>1,564,357</u>	<u>1,907,378</u>	<u>3,348</u>	<u>(6,631)</u>	<u>3,468,452</u>

Note:

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

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus and share option reserve are also distributable. Accordingly, total distributable reserves of the Company amount to HK\$1,904,095,000 (2005: HK\$1,917,461,000) as at 31st March 2006.

26 BORROWINGS

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term bank loan and overdrafts, secured	—	14,676
Long term bank loan, secured	—	43,598
	<u>—</u>	<u>58,274</u>
Long term bank loans, secured		
Repayable within one year	—	37,372
Repayable between one and two years	—	6,226
Wholly repayable within five years	—	43,598
Current portion included in current liabilities	—	(37,372)
	<u>—</u>	<u>6,226</u>

The effective interest rates of the borrowings at 31st March 2005 ranged from 3.22% to 5.25%. The interest rates of the borrowings were not subject to contractual repricing.

The carrying amounts of the short term and long term borrowings approximated their fair values.

27 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	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred income tax assets	3,902	5,303	171	171
Deferred income tax liabilities	<u>(135)</u>	<u>(11)</u>	<u>—</u>	<u>—</u>
	<u>3,767</u>	<u>5,292</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:

Deferred income tax assets

	Decelerated tax depreciation		Provisions		Tax losses		Difference in cost base of properties		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)
At beginning of the year	51	428	—	620	5,252	168,060	—	61,753	5,303	230,861
Recognised in the profit and loss account	—	(51)	—	(439)	(1,359)	(14,227)	—	(140)	(1,359)	(14,857)
Disposal of subsidiaries	—	—	—	—	—	(7,925)	—	—	—	(7,925)
Disposal of a listed subsidiary	<u>—</u>	<u>(326)</u>	<u>—</u>	<u>(181)</u>	<u>—</u>	<u>(140,656)</u>	<u>—</u>	<u>(61,613)</u>	<u>—</u>	<u>(202,776)</u>
At end of the year	<u>51</u>	<u>51</u>	<u>—</u>	<u>—</u>	<u>3,893</u>	<u>5,252</u>	<u>—</u>	<u>—</u>	<u>3,944</u>	<u>5,303</u>

Deferred income tax liabilities

	Accelerated tax depreciation		Revaluation of properties		Fair value adjustment on acquisitions		Unrealised gains on financial assets at fair value through profit or loss		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(restated)				(restated)		(restated)		(restated)
At beginning of the year	(11)	(42,534)	—	(75,166)	—	(94,702)	—	—	(11)	(212,402)
Opening adjustment for the adoption of HKAS 39	—	—	—	—	—	—	(1,525)	—	(1,525)	—
At beginning of the year, as restated	(11)	(42,534)	—	(75,166)	—	(94,702)	(1,525)	—	(1,536)	(212,402)
Recognised in the profit and loss account	(166)	238	—	—	—	18,309	1,525	—	1,359	18,547
Disposal of a listed subsidiary	—	42,285	—	75,166	—	76,393	—	—	—	193,844
At end of the year	<u>(177)</u>	<u>(11)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(177)</u>	<u>(11)</u>

Company

Deferred income tax assets

	Tax losses	
	2006	2005
	HK\$'000	HK\$'000
At beginning of the year	171	196
Recognised in the profit and loss account	—	(25)
At 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\$4 million (2005: HK\$1 million) in respect of losses amounting to HK\$24 million (2005: HK\$6 million) that can be carried forward against future taxable income. These tax losses have no expiry date.

28 AMOUNTS DUE TO MINORITY SHAREHOLDERS

Loans from minority shareholders are interest free and have no specific terms of repayment.

29 CAPITAL COMMITMENTS

At 31st March 2006, neither the Group nor the company had any capital commitments which were contracted but not provided for, nor authorised but not contracted for (2005: nil).

30 OPERATING LEASE ARRANGEMENTS

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

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
In respect of land and buildings:		
Within one year	87	259
In the second to fifth year inclusive	<u>—</u>	<u>87</u>
	<u>87</u>	<u>346</u>

31 CONTINGENT LIABILITIES

The Group and the Company did not have any material contingent liabilities as at 31st March 2006.

As at 31st March 2005, the Group did not have any material contingent liabilities, whilst the Company had HK\$58,274,000 contingent liabilities in respect of guarantees for the banking and loan facilities granted to the Group's subsidiaries.

32 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before income tax to cash generated from/(used in) operations

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> <i>(restated)</i>
Profit before income tax	56,405	57,859
Share of profits less losses of		
Jointly controlled entities	(6,334)	(125,798)
Associated companies	(65,599)	65,037
Depreciation	470	38,048
Amortisation of leasehold land	—	22,290
Amortisation of goodwill	—	5,849
Gain on disposal of property, plant and equipment	—	(1,008)
Provision for long term investments	—	1,601
Impairment loss of goodwill	—	10,002
Loss on disposal of subsidiaries	—	3,946
Loss on partial disposal of interest in a listed subsidiary	—	8,278
Loss on disposal of a listed subsidiary	—	2,688
Loss on deemed disposal of interest in a listed associated company	1,366	31,390
Net realised and unrealised losses/(gains) on financial assets at fair value through profit or loss	18,314	(94,896)
Write-back of provision for diminution in value of properties held for/under development for sale	—	(11,400)
Dividends from financial assets at fair value through profit or loss	—	(142)
Employees' share option benefits	3,348	—
Interest income	(5,714)	(9,908)
Interest expense	1,363	75,522
Negative goodwill recognised on acquisition of additional interest in a listed associated company	<u>(8,811)</u>	<u>—</u>
Operating (loss)/profit before working capital changes	(5,192)	79,358
Decrease in mortgage loans receivable	—	9,113
Increase in properties held for/under development for sale (excluding interest expense capitalised)	—	(400,346)
Increase in hotel and restaurant inventories	—	(480)
Decrease in trade and other receivables	23,688	63,388
Increase/(decrease) in trade and other payables	<u>1,326</u>	<u>(81,228)</u>
Cash generated from/(used in) operations	<u><u>19,822</u></u>	<u><u>(330,195)</u></u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
(b) Disposal of subsidiaries

	Asia	Other	Total
	Standard	subsidiaries	2005
	2005	2005	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(restated)</i>		<i>(restated)</i>
Net assets disposed			
Investment properties	1,363,020	—	1,363,020
Property, plant and equipment	886,368	—	886,368
Leasehold Land	1,403,550	—	1,403,550
Jointly controlled entities	164,007	—	164,007
Associated companies	366,501	—	366,501
Goodwill	15,036	—	15,036
Mortgage loans receivable	31,220	—	31,220
Deferred income tax assets	85,777	7,925	93,702
Properties held for/under development for sale	1,068,583	273,017	1,341,600
Completed properties held for sale	555,109	—	555,109
Hotel and restaurant inventories	3,095	—	3,095
Trade and other receivables	125,324	—	125,324
Other investments	171,801	—	171,801
Tax recoverable	224	—	224
Restricted bank balances	26,275	—	26,275
Bank balances and cash	99,501	28	99,529
Trade and other payables	(196,223)	(37)	(196,260)
Bank overdraft	(7,362)	—	(7,362)
Short term bank loans	(9,999)	—	(9,999)
Long term bank loans	(2,426,024)	(130,000)	(2,556,024)
Current income tax payable	(9,313)	—	(9,313)
Convertible bonds	(290,000)	—	(290,000)
Deferred income tax liabilities	(76,845)	—	(76,845)
Minority interests and loans	(1,872,167)	—	(1,872,167)
	<u>1,477,458</u>	<u>150,933</u>	<u>1,628,391</u>
Less: Capital reserve	(8,253)	—	(8,253)
Loss on disposal	(2,688)	(3,946)	(6,634)
	<u>(10,941)</u>	<u>(3,946)</u>	<u>(14,887)</u>
	<u><u>1,466,517</u></u>	<u><u>146,987</u></u>	<u><u>1,613,504</u></u>

	Asia Standard 2005 <i>HK\$'000</i> <i>(restated)</i>	Other subsidiaries 2005 <i>HK\$'000</i>	Total 2005 <i>HK\$'000</i> <i>(restated)</i>
Satisfied by:			
Cash proceeds received less expenses	13,160	71,514	84,674
Reclassified to			
Associated company	1,453,357	—	1,453,357
Jointly controlled entity	—	75,473	75,473
	1,466,517	146,987	1,613,504
Cash consideration	13,160	71,514	84,674
Bank balances and cash disposed of	(99,501)	(28)	(99,529)
Bank overdrafts disposed of	7,362	—	7,362
	<u>(78,979)</u>	<u>71,486</u>	<u>(7,493)</u>

33 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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Income from/(expense to) associated companies		
Management fee income (note (a))	1,011	912
Cleaning income (note (b))	728	705
Secretarial fee income (note (c))	96	96
Rental expenses (note (d))	<u>(259)</u>	<u>(259)</u>

Notes:

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

These transactions are not connected transactions or continuing connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

34 SUBSEQUENT EVENTS

- (a) In April 2006, the Company issued 127.3 million shares at HK\$1.30 each for a gross amount of HK\$165.5 million pursuant to a rights issue of 1 rights share for 2 shares held.
- (b) In May 2006, Asia Standard Hotel Group Limited, a listed associated company of the Group has issued 3,154.1 million shares at HK\$0.09 each for a gross amount of HK\$283.9 million pursuant to a rights issue of 1 rights share for every 2 existing shares held. The Group had subscribed for its entitlement fully and an additional 33,000,000 rights shares.

35 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%
Innovision Gateway 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%
Telemail Group Inc.	Investment holding	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%

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

Name	Principal activity	Jointly controlled entities 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 operates in the PRC

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\$126,162,000	25.9%
Asia Standard International Group Limited	Property development, property leasing, hoteland travel	HK\$50,769,000	41.0%

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

Name	Principal activity	Issued and fully paid ordinary share capital except otherwise stated	Group equity interest
<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	41.0%
Asia Standard Finance Company Limited	Financing services	HK\$1,000,000	41.0%
Asia Standard International Limited	Investment holding	HK\$1,214,916,441	41.0%
Asia Standard Management Services Limited	Management services	HK\$2	41.0%
Full Union Development Limited	Property development	HK\$2	41.0%
Get Rich Enterprises Limited	Property development	HK\$2	32.8%
Hoi Chak Properties Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$2	41.0%
JBC Travel Company Limited	Travel agency	HK\$2,500,000	25.9%
Lucky New Investment Limited	Property development	HK\$1	20.5%
Paramount Shine Limited	Property development	HK\$2	20.5%
Master Asia Enterprises Limited	Property investment	HK\$10,000	41.0%
Stone Pole Limited	Hotel holding	HK\$10	25.9%
Tilpifa Company Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$10,000	41.0%
Tonlok Limited	Property development	HK\$1,000	41.0%
Union Rich Resources Limited	Property development	HK\$2	32.8%
Vinstar Development Limited	Hotel holding	HK\$2	25.9%
Weststar Enterprises Limited	Property development	HK\$2	20.5%
Winfast Engineering Limited	Construction	HK\$2	41.0%
<i>Incorporated in British Virgin Islands</i>			
Enrich Enterprises Limited	Hotel holding	US\$1	25.9%
Global Gateway Corp.	Hotel operation	US\$1	25.9%
Glory Ventures Enterprises Inc.	Hotel holding	US\$1	25.9%
<i>Incorporated in Cayman Islands</i>			
Asia Standard International Capital Limited	Financing services	US\$2	41.0%
Q9 Technology Holdings Limited	Investment holding	HK\$12,463,500	32.0%
<i>Incorporated in the People's Republic of China ("PRC")</i>			
漁陽房地產開發(深圳)有限公司	Property development	RMB40,000,000	16.9%

Wholly owned Foreign Enterprises operates in the PRC

36 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 13th July 2006.

3. SUMMARY OF UNAUDITED INTERIM RESULTS

The following is the unaudited condensed consolidated income statement of the Group for the six months ended 30 September 2005 and 2006 and the unaudited condensed consolidated balance sheet of the Group as at 31 March 2006 and 30 September 2006, the unaudited condensed consolidated cash flow statement of the Group and the unaudited consolidated statement of changes in equity of the Group for the six months ended 30 September 2005 and 2006, together with accompanying notes to the accounts extracted from the interim report of the Company dated 15 December 2006:

CONSOLIDATED INCOME STATEMENT — UNAUDITED

	<i>Note</i>	Six months ended	
		30th September	
		2006	2005
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	40,802	10,867
Cost of sales		<u>(47,684)</u>	<u>(5,390)</u>
Gross (loss)/profit		(6,882)	5,477
Administrative expenses		(4,817)	(8,739)
Other income and charges	5	<u>18,121</u>	<u>(22,003)</u>
Operating profit/(loss)	6	6,422	(25,265)
Finance costs	7	(169)	(675)
Share of profits less losses of			
Jointly controlled entities		—	8,126
Associated companies		<u>22,576</u>	<u>19,120</u>
Profit before income tax		28,829	1,306
Income tax credit	8	<u>—</u>	<u>753</u>
Profit for the period attributable to shareholders of the Company		<u>28,829</u>	<u>2,059</u>
Dividend	9	<u>12,219</u>	<u>—</u>
Earnings per share			
Basic	10	<u>7.68 cents</u>	<u>0.78 cent</u>
Diluted	10	<u>7.58 cents</u>	<u>0.76 cent</u>

CONSOLIDATED BALANCE SHEET — UNAUDITED

	<i>Note</i>	30th September 2006 <i>HK\$'000</i>	31st March 2006 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	11	2,265	2,646
Jointly controlled entities		7,272	11,694
Associated companies		1,599,593	1,453,079
Deferred income tax assets		<u>3,902</u>	<u>3,902</u>
		<u>1,613,032</u>	<u>1,471,321</u>
Current assets			
Trade and other receivables	12	756	102,977
Financial assets at fair value through profit or loss		30,901	45,943
Bank balances and cash		271,861	105,505
		<u>303,518</u>	<u>254,425</u>
Current liabilities			
Trade and other payables	13	39,496	40,659
Amounts due to jointly controlled entities		—	4,422
Amounts due to associated companies		2,916	18
Amounts due to minority shareholders		8,311	8,311
		<u>50,723</u>	<u>53,410</u>
Net current assets		<u>252,795</u>	<u>201,015</u>
Total assets less current liabilities		1,865,827	1,672,336
Non-current liabilities			
Deferred income tax liabilities		<u>135</u>	<u>135</u>
Net assets		<u>1,865,692</u>	<u>1,672,201</u>
Equity			
Share capital	14	38,184	25,456
Reserves	15	<u>1,827,508</u>	<u>1,646,745</u>
		<u>1,865,692</u>	<u>1,672,201</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT — UNAUDITED

	Six months ended	
	30th September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in)		
Operating activities	97,736	(23,319)
Investing activities	(91,872)	(1,196)
Financing activities	<u>161,403</u>	<u>(30,221)</u>
Net increase/(decrease) in cash and cash equivalents	167,267	(54,736)
Cash and cash equivalents at beginning of period	<u>71,203</u>	<u>91,006</u>
Cash and cash equivalents at end of period	<u><u>238,470</u></u>	<u><u>36,270</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash (excluding restricted bank balance)	238,470	37,087
Bank overdrafts	<u>—</u>	<u>(817)</u>
	<u><u>238,470</u></u>	<u><u>36,270</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

	<i>HK\$'000</i>
At 1st April 2005	1,576,633
Currency translation differences	1,517
Profit for the period	<u>2,059</u>
Total recognised income for the period	----- 3,576
Grant of share options	<u>3,348</u>
At 30th September 2005	<u>1,583,557</u>
At 1st April 2006	1,672,201
Currency translation differences	1,791
Profit for the period	<u>28,829</u>
Total recognised income for the period	----- 30,620
Net proceeds pursuant to rights issue	160,492
Convertible notes of an associated company	<u>2,379</u>
	----- 162,871
At 30th September 2006	<u>1,865,692</u>

NOTES TO THE INTERIM CONSOLIDATED ACCOUNTS**1 BASIS OF PREPARATION**

The unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and should be read in conjunction with the annual financial statements for the year ended 31st March 2006.

The accounting policies and methods of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st March 2006.

For the six months ended 30th September 2006, the Group has also applied the new standards, amendments and interpretations issued by the HKICPA that are effective for the accounting periods beginning on or after 1st January 2006. However, the adoption of these new standards, amendments and interpretations does not have significant effect on the results and financial position of the Group.

2 FINANCIAL RISK MANAGEMENT

The Group, its jointly controlled entities and its associated companies’ activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow 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 use derivative financial instruments to hedge certain risk exposures.

3 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, its jointly controlled entities 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.

4 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 principal office is 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

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

Primary reporting format — business segments

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

	Property management <i>HK\$'000</i>	Investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Group <i>HK\$'000</i>
Six months ended 30th September 2006				
Segment revenue	<u>5,464</u>	<u>29,640</u>	<u>5,698</u>	<u>40,802</u>
Contribution to segment results	1,154	(13,734)	5,698	(6,882)
Other income/(charges)	(21)	18,513	(371)	18,121
Unallocated corporate expenses				<u>(4,817)</u>
Operating profit				6,422
Finance costs				(169)
Share of results of associated companies (note (i))				<u>22,576</u>
Profit for the period				<u>28,829</u>
Six months ended 30th September 2005				
Segment revenue	<u>5,620</u>	<u>1,604</u>	<u>3,643</u>	<u>10,867</u>
Contribution to segment results	1,709	125	3,643	5,477
Other charges	(24)	(21,818)	(161)	(22,003)
Unallocated corporate expenses				<u>(8,739)</u>
Operating loss				(25,265)
Finance costs				(675)
Share of results of Jointly controlled entities (note (i))				8,126
Associated companies (note (i))				<u>19,120</u>
Profit before income tax				1,306
Income tax credit				<u>753</u>
Profit for the period				<u>2,059</u>

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

	Six months ended 30th September			
	2006		2005	
	Jointly controlled entities	Associated companies	Jointly controlled entities	Associated companies
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property sales	—	(663)	—	(3,755)
Property leasing	—	50,115	—	60,014
Hotel and travel	—	25,834	—	13,152
Investment	—	—	8,126	(1,114)
Other operations	—	(7,777)	—	(9,531)
Finance costs	—	(27,680)	—	(23,609)
Unallocated corporate expenses	—	(9,000)	—	(7,808)
Income tax expenses	—	(8,253)	—	(8,229)
	<u>—</u>	<u>22,576</u>	<u>8,126</u>	<u>19,120</u>

Secondary reporting format — geographical segments

For the six months ended 30th September 2006 and 2005, the Group derived all of its revenue and operating profit from Hong Kong.

5 OTHER INCOME AND CHARGES

	Six months ended 30th September	
	2006	2005
	HK\$'000	HK\$'000
Unrealised losses on financial assets at fair value through profit or loss	(633)	(21,818)
Negative goodwill recognised on acquisition of additional interest in listed associated companies	9,630	—
Gain on disposal of an associated company	9,516	—
Depreciation	<u>(392)</u>	<u>(185)</u>
	<u>18,121</u>	<u>(22,003)</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****6 INCOME AND EXPENSES BY NATURE**

	Six months ended 30th September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income		
Interest income	5,350	3,382
Net realised gains on financial assets at fair value through profit or loss	<u>—</u>	<u>125</u>
Expenses		
Employee benefit expense, including Directors' emoluments (note (a))	5,930	10,527
Net realised losses on financial assets at fair value through profit or loss	<u>13,734</u>	<u>—</u>
(a) Employee benefit expense		
Wages and salaries	5,776	7,075
Retirement benefits costs	154	104
Employee share option benefits	<u>—</u>	<u>3,348</u>
	<u>5,930</u>	<u>10,527</u>

7 FINANCE COSTS

	Six months ended 30th September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense		
Long term bank loans	—	404
Short term bank loans and overdrafts	<u>169</u>	<u>271</u>
	<u>169</u>	<u>675</u>

8 INCOME TAX CREDIT

	Six months ended 30th September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred income tax	<u>—</u>	<u>753</u>

No provision for Hong Kong profits tax and overseas income tax has been made as the Group has no estimated assessable profit for the period (2005: nil).

Share of income tax of jointly controlled entities and associated companies for the six months ended 30th September 2006 of nil (2005: nil) and HK\$8,253,000 (2005: HK\$8,229,000) are included in the profit and loss account as share of profits less losses of jointly controlled entities and associated companies respectively.

9 DIVIDEND

The Directors recommended an interim dividend of HK3.2 cents (2005: nil) per share.

10 EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of the Company of HK\$28,829,000 (2005: HK\$2,059,000) and on the weighted average number of 375,553,167 (2005: 263,491,186, adjusted for the effects of rights issue of current period) shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30th September 2006 is based on HK\$28,455,000 equaling to the profit attributable to shareholders of HK\$28,829,000 with a decrease in share of profit after tax of HK\$374,000 from Asia Standard arising from conversion of the convertible notes of Asia Standard, and the weighted average number of 375,553,167 shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30th September 2005 is based on HK\$2,009,000 equivalent to profit attributable to shareholders of HK\$2,059,000 with a decrease in share of profit after tax of HK\$50,000 from Asia Standard arising from exercise of its share options, and the weighted average number of 263,491,186 shares, adjusted for the effects of rights issue of current period, in issue during the period.

11 PROPERTY, PLANT AND EQUIPMENT

	Other equipment
	<i>HK\$'000</i>
Cost	
At 31st March 2006	4,970
Additions	<u>11</u>
At 30th September 2006	<u>4,981</u>
Accumulated depreciation	
At 31st March 2006	2,324
Charge for the period	<u>392</u>
At 30th September 2006	<u><u>2,716</u></u>
Net book value	
At 30th September 2006	<u><u>2,265</u></u>
At 31st March 2006	<u><u>2,646</u></u>

12 TRADE AND OTHER RECEIVABLES

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

Trade receivables of the Group amounted to HK\$235,000 (31st March 2006: HK\$159,000). The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

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

	30th September 2006	31st March 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	231	98
61 days to 120 days	4	11
More than 120 days	<u>—</u>	<u>50</u>
	<u>235</u>	<u>159</u>

13 TRADE AND OTHER PAYABLES

Trade and other payables of the Group include trade payables, rental and management fee deposits, interest and other payables and various accruals. Trade payables of the Group amounted to HK\$3,824,000 (31st March 2006: HK\$2,173,000).

Aging analysis of trade payables is as follows:

	30th September 2006	31st March 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	3,301	1,807
61 days to 120 days	42	12
More than 120 days	<u>481</u>	<u>354</u>
	<u>3,824</u>	<u>2,173</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
14 SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Shares of HK\$0.1 each		
Authorised		
At 30th September 2006 and 31st March 2006	<u>750,000,000</u>	<u>75,000</u>
Issued and fully paid		
At 31st March 2006	254,557,972	25,456
Shares issued pursuant to rights issue	<u>127,278,986</u>	<u>12,728</u>
At 30th September 2006	<u>381,836,958</u>	<u>38,184</u>

Share options were granted to Directors and employees of an associated company of the Group to subscribe for shares in accordance with the terms and conditions of the share option scheme. There are no movements in the number of share options outstanding during the period.

15 RESERVES

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Convertible notes <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st March 2006	1,564,357	360,302	71,829	—	3,420	(353,163)	1,646,745
Profit for the period	—	—	—	—	—	28,829	28,829
Shares issued pursuant to rights issue, less expenses	147,764	—	—	—	—	—	147,764
Goodwill released upon disposal of an associated company	—	37,719	—	—	—	(37,719)	—
Share of reserve of an associated company	—	—	—	2,379	—	—	2,379
Currency translation differences	—	—	—	—	—	1,791	1,791
At 30th September 2006	<u>1,712,121</u>	<u>398,021</u>	<u>71,829</u>	<u>2,379</u>	<u>3,420</u>	<u>(360,262)</u>	<u>1,827,508</u>

16 CAPITAL COMMITMENTS

The Group did not have any capital commitments which were contracted but not provided for, nor authorized but not contracted for as at 30th September 2006 and 31st March 2006.

17 CONTINGENT LIABILITIES

There were no material contingent liabilities existing as at 30th September 2006 and 31st March 2006.

18 SUBSEQUENT EVENTS

In November 2006, Asia Standard International Group Limited, a listed associated company of the Group, issued 1,710.5 million shares at HK\$0.175 each, amounting to HK\$299.3 million pursuant to a rights issue of 1 rights share for every 3 existing shares held. The Group subscribed for its entitlement of HK\$126.8 million fully.

4. MATERIAL ADVERSE CHANGE

Save for the Group's subscription of HK\$126.8 million entitlement of rights shares issued by Asia Standard International Group Ltd, a listed associated company of the Group, as disclosed in its announcement dated 26 September 2006, 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 2006, being the date to which the latest published audited accounts of the Group were made up.

The impact of all material changes on the financial or trading position or outlook of the Group subsequent to the last published audited accounts of the Group for the year ended 31 March 2006 and up to 30 September 2006 has been incorporated into the unaudited interim report of the Group for the six months ended 30 September 2006.

5. INDEBTEDNESS**Indebtedness**

As at the close of business on 31 May 2007, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the Group had outstanding unsecured amounts due to minority shareholders of HK\$8.3 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, at the close of business on 31 May 2007, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS**Business and financial review for the six months ended 30 September 2006***Results*

The Group reported a turnover for the six months of HK\$41 million, whilst it was HK\$11 million for last corresponding period. Profit attributable to shareholders is HK\$29 million as compared to HK\$2 million in last period.

Higher turnover was due to sales of securities investment, while the surge in profit was mainly from the sale of investment in an associated company, Q9 Technology Limited, and the gain arising from the acquisition of additional interest in Asia Standard International Group Limited ("Asia Standard") and Asia Standard Hotel Group Limited.

The Directors recommend the payment of an interim dividend of HK3.2 cents (2005: nil) per share.

Property sales and leasing

Asia Standard remains the Group's core investment with shareholdings increased from 40.98% to 41.32% during the period. It achieved a HK\$55 million profit attributable to shareholders during the period at a turnover of HK\$433 million.

Asia Standard has presold more than HK\$460 million of its residential units and carparks at Canaryside, a residential development in Lei Yue Mun. Income and profit will be recognized in the second half of the financial year. The remaining 40% residential units and all the retail spaces at Canaryside, together with another new residential development at Ping Shan, Yuen Long will be launched soon. Combined revenue of about HK\$650 million to Asia Standard is expected upon full sales.

During the period, Asia Standard has also paid land premium for two other residential development projects at Aberdeen and Castle Peak Road. They are now at construction of superstructure and foundation stages respectively. Presale consent is being applied for the Aberdeen project, which has a GFA of 150,000 sq. ft. Overall, Asia Standard has over 1 million sq. ft. gross floor area of properties under development.

Average occupancy of its investment properties stood at 91%, approximately the same for current and last interim periods.

Hotel

The two Hong Kong based Empire hotels achieved a combined revenue increment of 20% against that of last corresponding period, attributable mainly to increased room rates and occupancies. Empire Landmark in Canada also experienced a 30% revenue increase, including exchange rate effect.

Hotel group's gross operating profit increased by HK\$25 million (40%) to HK\$87 million. It reported a HK\$17 million profit for the period compared to a loss of HK\$25 million of last period.

Hotel group's net borrowings were down by HK\$335 million, a 40% decrease to HK\$502 million.

Financial review

The Group was at net cash position at both 30th September 2006 and 31st March 2006.

The Group supported and subscribed a capital rights issue by Asia Standard to the amount of HK\$127 million.

At 30th September 2006, the Group's net asset value rose to HK\$1.86 billion, an increase of HK\$190 million (11%) from HK\$1.67 billion of 31st March 2006.

Certain listed securities were pledged to secure general banking facilities of the Group. The Group did not provide any guarantees to banks and financial institutions on credit facilities to jointly controlled entities, associated companies and third parties.

Employees and remuneration policies

At 30th September 2006, the Group employed 199 full time employees with most of them working for building management and related logistics services. Their remuneration packages, which are commensurate with job nature and experience level, include basic salary, annual bonus, retirement and other benefits.

7. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company 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. It is the Group's investment strategy to invest continuously in these sectors.

Future prospects

Hotel performance is very encouraging resulting from the continuing favourable effect of economic expansion, Disney Theme Park, conferences and exhibitions hosted by Hong Kong, and the increasing importance of China in the world trade platform. Visitors' arrivals to Hong Kong for the first nine months of 2006 reached 19 million, 9.5% higher than last corresponding period. We believe there will be growing attractions in Hong Kong with its privileged position as a door to the mainland.

Property market continues to advance with low mortgage rates, rising personal income and increasing affordabilities. Management is confident that its investments in Asia Standard would bring favourable returns as and when its results reflect the expanding economy of Hong Kong.

Management continues to investigate investment possibilities in Mainland.

8. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that taking into account the present internal financial resources of the Group, the available loan facilities and the net proceeds to be derived from the Rights Issue, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this prospectus.

(a) Unaudited pro forma financial information of the Group

The following is the unaudited pro forma consolidated net tangible assets of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Rights Issue as if it had taken place on 30 September 2006.

The unaudited pro forma consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group following the Rights Issue.

	Unaudited consolidated net tangible assets of the Group attributable to the shareholders as at 30 September 2006	Estimated net proceeds from the Rights Issue	Unaudited pro forma consolidated net tangible assets attributable to the shareholders	Unaudited pro forma consolidated net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on 192,858,782 Rights Shares at subscription price of HK\$1.30 per Rights Share	<u>1,865,692</u>	<u>245,000</u>	<u>2,110,692</u>	<u>3.67</u>

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to the shareholders as at 30 September 2006 were extracted from the published interim report of the Group as set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Rights Issue are based on 192,858,782 Rights Shares to be issued at subscription price of HK\$1.30 per Rights Share (after deduction of the expenses of approximately HK\$6.0 million), and take no account of any additional Rights Shares to be issued upon the exercise of any Outstanding Options on or before the Record Date.
3. The unaudited pro forma consolidated net tangible asset value per Share is arrived at after aggregating the unaudited consolidated net tangible assets of approximately HK\$1,865,692,000 of the Group as at 30 September 2006 (*Note 1*) and the estimated net proceeds of HK\$245,000,000 from the Rights Issue (*Note 2*) and on the basis that 574,695,740 Shares were in issue, representing the total of 381,836,958 Shares in issue as at 30 September 2006; and 192,858,782 additional Shares were issued assuming the Rights Issue has been completed on 30 September 2006 (without taking account of any Rights Share to be issued upon the exercise of any Outstanding Options).
4. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 September 2006, including the cash dividend of approximately HK\$5,777,000 out of the interim dividend of approximately HK\$12,219,000 declared for the six months ended 30 September 2006 and paid on 14 February 2007.

(b) Report on the unaudited pro forma financial information of the Group

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

**REPORT FROM ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION
TO THE DIRECTORS OF ASIA ORIENT HOLDINGS LIMITED**

We report on the unaudited pro forma financial information set out on pages 94 under the heading of “Unaudited Pro Forma Financial Information of the Group” (the “Unaudited Pro Forma Financial Information”) in Appendix II of the prospectus dated 6 July 2007 (the “Prospectus”) of Asia Orient Holdings Limited (the “Company”), in connection with the proposed rights issue (the “Rights Issue”) by the Company. The Unaudited Pro Forma Financial Information has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the Rights Issue might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 94 of the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the Directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited consolidated net tangible assets of the Group attributable to shareholders of the Company as at 30 September 2006 with the unaudited published interim report of the Group for the six months ended 30 September 2006, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2006 or any future date.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong,
6 July 2007

1. RESPONSIBILITY STATEMENT

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

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

The authorised and issued capital of the Company as at the Record Date were, and immediately following completion of the Rights Issue will be, as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>750,000,000</u>	Shares	<u>75,000,000.00</u>
<i>Issued and fully paid:</i>		
385,717,565	Shares in issue as at the Record Date	38,571,756.50
192,858,782	Rights Shares to be issued pursuant to the Rights Issue	19,285,878.20
<u>578,576,347</u>	Shares	<u>57,857,634.70</u>

All the issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with the existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form. The Company had no debt securities in issue as at the Latest Practicable Date.

On 13 April 2006, 127,278,986 new Shares were issued fully-paid at HK\$1.3 per Share under the rights issue, details of which were set out in the announcement of the Company dated 10 February 2006. On 14 February 2007, the Company issued 3,880,607 new Shares to the Shareholders at HK\$1.66 per Share as scrip dividend for the period ended 30 September 2006. Save for the issue of new Shares mentioned above, there has been no alteration to the issued share capital of the Company since the end of the last financial year of the Company, being 31 March 2006.

(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 interested
Employees of the Group	1.602	29 March 2007	29 March 2007 to 28 March 2017	30,100,000
Directors	1.602	29 March 2007	29 March 2007 to 28 March 2017	7,600,000

If the Rights Issue becomes unconditional, the exercise price of and/or the number of Shares comprised in the outstanding Share Options may be subject to adjustments.

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

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

3. DISCLOSURE OF INTERESTS BY 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, 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 in controlled corporations	Family interest			
Mr. Poon	92,761,365	88,677,414	3,257,938	184,696,717	31.92	
				<i>(Note 1)</i>	<i>(Note 3)</i>	
Mr. Fung	9,278,770	—	—	9,278,770	1.60	
				<i>(Note 2)</i>	<i>(Note 3)</i>	

Notes:

- These Shares represent the sum of (a) 61,840,911 Shares currently held by Mr. Poon and the 30,920,454 Shares to be provisionally allotted to Mr. Poon in respect of such 61,840,911 Shares which Mr. Poon has undertaken to take up under the Rights Issue; (b) 59,118,278 Shares currently held by corporations controlled by Mr. Poon (the "Controlled Corporations") and the 29,559,136 Shares to be provisionally allotted to the Controlled Corporations in respect of such 59,118,278 Shares which the Controlled Corporations have undertaken to take up under the Rights Issue; and (c) 2,171,959 Shares currently held by the spouse of Mr. Poon and the 1,085,979 Shares to be provisionally allotted to the spouse of Mr. Poon in respect of such 2,171,959 Shares which she has undertaken to take up under the Rights Issue.
- These Shares represent the sum of 6,185,847 Shares currently held by Mr. Fung and the 3,092,923 Shares to be provisionally allotted to Mr. Fung in respect of such 6,185,847 Shares which Mr. Fung has undertaken to take up under the Rights Issue.
- The percentage shareholding is calculated on the basis of 578,576,347 Shares in issue immediately after completion of the Rights Issue, assuming that none of the outstanding Share Options is exercised on or before the Record Date.

(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 in controlled corporations	Total	
Mr. Poon	Asia Standard	6,248,502	3,087,345,774 <i>(Notes 1)</i>	3,093,594,276	43.06
Mr. Poon	Asia Standard Hotel Group Limited (“AS Hotel”)	383,434	8,711,059,638 <i>(Note 1)</i>	8,711,443,072	69.64
Mr. Poon and Mr. Fung	Centop Investment Limited (“Centop”)	—	20 <i>(Note 2)</i>	20	20
Mr. Poon	Centop	—	80 <i>(Note 3)</i>	80	80
Mr. Fung	Mark Honour Limited	9	—	9	9

Notes:

1. By virtue of his controlling interest in the Company, Mr. Poon is deemed to be interested in the shares of Asia Standard and AS Hotel held by the Company’s subsidiaries.
2. Centop is owned as to 80% by Asia Standard 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.
3. By virtue of his controlling interest in the Company, Mr. Poon is deemed to have interest in the 80 shares of Centop held by Asia Standard.

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

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

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

(a) The Company

Name of Director	Number of underlying Shares subject to the outstanding Share Options
Mr. Fung	1,900,000
Dr. Lim Yin Cheng	1,900,000
Mr. Lun Pui Kan	1,900,000
Mr. Kwan Po Lam, Phileas	1,900,000

The share options were granted on 29 March 2007 and exercisable from 29 March 2007 to 28 March 2017 at the exercise price of HK\$1.602 per Share.

(b) Asia Standard

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

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

(c) AS Hotel

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

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

4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had the following interests or short positions in the Shares or/and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in Shares

Name of Shareholder	Capacity	Number of Shares	Percentage shareholding (%)
Teddington Holdings Limited ("Teddington")	Beneficial owner	36,991,792 (Note 1)	6.39 (Note 3)
Heston Holdings Limited ("Heston")	Beneficial owner	30,816,926 (Note 2)	5.33 (Note 3)
Dalton Investments LLC ("Dalton")	Investment manager	54,387,584	14.10
Clearwater Insurance Company ("Clearwater Insurance") (Note 4)	Beneficiary of a trust	23,792,405	6.17
Taifook Securities Group Limited (Note 5)	Interest in controlled corporations	146,100,290	25.25 (Note 3)
Taifook (BVI) Limited (Note 5)	Interest in controlled corporations	146,100,290	25.25 (Note 3)
Taifook Finance Company Limited (Note 5)	Interest in controlled corporation	146,100,290	25.25 (Note 3)
Taifook Securities (Note 5)	Beneficial owner	146,100,290 (Note 6)	25.25 (Note 3)
Ahead Company Limited	Beneficial owner	30,000,000	5.19
Capital Estate Limited	Interest in controlled corporations	44,388,000 (Note 7)	7.67

Short position in Shares

Name of Shareholder	Capacity	Number of Shares	Percentage shareholding (%)
Taifook Securities Group Limited (Note 5)	Interest in controlled corporations	58,500,000	10.11 (Note 3)
Taifook (BVI) Limited (Note 5)	Interest in controlled corporations	58,500,000	10.11 (Note 3)
Taifook Finance Company Limited (Note 5)	Interest in controlled corporation	58,500,000	10.11 (Note 3)
Taifook Securities (Note 5)	Beneficial owner	58,500,000	10.11 (Note 3)

Notes:

1. These Shares represent the sum of 24,661,195 Shares currently held by Teddington and the 12,330,597 Shares to be provisionally allotted to Teddington in respect of such 24,661,195 Shares which Teddington has undertaken to take up under the Rights Issue. Teddington is a company wholly-owned by Mr. Poon and therefore Mr. Poon is deemed to be interested in the 36,991,792 Shares held by Teddington.
2. These Shares represent the sum of 20,544,618 Shares currently held by Heston and the 10,272,308 Shares to be provisionally allotted to Heston in respect of such 20,544,618 Shares which Heston has undertaken to take up under the Rights Issue. Heston is a company wholly-owned by Mr. Poon and therefore Mr. Poon is deemed to be interested in the 30,816,926 Shares held by Heston.
3. The percentage shareholding is calculated on the basis of 578,576,347 Shares in issue immediately after completion of the Rights Issue, assuming that none of the outstanding Share Options is exercised on or before the Record Date.
4. Dalton is the investment adviser for Clearwater Insurance. The interest of Clearwater Insurance duplicates the interest of Dalton disclosed above.
5. Based on corporate substantial shareholder notice filed by Taifook Securities Group Limited, Taifook Securities is wholly owned by Taifook Finance Company Limited which in turn is wholly-owned by Taifook (BVI) Limited. Taifook (BVI) Limited is wholly-owned by Taifook Securities Group Limited, a company listed on the main board of the Stock Exchange.
6. The 146,100,290 Shares are the Rights Shares which Taifook Securities has underwritten in respect of the Rights Issue.
7. These Shares represent the sum of 14,388,000 Shares held by Top Mount Limited and 30,000,000 Shares sub-underwritten by Ahead Company Limited. Both Top Mount Limited and Ahead Company Limited are the wholly-owned subsidiaries of Capital Estate Limited and therefore Capital Estate Limited is deemed to be interested in the 14,388,000 Shares held by Top Mount Limited and 30,000,000 Shares sub-underwritten by Ahead Company Limited.

Interest in a member of the Group

Name of non-wholly owned subsidiary of the Company	Name of shareholder	Number of shares held	Percentage shareholding (%)
United Resources Associates Limited	Great Oriental Developments Limited	One ordinary share of US\$1	16.66
Blissful Enterprises Limited	Join Win Resources Limited	Two ordinary shares of US\$1 each	33.33

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors and chief executive of the Company, no other person (other than the Directors and chief executive of the Company) had, or was deemed or taken to have an interest or short position in the Shares or/and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

None of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2006, being the date to which the latest published audited consolidated accounts of the Group were made up.

6. 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 this prospectus and are or may be material:

1. the top-up subscription agreement dated 11 January 2006 entered into between Mr. Poon and the Company in relation to the subscription by Mr. Poon for a total of 16,000,000 new Shares at HK\$1.85 per Share;
2. the underwriting agreement dated 8 February 2006 entered into between the Company and Mr. Poon and Taifook Securities (formerly named as Tai Fook Securities Company Limited) in relation to the Rights Issue (as supplemented by a letter dated 10 February 2006 entered into by the same parties amending certain definitions and the expected timetable of the Rights Issue);
3. the subscription agreement dated 2 May 2006 entered into between (a) Asia Standard, (b) Grosvenor Asset Management Limited (“Grosvenor”), a substantial shareholder of Asia Standard; and (c) Asia Orient Company Limited (“AOCL”), a wholly-owned subsidiary of the Company in relation to the subscription for the convertible notes issued by Asia Standard International Capital Limited, a wholly-owned subsidiary of Asia Standard, by Grosvenor and AOCL in the principal amount of HK\$41 million and HK\$140 million respectively;
4. the irrevocable undertaking dated 25 September 2006 given by the Company pursuant to which the Company undertook, inter alia, to take up the assured entitlement under the rights issue as announced by Asia Standard on 26 September 2006; and
5. the Underwriting Agreement.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or to which the Company or any of its subsidiaries was, or might become, a party.

8. EXPERT AND CONSENT

The following is the qualification of the expert whose statement has been included in this prospectus:

Name	Qualification
PricewaterhouseCoopers (“PwC”)	Certified Public Accountants

PwC has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion herein of its report or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, PwC did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

PwC does not have any direct or indirect interests in any assets which have been, since 31 March 2006 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

9. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries or associated companies which are expiring or not determinable by the Group within one year without payment of compensation (other than statutory compensation).

10. SECRETARY AND QUALIFIED ACCOUNTANT OF THE COMPANY

The secretary of the Company is Ms. Chiu Yuk Ching, ACIS. The qualified accountant of the Company is Mr. Lun Pui Kan.

11. CORPORATE INFORMATION

Registered office of the Company	Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda
Head office and principal place of business of the Company in Hong Kong	30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong Telephone 2866 3336 Facsimile 2866 3772 Website http://www.asiaorient.com.hk Email: ao_info@asia-standard.com.hk
Authorised representatives	Mr. Fung Siu To, Clement Mr. Lun Pui Kan
Company secretary	Ms. Chiu Yuk Ching
Qualified accountant	Mr. Lun Pui Kan
Financial adviser to the Company	Taifook Capital Limited 25th Floor New World Tower 16-18 Queen's Road Central Hong Kong
Legal advisers to the Company	<i>(As to Hong Kong law)</i> Stephenson Harwood & Lo 35th Floor, Bank of China Tower, 1 Garden Road, Central Hong Kong <i>(As to Bermuda law)</i> Appleby 5511, The Center 99 Queen's Road Central Hong Kong
Auditors	PricewaterhouseCoopers Certified Public Accountants 22nd Floor Prince's Building Central, Hong Kong

Principal share registrars and transfer office	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM08, Bermuda
Hong Kong branch share registrars and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited Hang Seng Bank Limited Chiyu Banking Corporation Limited Chong Hing Bank Limited Bank of Communications

12. EXPENSES

The expenses in connection with the Rights Issue, including financial and legal advisory fees, underwriting commission, printing and translation expenses, are estimated to be approximately HK\$6.0 million and will be payable by the Company.

13. PARTICULARS OF DIRECTORS

(a) Name	Address	Nationality
<i>Executive Directors</i>		
FUNG Siu To, Clement	House No.1 Barbecue Garden 17½ Milestone Castle Peak Road New Territories Hong Kong	Canadian
LIM Yin Cheng	Flat B, 6th Floor Monterey Court 47-49 Perkins Road Hong Kong	Canadian
POON Jing	N.T.D.D. 381 Lot 951 Section J New Territories Hong Kong	Canadian
LUN Pui Kan	Room 1 15th Floor Block 46 Heng Fa Chuen Hong Kong	Chinese
KWAN Po Lam, Phileas	Block C, 2nd Floor 173 Argyle Street Kowloon Hong Kong	Chinese
<i>Non-executive Director</i>		
CHAN Sze Hung	8th Floor Asia Standard Tower No. 59-65 Queen's Road Central Hong Kong	British
<i>Independent non-executive Directors</i>		
CHEUNG Kwok Wah, Ken	Flat 5D 5th Floor 111 Mount Bulter Road Hong Kong	Chinese

(a) Name	Address	Nationality
HUNG Yat Ming	Flat C, 21st Floor Block 1, Ronsdale Garden 25 Tai Hang Drive Hong Kong	Australian
WONG Chi Keung	Flat 20A Melody Court 2C-D Kam Hong Street North Point Hong Kong	Chinese

(b) **Qualifications***Executive Directors***FUNG Siu To Clement**

Aged 58. The Chairman of the Company and the Remuneration Committee. He is the chairman of the listed associated company, Asia Standard. He is also an executive director of the listed associated company, AS Hotel. Mr. Fung is a holder of a Bachelor of Applied Science (Civil Engineering) degree and is also a fellow member of the Hong Kong Institution of Engineers. He joined the Group in 1988 and has over 25 years of experience in project management and construction. He is the brother-in-law of Mr. Poon.

LIM Yin Cheng

Aged 62. Deputy Chairman of the Company and Asia Standard. He is also a deputy chairman and chief executive of AS Hotel. Dr. Lim is a holder of Bachelor of Science (Chemical Engineering) and Doctor of Philosophy degrees. He has over 25 years of experience in engineering, project management and administration. He joined the Group in 1992. He is the brother-in-law of Mr. Poon.

POON Jing

Aged 52. Managing Director and Chief Executive of the Company and Asia Standard, the chairman of AS Hotel. Mr. Poon is the founder of the Group and is an independent non-executive director of GZI Transport Limited. He is the brother-in-law of Mr. Fung and Dr. Lim Yin Cheng, the Chairman and Deputy Chairman of the Company respectively.

LUN Pui Kan

Aged 44. Finance Director of the Company and Asia Standard. Mr. Lun has over 20 years of experience in accounting and finance. He is a holder of a Bachelor of Science (Engineering) degree and is an associate member of the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and a fellow member of The Association of Chartered Certified Accountants (“ACCA”). He joined the Group in 1994.

KWAN Po Lam Phileas

Aged 48. Executive Director of the Company and Asia Standard. Mr. Kwan is a holder of a Bachelor of Business Administration degree. He joined the Group in 1986 and is responsible for property sales and leasing. He has over 20 years of experience in property sales, leasing and real estate management.

Non-executive Director

CHAN Sze Hung

Aged 54. Mr. Chan graduated from the University of Hong Kong with a degree in law. He joined a legal firm for approximately four years prior to becoming a principal partner of Chan, Lau & Wai. He is a consultant of Chan, Lau & Wai. Mr. Chan is also an independent non-executive director of Mascotte Holdings Limited, Heritage International Holdings Limited and Radford Capital Investment Limited, all of these companies are listed on the Stock Exchange. He has over 25 years of experience in the legal profession. He joined the Group in 1996.

Independent non-executive Directors

CHEUNG Kwok Wah Ken

Aged 50. A member of the Audit Committee of the Company. Mr. Cheung received a Bachelor degree of Civil Laws from University College, Dublin. Mr. Cheung has over 20 years of experience in the finance field. He joined the Group in 1996.

HUNG Yat Ming

Aged 55. Chairman of Audit Committee and a member of Remuneration Committee of the Company. Mr. Hung graduated from the University of Hong Kong with a Bachelor degree in Mathematics and obtained a post-graduate diploma in Accountancy from the University of Strathclyde, Scotland. He has over 25 years of experience in audit, accounting and financial management in several firms in Sydney and Hong Kong and is a financial controller of a Hong Kong listed company. He is a member of the Institute of Chartered Accountants of Scotland and HKICPA. He is an independent non-executive director and a member of the Audit Committee of AS Hotel. He joined the Group in 2004.

WONG Chi Keung

Aged 52 A member of Audit Committee and Remuneration Committee of the Company. Mr. Wong holds a Master's degree in business administration from the University of Adelaide in Australia. He is a fellow member of HKICPA, ACCA and CPA Australia; an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management and advising on securities and corporate finance activities for Legend Capital Partners, Inc. under the Securities and Futures Ordinance of Hong Kong.

Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited, a company whose shares are listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Standard, Century City International Holdings Limited, China Special Steel Holdings Company Limited, China Ting Group Holdings Limited, FU JI Food and Catering Services Holdings Limited, Golden Eagle Retail Group Limited, Great Wall Motor Company Limited, International Entertainment Corporation, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of these companies are listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management. He joined the Group in 2004.

14. BINDING EFFECT

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Rights Issue Documents, having attached thereto the written consent referred to under the heading "Expert and consent" in this appendix, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. A copy of this prospectus has been filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended).

16. DOCUMENTS AVAILABLE 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 Saturdays and public holidays) at the principal place of business of the Company in Hong Kong from the date of this prospectus up to and including Monday, 23 July 2007, being the Latest Acceptance Time:

- (a) the Company's memorandum of association and the Bye-Laws;
- (b) the material contracts referred to in the section headed "Material contracts" in this appendix;
- (c) the written consent issued by PwC;
- (d) the annual report of the Company for the year ended 31 March 2006;
- (e) the interim report of the Company for the six months ended 30 September 2006;
- (f) the report from PwC dated 6 July 2007 on the unaudited pro forma financial information of the Group as set out in appendix II to this prospectus; and
- (g) the circulars dated 29 May 2006, 22 June 2006 and 18 October 2006.

1. NOTICE TO PERSONS RESIDENT IN AUSTRALIA

This prospectus does not constitute a prospectus or other disclosure document under the Corporations Act 2001 (Cth) (“**Act**”) and does not purport to include the information required of a disclosure document under the Act. This prospectus has not been lodged with the Australian Securities and Investments Commission (“**ASIC**”) and no steps have been taken to lodge it as such with ASIC. Any offers of Rights Shares that are received in Australia are made on the basis that they do not need disclosure to investors under Part 6D.2 of the Act by virtue of one or more exemptions in section 708 of the Act. Any offer of Rights Shares for on-sale that is received in Australia within 12 months after their issue by the Company under this prospectus may need prospectus disclosure to investors under Part 6D.2 of the Act, unless such offer for on-sale in Australia is conducted in reliance on a prospectus disclosure exemption under section 708 of the Act or otherwise. Any persons acquiring Rights Shares should observe such Australian on-sale restrictions.

2. NOTICE TO PERSONS RESIDENT IN INDONESIA

The Company will not extend the offering of the Rights Shares to Shareholders based in Indonesia because of the time, complexity and cost involved in complying with the mechanism, procedures and other requirements for a public offering of securities under the Indonesian Capital Market laws and regulations.

The Rights Shares have not been, and will not be, registered under the Indonesian Capital Market Law and its implementing regulations. The Rights Shares will not be offered or sold in Indonesia or to Indonesian citizens wherever they are domiciled, or to Indonesian residents in a manner which constitutes a public offer under the Indonesian Laws and regulations. This prospectus or material is not intended and prepared for purposes of public offering of securities under the Indonesian Capital Market Law and regulations.

3. NOTICE TO PERSONS RESIDENT IN ISRAEL

The offer of Rights Shares does not constitute a “Public Offering” of securities according to Section 15 of Israel’s Securities Law, 5728 - 1968, on the grounds that it is directed to a single Shareholder with registered address in Israel. Consequently, Israeli securities laws will not apply with respect to this offer. The Rights Issue Documents are provided to the single Shareholder with registered address in Israel for his/her investment alone. It is assumed by the Company that the Rights Shares to be received by such Shareholder will be acquired for investment for his/her own account, not as a nominee or agent, and not with a view to the sale or distribution of any part thereof in violation of applicable securities laws.

4. NOTICE TO PERSONS RESIDENT IN THE PRC

The Rights Issue Documents do not constitute a public offering of the Rights Shares or any other Shares of the Company in the PRC. The Rights Issue Documents may not be circulated or distributed in the PRC and the Rights Shares may not be offered or sold directly or indirectly to any natural person or legal person of the PRC, or offered or sold to any natural person or legal person of the PRC for re-offering or re-sale directly or indirectly except for being dispatched to the Qualifying Shareholders with registered addresses in the PRC solely for the purpose of this Rights Issue, subject to the compliance by the Qualifying Shareholders with all applicable laws and regulations of the PRC.

5. NOTICE TO PERSONS RESIDENT IN PORTUGAL

This Prospectus has not been approved by the Comissão do Mercado de Valores Mobiliários (“CMVM”), the Portuguese Securities Market Commission, nor any application has been or will be made to obtain said approval. The Rights Shares have not been directly or indirectly offered, sold or distributed to undetermined addressees domiciled or established in the Republic of Portugal, nor preceded or accompanied by prospecting or advertisement activities in the Republic of Portugal or by the collection of investment intentions from undetermined addressees domiciled or established in the Republic of Portugal, and will not be offered, sold or distributed nor preceded or accompanied by prospecting or advertisement activities or by the collection of investment intentions from undetermined addressees in circumstances which could qualify the Portuguese jurisdiction as the competent authority pursuant to Article 145 applicable ex vi article 108 and in circumstances which could qualify as a public offering of securities pursuant to Article 109 of the Portuguese Securities Code (“Código dos Valores Mobiliários” or “CVM”), as approved by the Decree-Law no. 486/99, of 13th November, as amended. Consequently, the Rights Shares will only be directly or indirectly addressed, offered, sold or distributed in the Republic of Portugal in circumstances that do not qualify as a public offering of securities under the relevant Portuguese laws and regulations. For the avoidance of doubt, Madeira and Azores Islands fall within the jurisdiction of the Republic of Portugal. Accordingly, this Prospectus or any other document relating to the Rights Shares has not been directly or indirectly distributed or caused to be distributed and will not, in any circumstances, in whole or in part, be directly or indirectly distributed, reproduced, redistributed, published or delivered or caused to be distributed, reproduced, redistributed, published or delivered, nor its contents disclosed by any means, directly or indirectly, in any circumstances that would trigger the qualification as a public offer of securities under the relevant Portuguese laws and regulations.

6. NOTICE TO PERSONS RESIDENT IN SINGAPORE

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Rights Shares may not be circulated or distributed, nor may any Rights Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act, Chapter 289 of Singapore.

7. NOTICE TO PERSONS RESIDENT IN UNITED KINGDOM

This document does not constitute a prospectus for the purposes of the prospectus rules issued by the Financial Services Authority in the United Kingdom pursuant to section 84 of the Financial Services and Markets Act 2000 (as amended). No Shares have been offered or sold, or will be offered or sold, to the public in any member state of the European Economic Area which has implemented the Prospectus Directive (EU Directive 2003/71/EC) (each a “**Relevant Member State**”) (which includes the United Kingdom), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) except (with effect from and including the Relevant Implementation Date) in respect of an offer of transferable securities where the total consideration of the offer is less than €2,500,000 (or its equivalent in other currencies) or in other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the above Prospectus Directive.