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

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

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

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ASIA STANDARD INTERNATIONAL GROUP LIMITED

(泛海國際集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 129)

PROPOSED BONUS ISSUE OF WARRANTS AND WHITEWASH WAIVER

Financial adviser

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

Independent financial adviser

 **VC CAPITAL LIMITED**
滙盈融資有限公司

A notice convening a special general meeting ("SGM") of the Company to be held at 10:30 a.m. on Wednesday, 27 August 2008 at Basement 1, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong (or, if later, immediately following the conclusion or adjournment of the annual general meeting of the Company to be held at the same place at 10:00 a.m. on 27 August 2008), is set out on pages N-1 to N-3 of this circular. A proxy form for the SGM is also enclosed. Whether or not you intend to attend and vote at the SGM or any adjourned meeting in person, please complete and return the enclosed proxy form in accordance with the instructions printed thereon to the head office and principal place of business of the Company in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

* For identification purposes only

5 August 2008

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DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it by the Takeovers Code
“Announcement”	the announcement dated 15 July 2008 made by the Company containing, amongst other things, the details of the Bonus Issue of Warrants and the Whitewash Waiver
“Asia Orient”	Asia Orient Holdings Limited (stock code: 214), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange, and the controlling shareholder of Asia Standard International
“Asia Standard Hotel”	Asia Standard Hotel Group Limited (stock code: 292), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange and a 67.7% subsidiary of Asia Standard International
“Asia Standard International” or “Company”	Asia Standard International Group Limited (stock code: 129), an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange, and the holding company of Asia Standard Hotel
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Bonus Issue of Warrants”	the proposed issue of the Warrants on the basis of one Warrant for every five Shares held by the Qualifying Shareholders on the Record Date
“business day”	a day (excluding Saturday and Sunday) on which banks in Hong Kong are open for business
“CDN\$”	Canadian dollars
“Concert Party Group”	Asia Orient and parties acting in concert with it, consisting of Mr. Poon Jing and companies controlled by any of Asia Orient and Mr. Poon Jing and parties acting in concert with any of them, excluding for this purpose the Company
“connected persons”	has the meaning ascribed to it by the Listing Rules
“Director(s)”	director(s) of the Company

DEFINITIONS

“Excluded Shareholder(s)”	Overseas Shareholder(s) who are excluded from the Bonus Issue of Warrants by the reason that the Directors, upon making enquiry, consider such exclusion to be necessary or expedient on account of either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in those places the details of which are set out in the section headed “Overseas Shareholders” of this circular
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board comprising its independent non-executive Directors, being Messrs. Koon Bok Ming Alan, Leung Wai Keung Richard and Wong Chi Keung formed to advise the Independent Shareholders on the Whitewash Waiver
“Independent Shareholders”	Shareholders other than the Concert Party Group and Shareholders who are interested in the Whitewash Waiver
“Latest Practicable Date”	1 August 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	The Macau Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
“Mr. Poon”	Mr. Poon Jing
“Notice of SGM”	the notice convening the SGM as set out in this circular
“Old Warrant(s)”	the warrant(s) issued by the Company on 7 September 2007 and due to expire on 6 September 2008
“Overseas Shareholders”	Shareholder(s) whose address(es) as shown on the register of members of the Company at the close of business on the Record Date is(are) outside Hong Kong

DEFINITIONS

“PRC”	the People’s Republic of China, excluding for the purpose of this circular Hong Kong, Macau and Taiwan
“Qualifying shareholders”	Shareholders other than the Excluded Shareholders
“Record Date”	26 August 2008
“Reset Adjustment”	the adjustment to be made to the Subscription Price 10 Business Days prior to the expiry of the Warrants whereby the Subscription Price will be adjusted to become the lower of (a) the then effective Subscription Price immediately preceding such Reset Adjustment; and (b) 97% of the average of the closing prices of each Share as quoted on the Stock Exchange for the three trading days immediately preceding the date of such Reset Adjustment
“Rights Issue”	the issue by way of rights of 3,625,274,773 rights Shares by the Company on the basis of one rights Share for every two existing Shares as announced by the Company on 9 January 2008 and completed on 10 March 2008
“RMB”	PRC renminbi
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened at Basement 1, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Wednesday, 27 August 2008 at 10:30 a.m. (or, if later, immediately following the conclusion or adjournment of the annual general meeting of the Company to be held at the same place at 10:00 a.m. on 27 August 2008), or any adjournment thereof, notice of which is set out at the end of this circular
“Share(s)”	ordinary shares of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the initial subscription price in respect of each of the Warrant, which is determined to be at a 5% premium to the average of the closing prices per Share for the three consecutive trading days immediately prior to and including the Record Date, subject to adjustment(s)

DEFINITIONS

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

For illustration purpose in this circular, the following exchange rates were used unless otherwise indicated:

RMB1.00	=	HK\$1.1494
CDN\$1.00	=	HK\$7.85

EXPECTED TIMETABLE

2008

Last day of dealings in Shares on a cum entitlement to the Warrants	Tuesday, 19 August
First day of dealings in Shares on a ex-entitlement to the Warrants	Wednesday, 20 August
Latest time for lodging transfers of Shares in order to qualify for the Warrants	4:30 p.m. on Thursday, 21 August
Register of members closes (both dates inclusive)	Friday, 22 August to Tuesday, 26 August
Latest time for lodging forms of proxy for the SGM	10:30 a.m. on Monday, 25 August
Record Date for entitlement of Warrants	Tuesday, 26 August
SGM	10:30 a.m. on Wednesday, 27 August
Announcement of results of the SGM to be posted on the website of the Stock Exchange	Wednesday, 27 August
Register of members re-opens	Wednesday, 27 August
Despatch of Warrants certificates	Monday, 8 September

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

LETTER FROM THE BOARD



ASIA STANDARD INTERNATIONAL GROUP LIMITED

(泛海國際集團有限公司)*

(Incorporated in Bermuda with limited liability)

Executive Directors:

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

Non-executive Director:

Mr. Au Yat Chuen, Raymond

Independent non-executive Directors:

Mr. Koon Bok Ming, Alan
Mr. Leung Wai Keung, Richard
Mr. Wong Chi Keung

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

*Head office and principal place
of business in Hong Kong:*

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

5 August 2008

To the Shareholders

Dear Sir/Madam,

PROPOSED BONUS ISSUE OF WARRANTS AND WHITEWASH WAIVER

INTRODUCTION

On 15 July 2008, the Directors announced that the Company proposed the Bonus Issue of Warrants to the Shareholders. The purpose of this circular is to provide the Shareholders with further information on the resolutions to be proposed at the SGM relating to the Bonus Issue of Warrants and the Whitewash Waiver, and to give Shareholders the Notice of SGM at which resolutions approving the above proposals will be considered and voted upon.

* For identification purposes only

LETTER FROM THE BOARD

PROPOSED BONUS ISSUE OF WARRANTS

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

THE SUBSCRIPTION PRICE

Each Warrant will entitle the holders thereof to subscribe for one new Share at the Subscription Price, at any time between the date of issue of the Warrants and the date immediately preceding the date falling on the first anniversary of the date of issue of the Warrants, both dates inclusive.

The Subscription Price will be determined to be at a 5% premium to the average of the closing prices per Share for the three consecutive trading days immediately prior to and including the Record Date, subject to adjustment(s) upon occurrence of usual adjustment events arising as a result of changes in the share capital of the Company including consolidation or sub-division of Shares, capitalisation of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company. Apart from the adjustments upon occurrence of the usual adjustment events, the Subscription Price is subject to the Reset Adjustment 10 Business Days before the date of expiration of the Warrants whereby the Subscription Price will be adjusted to become the lower of (a) the then effective Subscription Price immediately preceding such Reset Adjustment; and (b) 97% of the average of the closing prices of each Share as quoted on the Stock Exchange for the three trading days immediately preceding the date of such Reset Adjustment. The Subscription Price and the Reset Adjustment are determined taking into consideration, amongst other things, the past price performance of the Shares and to encourage the exercise of the Warrants before expiry. The Directors consider that the terms of the Bonus Issue of Warrants, including the Subscription Price and the Reset Adjustment, are fair and reasonable and in the interest of the Company and the Shareholders as whole.

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

On the basis of 10,875,834,822 Shares in issue on the Latest Practicable Date, and assuming no further Shares will be issued or repurchased by the Company on or before the Record Date, 2,175,166,964 Warrants are proposed to be issued.

LETTER FROM THE BOARD

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

	As at the Latest Practicable Date		Immediately after conversion of the Warrants by the Concert Party Group in full only		Immediately after full conversion of the Warrants	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Concert Party Group						
Asia Orient	4,888,401,048	44.94	5,866,081,257	49.48	5,866,081,257	44.94
Mr. Poon Jing	9,397,533	0.09	11,277,039	0.10	11,277,039	0.09
Sub-total	4,897,798,581	45.03	5,877,358,296	49.58	5,877,358,296	45.03
Public	5,978,036,241	54.97	5,978,036,241	50.42	7,173,643,489	54.97
Total	10,875,834,822	100.00	11,855,394,537	100.00	13,051,001,785	100.00

As at the Latest Practicable Date, there were 1,624,271,741 Old Warrants outstanding, in which 730,572,117 were held by the Concert Party Group. If all the subscription rights attaching to the Old Warrants are exercised before the Record Date, there will be 12,500,106,563 Shares in issue, resulting in 2,500,021,312 Warrants to be issued. In the event that the Subscription Price is adjusted by the Reset Adjustment, the maximum number of proposed Warrants to be issued will not change.

LETTER FROM THE BOARD

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

	Conversion of the Old Warrants before the Record Date		Immediately after conversion of the Warrants by the Concert Party Group in full only		Immediately after full conversion of the Warrants	
	<i>Number of Shares</i>	<i>%Number of Shares</i>	<i>Number of Shares</i>	<i>%Number of Shares</i>	<i>Number of Shares</i>	<i>%</i>
Concert Party Group						
Asia Orient	5,617,557,490	44.94	6,741,068,988	49.47	6,741,068,988	44.94
Mr. Poon Jing	<u>10,813,208</u>	<u>0.09</u>	<u>12,975,849</u>	<u>0.10</u>	<u>12,975,849</u>	<u>0.09</u>
Sub-total	5,628,370,698	45.03	6,754,044,837	49.57	6,754,044,837	45.03
Public	<u>6,871,735,865</u>	<u>54.97</u>	<u>6,871,735,865</u>	<u>50.43</u>	<u>8,246,083,038</u>	<u>54.97</u>
Total	<u>12,500,106,563</u>	<u>100.00</u>	<u>13,625,780,702</u>	<u>100.00</u>	<u>15,000,127,875</u>	<u>100.00</u>

Under the Takeovers Code, the Concert Party Group may not acquire or dispose of voting rights in the period between the date of this announcement and the completion of the Bonus Issue of Warrants. To prevent its proportionate voting rights in the Company from being diluted as a result of the exercise of the subscription rights attaching to the Old Warrants by other holders of the Old Warrants, the Concert Party Group may consider exercising its subscription rights attaching to the Old Warrants in such a way that its proportionate voting rights in the Company will from time to time be maintained at the same level as at to the date of the Announcement notwithstanding the exercise of the subscription rights attaching to the Old Warrants by other holders of the Old Warrants. An application has been made to seek for the Executive's consent and the Executive has consented that such proposed exercise of the Old Warrants by the Concert Party Group will not constitute disqualifying transaction under the Takeovers Code. Save for the aforementioned, the Concert Party Group will not, without the prior consent of the Executive, acquire or dispose of voting rights of the Company during the period between the date of the Announcement and the date of issue of the Warrants.

As at the Latest Practicable Date, there were 149,507,765 share options outstanding. Under the share options scheme of the Company, the proposed Bonus Issue of Warrants would not result in any adjustment to the existing exercise price of the share options granted.

LETTER FROM THE BOARD

USE OF PROCEEDS

For illustration purposes only and assuming that the Subscription Price is fixed at HK\$0.1337 (calculated on the basis of a 5% premium to the average of the closing prices per Share for the last three trading days immediately prior to and including the Latest Practicable Date), on the basis of full exercise of the 2,175,166,964 Warrants the Company will receive approximately HK\$290.8 million, before expenses and (assuming that the Subscription Price is not adjusted) issue 2,175,166,964 new Shares, representing approximately 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of such Shares. Assuming that the number of Shares in issue remains unchanged prior to the date of issue of the Warrants, the 2,175,166,964 new Shares will represent approximately 20% of the issued share capital of the Company at the time of issue of the Warrants. The proceeds from the Bonus Issue of Warrants will be used for general working capital of the Group.

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

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

OVERSEAS SHAREHOLDERS

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

On the basis of the information made available to the Directors, as at the Latest Practicable Date, there were 12 Overseas Shareholders whose addresses as shown on the register of members of the Company were in Canada, Macau, Malaysia and Singapore. The Directors have made enquiry on the legal restrictions and regulatory requirements in relation to the Bonus Issue of Warrants to the Overseas Shareholders in the above jurisdictions and on the compliance with the relevant restrictions and formalities and having done so, the Board considered that because of the likely costs and time involved if overseas compliance were to be observed, the insignificant shareholdings of the Excluded Shareholders (i.e. those Overseas Shareholders whose addresses as shown in the register of members of the Company on the Record Date are in Canada and Malaysia and holding an aggregate of 164,740 Shares, representing 0.0015% of the entire issued capital of the Company), the costs of overseas compliance would outweigh the benefits which the Company and the Shareholders as a whole

LETTER FROM THE BOARD

would receive by including the Excluded Shareholders in the Bonus Issue of Warrants and it would be necessary and expedient to exclude the Excluded Shareholders from the Bonus Issue of Warrants. Accordingly, no allotment of the Warrants will be made to the Excluded Shareholders pursuant to the Bonus Issue of Warrants.

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

Overseas Shareholders whose addresses as shown in the register of members of the Company on the Record Date are in Macau and Singapore will be included in the Bonus Issue of Warrants.

CONDITIONS TO THE BONUS ISSUE OF WARRANTS

The Bonus Issue of Warrants is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at the SGM approving the issue of the Warrants and the new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants, in accordance with the requirements of the Listing Rules;
- (b) the expiry of the outstanding Old Warrants on 6 September 2008;
- (c) the passing of an ordinary resolution by the Independent Shareholders at the SGM by way of poll to approve the Whitewash Waiver;
- (d) the Executive granting to the Concert Party Group the Whitewash Waiver; and
- (e) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants.

None of the conditions above may be waived. Save for the outstanding Old Warrants, the Company has no other outstanding equity securities which remain to be issued on exercise of any other subscription rights subject to Chapter 15 of the Listing Rules. Further, the Company will comply with the requirement under Rule 15.02 (1) of the Listing Rules in respect of the Bonus Issue of Warrants.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Friday, 22 August 2008 to Tuesday, 26 August 2008 (both dates inclusive) in order to establish entitlements of Shareholders to the Bonus Issue of Warrants, during which period no transfer of Shares will be registered. In order to qualify for

LETTER FROM THE BOARD

the Bonus Issue of Warrants, Shareholders are reminded to ensure that all Share transfers, accompanied by the relevant certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investors Services Limited, situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 21 August 2008.

REASON FOR THE BONUS ISSUE OF WARRANTS

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

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

INFORMATION ON ASIA STANDARD INTERNATIONAL

Asia Standard International is engaged in investment and development of commercial, retail and residential properties in Hong Kong and the PRC. Through listed subsidiary, Asia Standard Hotel, the Company also is involved in hotel operation, travel agency and restaurant businesses.

TAKEOVERS CODE IMPLICATIONS AND WHITEWASH WAIVER

As at the Latest Practicable Date, the Concert Party Group holds in aggregate 4,897,798,581 Shares representing approximately 45.03% of the total voting rights of the Company. As set out in Note 10 to Rule 26.1 of the Takeovers Code, in general, the acquisition of warrants does not give rise to an obligation under Rule 26 of the Takeovers Code to make a general offer, but the exercise of any subscription rights will be considered to be an acquisition of voting rights for the purpose of Rule 26 of the Takeovers Code. Accordingly, the Bonus Issue of Warrants will, in and of itself, not result in any Takeovers Code consequences prior to the exercise of the subscription rights attaching to the Warrants.

LETTER FROM THE BOARD

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

Based on the Company's issued share capital as at the Latest Practicable Date, if the subscription rights attaching to the Warrants were exercised in full as at the Latest Practicable Date by the Concert Party Group only whilst none of the other holders of Warrants exercised the subscription rights attaching to the Warrants, the Concert Party Group's aggregate voting rights in the Company would increase by approximately 4.55%, from approximately 45.03% to approximately 49.58%. Therefore, in the absence of the Whitewash Waiver, the exercise by the Concert Party Group of the Warrants in full in these circumstances would require a general offer to be made for all the Shares other than those owned by the Concert Party Group. However, if all Shareholders exercised their subscription rights under the Warrants on the same day, the percentage of voting rights held by the Concert Party Group would not change and no general offer obligation would arise.

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

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

Asia Orient and Mr. Poon Jing acquired their respective assured entitlements of 1,629,467,010 and 3,132,511 rights shares of the Company at the price of HK\$0.18 per Share, respectively, on 10 March 2008. Details of the Rights Issue are set out in the announcement of the Company dated 9 January 2008. Save as disclosed above, none of the members of the Concert Party Group has acquired any Shares in the six months prior to and including the date of the Announcement and ending on the Latest Practicable Date and the Company has not repurchased any Shares during that period. Under the Takeovers Code, the Concert Party Group may not acquire or dispose of voting rights in the period between the date of the Announcement and the completion of the Bonus Issue of Warrants. To prevent its proportionate voting rights in the Company from being diluted as a result of the exercise of the subscription rights attaching to the Old Warrants by other holders of the Old Warrants, the Concert Party Group may consider exercising its subscription rights under the Old Warrants in such a way that its proportionate voting rights in the Company will from time to time be maintained at the same level as at the date of the Announcement notwithstanding the exercise of the subscription rights attaching to the Old Warrants by other holders of the Old Warrants. An application has been made to seek for the Executive's consent and the Executive has consented that the proposed exercise of the Old

LETTER FROM THE BOARD

Warrants by the Concert Party Group will not constitute disqualifying transaction under the Takeovers Code. Save for the aforementioned, the Concert Party Group will not, without the prior consent of the Executive, acquire or dispose of voting rights of the Company during the period between the date of the Announcement and the date of issue of the Warrants.

The Independent Board Committee has been formed, comprising its independent non-executive Directors (being Messrs. Koon Bok Ming Alan, Leung Wai Keung Richard and Wong Chi Keung), to advise Independent Shareholders in respect of the Whitewash Waiver and what action they should take in response to it. Due to possible conflicts of interest arising from the provision of audit services to companies controlled by Mr. Poon Jing, Mr. Au Yat Chuen Raymond, the non-executive Director, was not appointed a member of the Independent Board Committee to advise on the Whitewash Waiver. VC Capital Limited has been appointed as independent financial adviser (whose appointment has been approved by the Independent Board Committee) to advise the Independent Board Committee on the Whitewash Waiver.

SGM

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

A notice convening the SGM to be held at 10:30 a.m. on Wednesday, 27 August 2008 at Basement 1, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong (or, if later, immediately following the conclusion or adjournment of the annual general meeting of the Company to be held at the same place at 10:00 a.m. on 27 August 2008) is set out on pages N-1 to N-3 of this circular at which ordinary resolutions will be proposed and, if thought fit, passed by (a) the Shareholders, to approve the Bonus Issue of Warrants and the issue of new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants; and (b) Independent Shareholders, by way of poll, to approve the Whitewash Waiver.

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

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 16 of this circular which contains its advice to the Independent Shareholders; and (ii) the letter from VC Capital set out on pages 17 to 28 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders as well as the principal factors and reasons taken into consideration in arriving at its advice.

ADDITIONAL INFORMATION

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

By order of the Board
Asia Standard International Group Limited
Fung Siu To, Clement
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



ASIA STANDARD INTERNATIONAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

5 August 2008

To the Independent Shareholders,

Dear Sir or Madam,

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

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

Your attention is drawn to the “Letter from VC Capital” concerning its advice to us regarding, among other things, the Whitewash Waiver as set out on pages 17 to 28 of the Circular. Having taken into account the advice and recommendation of VC Capital, we are of the opinion that the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Whitewash Waiver.

Yours faithfully,
the Independent Board Committee

Koon Bok Ming, Alan
*Independent non-executive
Director*

Leung Wai Keung, Richard
*Independent non-executive
Director*

Wong Chi Keung
*Independent non-executive
Director*

LETTER FROM VC CAPITAL

The following is the full text of the letter of advice from VC Capital dated 5 August 2008 to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



5 August 2008

*To the Independent Board Committee
and Independent Shareholders*

Dear Sir or Madam,

PROPOSED BONUS ISSUE OF WARRANTS AND WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver, details of which are set out in the letter from the Board contained in the circular of the Company dated 5 August 2008 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

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

As at the Latest Practicable Date, the Concert Party Group was interested in an aggregate of 4,897,798,581 Shares, representing approximately 45.03% of the total voting rights of the Company. In the event that the Concert Party Group exercises its rights attached to the Warrants in full whilst none of the Independent Shareholders exercises the rights attached to the Warrants, the aggregate voting rights of the Concert Party Group in the Company will increase from approximately 45.03% to approximately 49.58%, representing an increase of approximately 4.55% which is more than 2% from the lowest percentage holding of the Concert Party Group in the 12-month period immediately preceding the exercise date. Pursuant to Rule 26 of the Takeovers Code, the Concert Party Group will be required to make an unconditional mandatory general offer for all the Shares not already owned by

LETTER FROM VC CAPITAL

it. As such, the Concert Party Group has made an application to the Executive for the granting of the Whitewash Waiver. The Executive has indicated that he will grant the Whitewash Waiver, subject to the approval of the Whitewash Waiver by the Independent Shareholders by way of poll at the SGM.

An independent committee of the Board has been formed, comprising all the independent non-executive Directors (being Messrs Koon Bok Ming, Alan, Leung Wai Keung, Richard and Wong Chi Keung) who are considered independent in respect of the Whitewash Waiver, to advise the Independent Shareholders in respect of the Whitewash Waiver and the action they should take in response to it.

BASIS OF OUR OPINION

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

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

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

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

LETTER FROM VC CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information and prospects of the Group

For the year ended 31 March 2008, owing to the strong performance of its property sales and development business and the hotel business of its separately listed subsidiary, Asia Standard Hotel, the Group recorded audited revenue and net profit of HK\$1,554.9 million and HK\$504.5 million, respectively, representing increases of 13.2% and 67.8%, respectively, from that of the previous year. As disclosed in the results announcement of the Company for the year ended 31 March 2008, the Group believes that the buoyant hospitality market, the vibrant mainland economy and the 2008 Olympic Games which would help to raise the PRC's profile in the world stage and arouse more widespread interest in the Chinese culture will continue to support the Group's hotel business, but is cautiously optimistic with the business environment with the surfacing and widespread effect of the sub-prime crisis in the United States of America, the skyrocketing of energy prices and the global upturn of the interest rate. Meanwhile, the Group is constantly exploring investment opportunities in Hong Kong, Macau and the PRC and the Directors consider that the cooling economic measures by the PRC central government have provided a more attractive environment for longer-term investors. The Group will consider such investments with caution and capture such opportunities as and when they arise. The Directors consider that the Bonus Issue of Warrants will strengthen the equity base of the Company and increase the Company's working capital (if and when the subscription rights attached to the Warrants are exercised).

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

2. Terms of the Warrants

Subscription Price of the Warrants and the Reset Adjustment

The Subscription Price per new Share upon exercise of the Warrants will be determined at a price which is at a 5% premium to the average of the closing prices per Share for the three consecutive trading days immediately prior to and including the Record Date, subject to adjustment(s) upon occurrence of usual adjustment events arising as a result of changes in the share capital of the Company including consolidation or sub-division of Shares, capitalization of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company.

We have identified, to the best of our knowledge, the following transactions involving issue of warrants to the then qualifying shareholders of such listed companies (the "Comparable Warrant Issues") for comparison purposes as shown in Table 1 below. The Comparable Warrant Issues are issues of warrants (including pure issues of warrants, open offers with warrants and rights issues with

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warrants) to the then qualifying shareholders of such companies since 7 September 2007 (being the date the Old Warrants were issued) up to and including the Latest Practicable Date by Main Board listed companies which are either engaged in property investment or development or hotel and travel businesses similar to those of the Group, or are of a market capitalization of between HK\$1,000 million to HK\$2,000 million similar to that of the Company (being about HK\$1,381.2 million as at the Latest Practicable Date). The Comparable Warrant Issues are an exhaustive list of warrant issues identified by us, to our best effort, in our research through published information based on the above criteria.

Table 1: Comparable Warrant Issues

Company	Stock Code	Core Business(es)	Market capitalization as at the Latest Practicable Date <i>(approx HK\$m)</i>	Transaction	Announcement Date	Subscription Price of Warrants <i>(HK\$)</i>	Closing price/theoretical ex-right price immediately before announcement <i>(HK\$)</i>	Premium/ (Discount) to the closing price/theoretical ex-right price <i>(%)</i>
<i>Companies engaged in a similar industry as that of the Group</i>								
Paliburg Holdings Limited	617	Property development and investment, construction and building related businesses, hotel operations and provision of hotel management services	1,783.9	Open offer with bonus warrants for offer shares subscribed	28-Sep-07	0.21	0.28	(25.0)
Hongkong Chinese Limited	655	Property investment and development, estate management, securities broking and trading, treasury investment and banking related services	1,690.9	Rights issue with bonus warrants for rights shares subscribed	17-May-08	1.25	1.29	(3.10)
Lippo Limited	226	Property investment and development, fund management, securities broking and investment, treasury investment, money lending and banking	2,141.6	Rights issue with bonus warrants for rights shares subscribed	17-May-08	4.70	4.79	(1.88)
ITC Properties Group Limited	199	Property development and investment and golf resort and leisure operation	953.4	Rights issue with bonus warrants for rights shares subscribed	6-Jun-08	0.105	0.0995	5.53

LETTER FROM VC CAPITAL

Company	Stock Code	Core Business(es)	Market capitalization as at the Latest Practicable Date <i>(approx HK\$m)</i>	Transaction	Announcement Date	Subscription Price of Warrants <i>(HK\$)</i>	Closing price/theoretical ex-right price immediately before announcement <i>(HK\$)</i>	Premium/ (Discount) to the closing price/theoretical ex-right price <i>(%)</i>
Tian An China Investments Limited	28	Development of high-end apartments, villas, office buildings and commercial properties, property investment, property management and hotel operation in the PRC	7,842.4	Open offer with bonus warrants for offer shares subscribed	2-Oct-07	10.00	8.92	12.11
<i>Companies in a different industry but with a similar market capitalization as that of the Company</i>								
Champion Technology Holdings Limited	92	Sales and leasing of system products, provision of services and software licensing, investments in telecom networks	1,935.0	Bonus issue of warrants	26-Oct-07	1.60	1.78	(10.11)
COL Capital Limited	383	Securities trading and investments, financial services and property investment	1,131.4	Open offer with bonus warrants for offer shares subscribed	30-Nov-07	8.00	5.28	51.52
Golden Resorts Group Limited	1031	Operation of hotels	1,998.0	Bonus issue of warrants	29-Apr-08	0.35	0.31	12.90
PYI Corporation Limited	498	Project and facilities management, port and infrastructure development and logistics	1,538.6	Bonus issue of warrants	23-Jul-08	1.00	1.07	(6.54)
Median								(1.88)%
Simple Average								3.94%
Minimum								(25.00)%
Maximum								51.52%
The Company								5.00%

Source: The website of the Stock Exchange

As shown in Table 1 above, the premium/discount of the respective subscription prices to the respective closing prices/theoretical ex-rights prices of the Comparable Warrant Issues range from a discount of approximately 25.00% to a premium of approximately 51.52%. We consider that the aforesaid range of the premium/discount of the respective subscription prices to the respective closing prices/theoretical ex-rights prices of the Comparable Warrant Issues are too wide to be indicative of

LETTER FROM VC CAPITAL

any market trend in the pricing of warrant issues. Nevertheless, we note that the 5% premium of the Subscription Price to the average of the closing prices per Share for the three consecutive trading days immediately prior to and including the Record Date is relatively small compared with the fluctuation of the Share price in the past one year immediately preceding the date of the Announcement and up to and including the Latest Practicable Date (the “Review Period”), ranging from the highest Share price of HK\$0.34 on 19 July 2007 to the lowest Share price of HK\$0.123 on 3 July 2008. Although there is no certainty that the future performance of the Share price would repeat the Share price performance during the Review Period, given the large Share price range during the Review Period and the relatively small premium of 5% for the purpose of determining the Subscription Price, it would give the Qualifying Shareholders room to exercise the rights attached to the Warrants they hold at the appropriate time when the Share price is at a level above the Subscription Price. Moreover, all Shareholders will be granted the Warrants on an equal basis and on the same terms, including the fact that all Warrants will be granted to the Shareholders at the same Subscription Price. We therefore are of the opinion that the Subscription Price is fair and reasonable.

For comparison and analysis purposes, we have assumed that the Subscription Price is fixed at HK\$0.1337 (the “Hypothetical Subscription Price”), calculated on the basis of a 5% premium to the average of the closing prices per Share for the last three trading days immediately prior to and including Latest Practicable Date. **Shareholders should note, however, that the Hypothetical Subscription Price is, in no way, an indication of the Subscription Price, which will be set with reference to the average of the closing prices per Share for the three consecutive trading days immediately prior to and including the Record Date.** Nevertheless, we consider that adopting the Hypothetical Subscription Price in this letter of advice represents the best possible alternative in presenting our analysis of the Bonus Issue of Warrants for the Independent Shareholders’ consideration.

The Hypothetical Subscription Price represents:

- (a) a premium of approximately 5.28% over the closing price of HK\$0.127 per Share as quoted on the Stock Exchange on 10 July 2008, being the date of approval of the Bonus Issue of Warrants by the Board;
- (b) a discount of approximately 2.41% over the closing price of HK\$0.137 per Share as quoted on the Stock Exchange on 14 July 2008, being the last trading day immediately prior to the date of the Announcement;
- (c) a premium of approximately 2.06% over the average closing price of HK\$0.131 per Share as quoted on the Stock Exchange for the five trading days up to and including 14 July 2008, being the last trading day immediately prior to the date of the Announcement; and
- (d) a premium of approximately 5.28% over the closing price of HK\$0.127 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

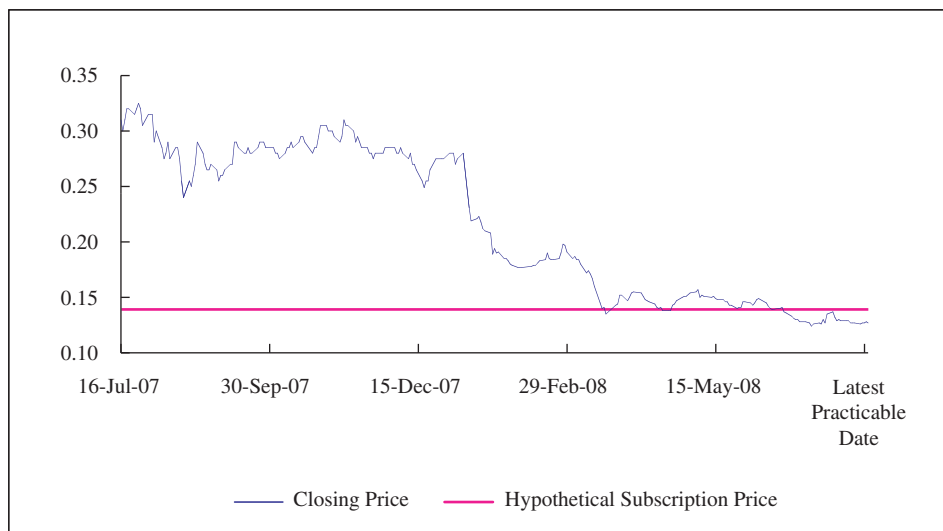
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As stated in the letter from the Board, in addition to adjustments upon occurrence of the usual adjustment events, the Subscription Price is subject to the Reset Adjustment 10 Business Days before the date of expiration of the Warrants whereby the Subscription Price will be adjusted to become the lower of (i) the then effective Subscription Price immediately preceding such Reset Adjustment; and (ii) 97% of the average of the closing prices of each Share as quoted on the Stock Exchange for the three trading days immediately preceding the date of such Reset Adjustment.

We are of the view that the Bonus Issue of Warrants and the Subscription Price are fair and reasonable insofar as the Independent Shareholders are concerned after taking into account of the following:

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

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



As illustrated in the above diagram, the closing price per Share was higher than the Hypothetical Subscription Price at the material time in the Review Period. The Hypothetical Subscription Price represents a discount of approximately 37.99% to the average of the closing prices per Share of HK\$0.2156 and is at a substantial discount of approximately 58.86% as compared to the highest closing price per Share of HK\$0.325 during the Review Period. If the price per Share can be maintained at above the Subscription Price, which is a level at the material time in the Review Period, the Qualifying Shareholders may be able to benefit from the Bonus Issue of Warrants by exercising the rights attached to the Warrants they hold at the appropriate time;

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- (b) within 10 Business Days before the date of expiration of the Warrants, Shareholders are given the opportunity, by way of the Reset Adjustment, to exercise their Warrants at a Subscription Price which will be lower than the then market price of the Shares immediately preceding the date of such Reset Adjustment;
- (c) all Shareholders will be granted the Warrants on an equal basis and on the same terms, including the fact that the Warrants will be granted to all Shareholders at the same Subscription Price; and
- (d) notwithstanding that the Warrants will not be listed on the Stock Exchange or on any other exchange, the Warrants are freely transferable and holders of the Warrants may realise the Warrants in cash at any time in the one-year period between the date of issue of the Warrants and the date immediately preceding the date falling on the first anniversary of the date of issue of the Warrants (both dates inclusive).

3. Change in shareholding

As stated in the letter from the Board, the Bonus Issue of Warrants will be made to all Qualifying Shareholders should it proceed. The following table illustrates the change in the shareholding structure of the Company (1) as at the Latest Practicable Date; and (2) the subscription rights to all the Old Warrants are exercised before the Record Date, and in each such scenario, following the exercise of the subscription rights attaching to the Warrants (a) by the Concert Party Group in full only; and (b) by all holders of the Warrants in full:

SCENARIO 1

	As at the Latest Practicable Date		Immediately after exercise of the rights attached to the Warrants by the Concert Party Group in full only		Immediately after exercise of the rights attached to the Warrants by all holders in full	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Concert Party Group						
Asia Orient	4,888,401,048	44.94	5,866,081,257	49.48	5,866,081,257	44.94
Mr. Poon Jing	<u>9,397,533</u>	<u>0.09</u>	<u>11,277,039</u>	<u>0.10</u>	<u>11,277,039</u>	<u>0.09</u>
Sub-total	4,897,798,581	45.03	5,877,358,296	49.58	5,877,358,296	45.03
Public	<u>5,978,036,241</u>	<u>54.97</u>	<u>5,978,036,241</u>	<u>50.42</u>	<u>7,173,643,489</u>	<u>54.97</u>
Total	<u>10,875,834,822</u>	<u>100.00</u>	<u>11,855,394,537</u>	<u>100.00</u>	<u>13,051,001,785</u>	<u>100.00</u>

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SCENARIO 2

	Upon exercise		Immediately after exercise		Immediately after exercise	
	of the rights attached to		of the rights attached to		of the rights attached to	
	the Old Warrants by		the Warrants by the		the Warrants by	
	all holders in full		Concert Party Group		all holders in full	
	before the Record Date		in full only		all holders in full	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Concert Party Group						
Asia Orient	5,617,557,490	44.94	6,741,068,988	49.47	6,741,068,988	44.94
Mr. Poon Jing	<u>10,813,208</u>	<u>0.09</u>	<u>12,975,849</u>	<u>0.10</u>	<u>12,975,849</u>	<u>0.09</u>
Sub-total	5,628,370,698	45.03	6,754,044,837	49.57	6,754,044,837	45.03
Public	<u>6,871,735,865</u>	<u>54.97</u>	<u>6,871,735,865</u>	<u>50.43</u>	<u>8,246,083,038</u>	<u>54.97</u>
Total	<u><u>12,500,106,563</u></u>	<u><u>100.00</u></u>	<u><u>13,625,780,702</u></u>	<u><u>100.00</u></u>	<u><u>15,000,127,875</u></u>	<u><u>100.00</u></u>

In scenario 1, if the rights attached to the Warrants are exercised by the Concert Party Group in full only, the interest of the Concert Party Group in the Company will increase from approximately 45.03% to approximately 49.58%, whereas the interest of the Independent Shareholders in the Company will be diluted by approximately 4.55% from approximately 54.97% to approximately 50.42%.

In scenario 2, if the subscription rights to all the Old Warrants are exercised by all holders of the Old Warrants (including the Concert Party Group) before the Record Date, and if the rights attached to the Warrants are exercised by the Concert Party Group in full only, the interest of the Concert Party Group in the Company will increase from approximately 45.03% to approximately 49.57%, whereas the interest of the Independent Shareholders in the Company will be diluted by approximately 4.54% from approximately 54.97% to approximately 50.43%.

If all Shareholders exercise their rights attached to the Warrants in full, their shareholding interests in the Company will remain unchanged and there will be no dilution effect on any of the Shareholders' interest in the Company.

Given that the maximum dilution of the interest of the Independent Shareholders in the Company is no more than approximately 4.55%, we consider that such dilution is not material. Furthermore, the exercise of the Warrants in full by the Concert Party Group will not result in a change in the Concert Party Group as the controlling Shareholder, which will be further discussed in the paragraph headed "Application of the Whitewash Waiver" below.

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4. Financial impact on the Group

Shareholders should note that the Subscription Price will be determined with reference to the average of the closing prices per Share for the three consecutive trading days immediately prior to and including the Record Date and is subject to the Reset Adjustment 10 Business Days before the date of expiration of the Warrants whereby the Subscription Price will be adjusted to become the lower of (i) the then effective Subscription Price immediately preceding such Reset Adjustment; and (ii) 97% of the average of the closing prices of each Share as quoted on the Stock Exchange for the three trading days immediately preceding the date of such Reset Adjustment. As a result, there may be deviation in the following analysis, which is based on the Hypothetical Subscription Price, from the actual situation upon determination of the Subscription Price. Nevertheless, we consider that adopting the Hypothetical Subscription Price in our letter of advice represents the best possible alternative in presenting our analysis of the Bonus Issue of Warrants for the Independent Shareholders' consideration.

Cashflow and liquidity

The full exercise of the rights attached to the Warrants will bring an additional cash inflow to the Company of approximately HK\$290.8 million (before expenses and assuming that the Subscription Price is not adjusted) on the assumption that 2,175,166,964 Warrants will be fully exercised at the Hypothetical Subscription Price. Based on the audited consolidated balance sheet of the Group as at 3 March 2008, the Group had cash and bank balances of approximately HK\$619.2 million as at 31 March 2008. The Directors consider that the Bonus Issue of Warrants could strengthen the equity base of the Company and increase the Company's working capital if and when the subscription rights attached to the Warrants are exercised. We concur with the Directors' view in this regard.

Equity attributable to the Shareholders

The exercise of all Warrants will enhance the equity attributable to the Shareholders as additional equity capital will be injected into the Company. As the Hypothetical Subscription Price is lower than the equity attributable to the Shareholders per Share of approximately HK\$0.47 (being the equity attributable to the Shareholders of approximately HK\$5,111.2 million as at 31 March 2008 divided by 10,875,834,822 Shares in issue as at the Latest Practicable Date), the exercise of the Warrants will result in a decrease of the equity attributable to the Shareholders per Share.

The decrease in the equity attributable to the Shareholders per Share immediately after exercise in full of the rights attached to the Warrants is mainly due to the fact that the Hypothetical Subscription Price for the Bonus Issue of Warrants is at a discount to the equity attributable to the Shareholders per Share as at 31 March 2008. Taking into account the fact that the Bonus Issue of Warrants will enlarge the capital base of the Group and provides a right to the Qualifying Shareholders to subscribe for Shares at a price that will be approximately 28.4% of the equity attributable to the Shareholders per Share (calculated on the basis of the Hypothetical Subscription Price), we consider the overall impact on the equity attributable to the Shareholders and the equity attributable to the Shareholders per Share resulting from the Bonus Issue of Warrants to be favourable to the Company and the Shareholders as a whole.

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Gearing

Based on the audited consolidated balance sheet of the Group as at 31 March 2008, the net bank borrowings (being the total bank borrowings less bank balances and cash) of the Group as at 31 March 2008 amounted to approximately HK\$1,199.7 million. Taking into account the net asset value of approximately HK\$5,800.8 million as at 31 March 2008, the gearing ratio, defined as the net bank borrowings divided by the net assets of the Group, was approximately 20.7%. The full exercise of the Warrants on the basis of the Hypothetical Subscription Price will improve the Group's gearing ratio from approximately 20.7% to approximately 14.9% (the numerator being the net bank borrowings of approximately HK\$1,199.7 million less the cash inflow upon exercise of the rights attached to the Warrants in full of approximately HK\$290.8 million, divided by the denominator being the net asset value of approximately HK\$5,800.8 million plus the cash inflow upon exercise of the rights attached to the Warrants in full of approximately HK\$290.8 million). We consider that such improvement in gearing will enhance the Group's bargaining power to attain better financing terms for any future borrowings and, hence, the Bonus Issue of Warrants is in the interests of the Company and the Shareholders as a whole.

5. Other considerations

We consider that fund-raising by the Bonus Issue of Warrants is a better alternative to the Shareholders when compared with a placing of Shares by the Company to independent third parties, as the latter would result in an immediate dilution to the existing interests of the Shareholders. We also consider that the Bonus Issue of Warrants is a better alternative than either a bonus issue of Shares or scrip dividend only as such proposal does not provide any opportunity for the Company to raise funds from the Shareholders, as will be the case if the Qualifying Shareholders exercise their rights attached to the Warrants.

In addition, we further consider that the Reset Adjustment, which gives the Shareholders the opportunity to exercise their Warrants at a Subscription Price which will be at a discount to the then market price of the Shares immediately preceding the expiry of the Warrants, presents a good opportunity for the Shareholders to benefit from a gain on their investment.

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

6. Application of the Whitewash Waiver

As at the Latest Practicable Date, the Concert Party Group was interested in an aggregate of 4,897,798,581 Shares, representing approximately 45.03% of the total voting rights of the Company. In the event that the Concert Party Group exercises its rights attaching to the Warrants in full whilst none of the Qualifying Shareholders exercises the rights attaching to the Warrants, the aggregate voting rights of the Concert Party Group in the Company will increase from approximately 45.03% to approximately 49.58%, representing an increase of approximately 4.55% which is more than 2%

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from the lowest percentage holding of the Concert Party Group in the 12-month period immediately preceding the exercise date. Pursuant to Rule 26 of the Takeovers Code, the Concert Party Group will be required to make an unconditional mandatory general offer for all the Shares not already held by it.

Notwithstanding that the possible dilution effect in the aggregate voting rights of the Independent Shareholders in the Company may reach a maximum of approximately 4.55% and the voting rights of the Concert Party Group in the Company may reach a maximum of approximately 49.58%, the Independent Shareholders should note that should the Bonus Issue of Warrants proceed, the Bonus Issue of Warrants will not result in a change in the Concert Party Group as the controlling Shareholder. The Concert Party Group has confirmed that it has no intention to change the composition of the Board and/or the senior management of the Group and/or make major changes to the businesses and/or any other aspects of the Group upon completion of the exercise of the Warrants received under the Bonus Issue of Warrants, save for and except those normal and ordinary changes to the operations of the Group, if any, that may arise with or without the Bonus Issue of Warrants. Hence, the potential increase in shareholding interest in the Company of the Concert Party Group as a result of the Bonus Issue of Warrants will not cause any material change to the operations to the Group.

The Bonus Issue of Warrants is conditional upon, inter alia, the granting of the Whitewash Waiver by the Executive. The Concert Party Group has made a formal application to the Executive for the granting of the Whitewash Waiver in connection with the exercise of the rights attached to the Warrants held by it, pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that he will grant the Whitewash Waiver, subject to the Independent Shareholders' approval by way of poll at the SGM. Members of the Concert Party Group will abstain from voting on the relevant resolution to approve the Whitewash Waiver to be proposed at the SGM.

RECOMMENDATION

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

Yours faithfully
For and on behalf of
VC Capital Limited

Philip Chau
Managing Director

Keith Lou
Executive Director

1. SUMMARY OF CONSOLIDATED INCOME STATEMENTS

Set out below is a summary of the consolidated results of the Group and the financial position for each of the three financial years ended 31 March 2008, 2007 and 2006 as extracted from the published annual reports of the Company for the financial years ended 31 March 2008 and 2007. PricewaterhouseCoopers were auditors for the Group and there were no audit qualifications in any of such financial statements for the three years ended 31 March 2008, 2007 and 2006.

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

	Year ended 31 March		
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Turnover	1,554,855	1,374,113	744,390
Profit before taxation	558,497	359,107	201,646
Taxation charge	(53,956)	(58,463)	(38,084)
Profit for the year	<u>504,541</u>	<u>300,644</u>	<u>163,562</u>
Attributable to			
Shareholders	471,471	287,596	167,860
Minority interests	33,070	13,048	(4,298)
Dividends	<u>47,129</u>	<u>49,095</u>	<u>30,462</u>
Earnings per Share			
Basic (<i>Note</i>)	HK 6.35 cents	HK 4.90 cents	HK 3.21 cents
Diluted (<i>Note</i>)	<u>HK 6.31 cents</u>	<u>HK 4.73 cents</u>	<u>HK 3.21 cents</u>
Dividends per Share	<u>HK 0.55 cent</u>	<u>HK 0.70 cent</u>	<u>HK 0.60 cent</u>

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

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

Consolidated Profit and Loss Account*For the year ended 31st March 2008*

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	5, 7	<u>1,554,855</u>	<u>1,374,113</u>
Revenue	5, 7	1,119,925	1,339,240
Cost of sales	7	<u>(659,130)</u>	<u>(874,107)</u>
Gross profit		460,795	465,133
Selling expenses		(12,478)	(15,608)
Administrative expenses		(142,415)	(136,858)
Other income and charges	6	<u>179,467</u>	<u>129,168</u>
Operating profit		485,369	441,835
Finance costs	8	(75,581)	(111,727)
Share of profits less losses of			
Jointly controlled entities		477	562
Associated companies		<u>148,232</u>	<u>28,437</u>
Profit before income tax		558,497	359,107
Income tax expense	11	<u>(53,956)</u>	<u>(58,463)</u>
Profit for the year		<u>504,541</u>	<u>300,644</u>
Attributable to:			
Shareholders of the Company		471,471	287,596
Minority interests		<u>33,070</u>	<u>13,048</u>
		<u>504,541</u>	<u>300,644</u>
Dividends	13	<u>47,129</u>	<u>49,095</u>
Earnings per share			
Basic	14	<u>HK6.35 cents</u>	<u>HK4.90 cents</u>
Diluted	14	<u>HK6.31 cents</u>	<u>HK4.73 cents</u>

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

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	15	879,962	868,125
Investment properties	16	1,953,380	1,776,150
Leasehold land	17	1,738,896	1,765,542
Jointly controlled entities	19	506,539	228,900
Associated companies	20	665,572	504,997
Available-for-sale investments	25	326,656	—
Goodwill		5,103	8,651
Mortgage loans receivable	21	25,022	10,647
Deferred income tax assets	34	45,808	64,517
		<u>6,146,938</u>	<u>5,227,529</u>
Current assets			
Properties held for/under development for sale	22	898,242	796,759
Completed properties held for sale	22	217,402	463,471
Mortgage loans receivable	21	2,388	339
Hotel and restaurant inventories		2,268	2,190
Trade and other receivables	23	196,313	178,148
Financial assets at fair value through profit or loss	24	106,524	67,318
Derivative financial instruments	26	—	6,156
Income tax recoverable		566	507
Bank balances and cash	27	619,223	221,346
		<u>2,042,926</u>	<u>1,736,234</u>
Current liabilities			
Trade and other payables	28	115,330	144,453
Amount due to an associated company	20	51,150	51,150
Derivative financial instruments	26	26,289	2,717
Warrant liabilities	29(a)	19,654	—
Short term bank and other loans and overdrafts, secured	33	358,295	186,000
Short term bank loans, unsecured	33	20,000	—
Current portion of long term loans, secured	33	331,068	14,073
Amounts due to minority shareholders	35	114,071	109,964
Income tax payable		26,277	21,067
		<u>1,062,134</u>	<u>529,424</u>
Net current assets		<u>980,792</u>	<u>1,206,810</u>
Total assets less current liabilities		<u>7,127,730</u>	<u>6,434,339</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current liabilities			
Convertible notes	32	—	89,768
Warrant liabilities	29(b)	16,909	—
Long term loans, secured	33	1,109,535	1,441,175
Deferred income tax liabilities	34	<u>200,467</u>	<u>167,763</u>
		<u>1,326,911</u>	<u>1,698,706</u>
Net assets		<u>5,800,819</u>	<u>4,735,633</u>
Equity			
Share capital	30	108,758	69,173
Reserves	31	<u>5,002,488</u>	<u>3,935,050</u>
Equity attributable to shareholders of the Company		5,111,246	4,004,223
Minority interests		<u>689,573</u>	<u>731,410</u>
		<u>5,800,819</u>	<u>4,735,633</u>

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

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current assets			
Subsidiaries	18	4,801,256	4,226,059
Deferred income tax assets	34	<u>110</u>	<u>110</u>
		<u>4,801,366</u>	<u>4,226,169</u>
Current assets			
Trade and other receivables		730	406
Financial assets at fair value through profit or loss	24	18,415	6,570
Bank balances and cash	27	<u>100,592</u>	<u>545</u>
		<u>119,737</u>	<u>7,521</u>
Current liabilities			
Trade and other payables		2,047	1,620
Warrant liabilities	29(a)	19,654	—
Current portion of long term loans, secured	33	<u>2,960</u>	<u>1,480</u>
		<u>24,661</u>	<u>3,100</u>
Net current assets		<u>95,076</u>	<u>4,421</u>
Total assets less current liabilities		4,896,442	4,230,590
Non-current liabilities			
Long term loans, secured	33	<u>15,560</u>	<u>18,520</u>
Net assets		<u>4,880,882</u>	<u>4,212,070</u>
Equity			
Share capital	30	108,758	69,173
Reserves	31	<u>4,772,124</u>	<u>4,142,897</u>
		<u>4,880,882</u>	<u>4,212,070</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****Consolidated Cash Flow Statement***For the year ended 31st March 2008*

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Cash flows from operating activities			
Net cash generated from operations	39	347,495	202,155
Net income tax paid		(58)	(1,023)
Interest paid		(83,850)	(112,212)
		<u>263,587</u>	<u>88,920</u>
Cash flows from investing activities			
Interest received		10,601	9,435
Dividend received from financial assets at fair value through profit or loss		1,725	671
Purchase of available-for-sale investments		(218,224)	—
Addition to property, plant and equipment		(19,441)	(14,323)
Proceeds on disposal of property, plant and equipment		587	—
Investment in a jointly controlled entity		(268,110)	—
Increase in advances to associated companies		(12,342)	(2,693)
Increase in advances to jointly controlled entities		(9,052)	(93,520)
		<u>(514,256)</u>	<u>(100,430)</u>
Net cash used in investing activities		<u>(514,256)</u>	<u>(100,430)</u>
Net cash used before financing activities		<u>(250,669)</u>	<u>(11,510)</u>
Cash flows from financing activities			
Drawdown of long term bank loans		706,039	696,903
Repayment of long term bank loans		(738,869)	(1,188,464)
Issuance of convertible notes		—	94,000
Redemption of convertible bonds		(19,000)	(222,580)
Conversion of warrants		925	—
Dividend paid		(34,969)	(26,620)
Increase in short term bank loans		99,111	136,000
Net proceeds from rights shares		644,262	295,491
Increase in loans from minority shareholders of subsidiaries		4,107	4,455
Subscription of rights shares by minority shareholders		—	120,217
Distribution of dividend by a listed subsidiary to minority shareholders		(16,760)	(19,377)
		<u>644,846</u>	<u>(109,975)</u>
Net cash generated from/(used in) financing activities		<u>644,846</u>	<u>(109,975)</u>
Net increase/(decrease) in cash and cash equivalents		394,177	(121,485)
Cash and cash equivalents at the beginning of the year		196,826	319,008
Changes in exchange rates		1,946	(697)
		<u>592,949</u>	<u>196,826</u>
Cash and cash equivalents at the end of the year		<u>592,949</u>	<u>196,826</u>
Analysis of the balances of cash and cash equivalents			
Bank balances and cash (excluding restricted bank balances)		<u>592,949</u>	<u>196,826</u>

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

	Shareholders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st April 2006	3,436,020	658,891	4,094,911
Currency translation differences	1,109	658	1,767
Profit for the year	287,596	13,048	300,644
Total recognised income for the year	288,705	13,706	302,411
Issue of rights shares	295,491	120,217	415,708
Issue of convertible notes	5,805	—	5,805
Scrip dividend	27,789	1,052	28,841
2006 final dividend	(30,462)	(13,079)	(43,541)
2007 interim dividend	(23,947)	(10,627)	(34,574)
Increase in shareholdings of a listed subsidiary	—	(41,608)	(41,608)
Share options granted by a listed subsidiary	4,822	2,858	7,680
	279,498	58,813	338,311
At 31st March 2007	4,004,223	731,410	4,735,633
At 1st April 2007	4,004,223	731,410	4,735,633
Currency translation differences	13,013	6,459	19,472
Fair value gain on available-for-sales investments	10,436	4,812	15,248
Less: provision for deferred tax	(1,826)	(842)	(2,668)
Profit for the year	471,471	33,070	504,541
Total recognised income for the year	493,094	43,499	536,593
Issue of rights shares	644,262	—	644,262
Issue of warrants	(83,491)	(38,519)	(122,010)
Conversion of warrants	1,111	—	1,111
Conversion and redemption of convertible notes	71,012	—	71,012
Scrip dividend	15,556	4,773	20,329
2007 final dividend	(25,148)	(10,725)	(35,873)
2008 interim dividend	(25,377)	(10,808)	(36,185)
Increase in shareholdings of a listed subsidiary	—	(36,453)	(36,453)
Share options granted by a listed subsidiary	16,004	6,396	22,400
	613,929	(85,336)	528,593
At 31st March 2008	5,111,246	689,573	5,800,819

Notes to the Financial Statements

1 BASIS OF PREPARATION

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES

(a) The adoption of new/revised HKFRS

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

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

The Group has assessed the impact of the adoption of these standard, amendment and interpretations and considered that there were no significant impact on the Group’s results and financial position and no substantial changes in the Group’s accounting policies, except that additional disclosures relating to capital management and financial instruments are required under HKAS 1 (Amendment) and HKFRS 7 respectively.

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

Effective from 1st January 2008

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

Effective from 1st July 2008

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

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

Effective from 1st July 2009

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

The Group has not early adopted the above standard, amendments and interpretations and it is not expected to have substantial change to the Group's accounting policies and presentation of the financial statements.

(b) Basis of consolidation

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

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

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

The profit or loss on disposal of subsidiaries, jointly controlled entities or associated companies is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill which remains unamortised, and any related exchange reserve.

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

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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

(c) Subsidiaries

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

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

(d) Jointly controlled entities

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

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

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

(e) Associated companies

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

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

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

(f) Goodwill

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

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill on acquisitions of jointly controlled entities and associated companies is included in investments in jointly controlled entities and associated companies respectively. Goodwill is tested for impairment at least annually and whenever there is any impairment indication 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/liabilities

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

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

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

(ii) *Loans and receivables*

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

(iii) *Available-for-sale investments*

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. These are classified as non-current assets.

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

Gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are included in the profit and loss account in the period in which they arise. Dividend received from financial assets at fair value through profit and loss is recognised in the profit and loss account when the Company’s right to receive payment is established. Change in the fair value of available-for-sale investments are recognised in equity. When securities classified as available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investments.

The fair values of financial instruments traded in active markets 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 fair value of forward foreign exchange contract is determined using forward exchange market rates at the balance sheet date.

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

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

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

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

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

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

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

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

No depreciation is provided for buildings under development.

Freehold land is not amortised.

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

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

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

(i) Impairment of assets

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

(j) Investment properties

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

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

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

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

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

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

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

(o) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Provisions

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

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

(r) **Employee benefits**

(i) *Employee leave entitlements*

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

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

(ii) *Retirement benefit obligations*

The Group contributes to several defined contribution retirement schemes which are available to employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to these schemes are expensed as incurred.

(iii) *Share-based compensation*

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

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

(s) **Current and deferred income tax**

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

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

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

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

(t) **Warrant liabilities**

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

(u) **Share capital**

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

(v) **Segment reporting**

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

(w) **Revenue recognition**

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

(i) ***Properties***

Revenue from sales of properties is recognised upon the later of completion of the properties and the sale and purchase contracts, where the risks and rewards of the properties are transferred to the purchasers. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities.

(ii) ***Investment properties***

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

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

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

Revenue from sale of air tickets and hotel reservation service is recognised when related services are rendered.

Management fee income is recognised when services are rendered.

(iv) ***Investment and others***

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

Dividend income is recognised when the right to receive payment is established.

(x) **Foreign currency translation**

(i) ***Functional and presentation currency***

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

(ii) ***Transactions and balances***

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

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

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

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

(iii) ***Group companies***

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

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

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

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

(y) Borrowing costs

Borrowing costs incurred on properties under development that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of the properties under development.

All other borrowing costs are recognised in the profit and loss account in the year in which they are incurred.

(z) Operating leases

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

(aa) Leasehold land

The up-front prepayments made for leasehold land are amortised on a straight-line basis over the period of the lease and are charged to profit and loss account. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the profit and loss account. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold or transferred to the cost of the properties upon completion. Where there is impairment, impairment are expensed in the profit and loss account.

(ab) 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.

(ac) Related parties

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

(ad) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT**i) Financial risk factors**

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

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

The Group operates 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 has 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 Group's foreign operations in Canada is managed primarily through borrowings denominated in the relevant foreign currency.

At 31st March 2008, the Group had outstanding HK\$20,110,000 (2007: Nil) Japanese Yen loan, if the Hong Kong dollar had strengthened/weakened by 1% against the Japanese Yen with all other variables held constant, post-tax profit would have been HK\$166,000 (2007: Nil) higher/lower.

(ii) *Price risk*

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

The Group's equity investments in equity of other entities are publicly traded in the Hong Kong Stock Exchange. For every 1% increase/decrease in the market prices of our financial assets at fair value through profit or loss and available-for-sale investments, the post-tax profit and available-for-sale investment reserve would increase/decrease by HK\$879,000 (2007: HK\$271,000) and HK\$2,695,000 (2007: Nil) respectively.

The Group's derivative financial instruments for purchase of listed securities and warrants are not publicly traded in the Hong Kong Stock Exchange. For every 1% increase/decrease in price of the underlying shares with all other variables held constant the post-tax profit would increase/decrease HK\$424,000 (2007: Nil) and HK\$1,189,000 (2007: Nil) respectively.

(b) *Credit risk*

The Group has 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 customers with appropriate credit history.

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

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

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

(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.

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

(d) *Interest rate risk*

The Group's interest rate risk arises from loans receivable and borrowings issued at variable rates.

The Group manages certain of its interest rate risk from 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.

ii) **Capital risk management**

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

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

The Group monitors capital on the basis of the gearing ratio against net assets and revalued net assets. Net assets ("Net assets") are the net assets as shown in the consolidated balance sheet prepared in accordance with HKFRS where revalued net assets ("Revalued net assets") are prepared having taken into account the fair value of hotel properties, net of relevant deferred tax, in addition to the Net assets. According to the Group's accounting policies, no properties other than investment properties are to be carried at valuation. Details of the valuation of the hotel properties, prepared for readers' information only, are set out in note 15(a) to the financial statements.

The gearing ratio against Net assets is calculated as net debt divided by Net assets and the gearing ratio against Revalued net assets is calculated as net debt divided by Revalued net assets. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less bank balances and cash.

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The gearing ratios at 31st March 2008 and 2007 were as follows:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Borrowings (<i>note 33</i>)	1,818,898	1,641,248
Convertible notes (<i>note 32</i>)	<u>—</u>	<u>89,768</u>
Total borrowings	1,818,898	1,731,016
Less: bank balances and cash (<i>note 27</i>)	<u>(619,223)</u>	<u>(221,346)</u>
Net debt	<u>1,199,675</u>	<u>1,509,670</u>
Net assets value	<u>5,800,819</u>	<u>4,735,633</u>
Gearing ratio against net asset value	21%	32%
Revalued net assets value	<u>7,378,000</u>	<u>6,205,000</u>
Gearing ratio against revalued net assets value	16%	24%

iii) **Fair value estimation**

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

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

The carrying value of trade and other receivables, financial assets at fair value through profit or loss, derivative financial instruments, bank balances and cash and trade and other payables are approximate of their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The Group does not hold any collateral as security.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes 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 are set out below.

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

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

(d) Fair value of derivative financial instruments and warrants

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

(e) Share based payments

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

5 TURNOVER AND SEGMENT INFORMATION

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

The Group is principally engaged in property development and investment, hotel, travel agency and catering operations and investment. Turnover comprises revenue from property sales and leasing, hotel and travel agency, management services and dividend and interest income, together with gross proceeds from investments. Revenue includes revenue from property sales and leasing, hotel and travel agency, management services, dividend and interest income, and net realised gains/losses on sale of financial assets at fair value through profit or loss.

Primary reporting format — business segments

The Group is organised into four main business segments, comprising property sales, property leasing, hotel and travel and investment. There are no other significant identifiable separate business segments. 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. Comparative figures were reclassified to conform to current year's presentation as the investment was not a separate business segment and was included in other operations in 2007. Segment assets consist primarily of property, plant and equipment, leasehold land, investment properties, available-for-sale investments, other non-current assets, hotel inventories, properties, derivative financial instruments, trade and other receivables and investments. Segment liabilities comprise mainly trade and other payables, derivative financial instruments, bank and other loans and exclude warrant liabilities, current income tax payable and deferred income tax liabilities.

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FINANCIAL INFORMATION ON THE GROUP

	Property sales	Property leasing	Hotel and travel	Investment	Other operations	Group
2008 (in HK\$'000)						
Turnover	378,595	64,957	628,378	472,323	10,602	1,554,855
Segment revenue	<u>378,595</u>	<u>64,957</u>	<u>628,378</u>	<u>37,393</u>	<u>10,602</u>	<u>1,119,925</u>
Contribution to segment results	80,471	62,671	163,230	37,393	10,602	354,367
Other income and charges	6,736	177,230	(92,619)	(32,590)	120,710	179,467
Unallocated corporate expenses						<u>(48,465)</u>
Operating profit						485,369
Finance costs						(75,581)
Share of results of						
Jointly controlled entities	490	—	—	—	(13)	477
Associated companies	(5,588)	154,548	—	—	(728)	<u>148,232</u>
Profit before income tax						558,497
Income tax expense						<u>(53,956)</u>
Profit for the year						<u>504,541</u>
2007 (in HK\$'000)						
Turnover	652,240	57,681	617,279	36,516	10,397	1,374,113
Segment revenue	<u>652,240</u>	<u>57,681</u>	<u>617,279</u>	<u>1,643</u>	<u>10,397</u>	<u>1,339,240</u>
Contribution to segment results	133,839	52,814	160,696	1,643	10,397	359,389
Other income and charges	(12,101)	191,365	(81,041)	(12,957)	43,902	129,168
Unallocated corporate expenses						<u>(46,722)</u>
Operating profit						441,835
Finance costs						(111,727)
Share of results of						
Jointly controlled entities	574	—	—	—	(12)	562
Associated companies	(5,936)	35,690	—	—	(1,317)	<u>28,437</u>
Profit before income tax						359,107
Income tax expense						<u>(58,463)</u>
Profit for the year						<u>300,644</u>

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	Property sales	Property leasing	Hotel and travel	Investment	Other operations	Group
2008 (in HK\$'000)						
Segment assets	1,139,409	2,010,358	2,708,481	433,484	170,815	6,462,547
Jointly controlled entities and associated companies	663,799	507,185	—	—	1,127	1,172,111
Unallocated assets						<u>555,206</u>
						<u>8,189,864</u>
Segment liabilities	359,773	579,184	1,048,454	13,395	22,782	2,023,588
Unallocated liabilities						<u>365,457</u>
						<u>2,389,045</u>
Capital expenditure	—	—	23,784	—	899	24,683
Depreciation	—	—	45,583	—	688	46,271
Amortisation of leasehold land	<u>9,321</u>	<u>—</u>	<u>21,088</u>	<u>—</u>	<u>316</u>	<u>30,725</u>
2007 (in HK\$'000)						
Segment assets	1,354,892	1,909,314	2,634,044	67,318	71,390	6,036,958
Jointly controlled entities and associated companies	380,046	352,637	—	—	1,214	733,897
Unallocated assets						<u>192,908</u>
						<u>6,963,763</u>
Segment liabilities	450,791	713,180	751,397	—	26,093	1,941,461
Unallocated liabilities						<u>286,669</u>
						<u>2,228,130</u>
Capital expenditure	—	—	13,927	—	396	14,323
Depreciation	—	—	52,273	—	667	52,940
Amortisation of leasehold land	<u>9,321</u>	<u>—</u>	<u>21,088</u>	<u>—</u>	<u>316</u>	<u>30,725</u>

Secondary reporting format — geographical segments

The activities of the Group are mainly based in Hong Kong. A summary of geographical segments is set out as follows:

	Turnover	Segment revenue	Operating profit	Total assets	Capital expenditure
2008 (in HK\$'000)					
Hong Kong	1,444,671	1,009,741	465,988	7,552,004	23,113
Mainland China	8,744	8,744	2,079	326,731	—
Canada	<u>101,440</u>	<u>101,440</u>	<u>17,302</u>	<u>311,129</u>	<u>1,570</u>
	<u>1,554,855</u>	<u>1,119,925</u>	<u>485,369</u>	<u>8,189,864</u>	<u>24,683</u>
2007 (in HK\$'000)					
Hong Kong	1,272,026	1,237,153	423,171	6,597,170	11,627
Mainland China	9,296	9,296	2,455	56,533	44
Canada	<u>92,791</u>	<u>92,791</u>	<u>16,209</u>	<u>310,060</u>	<u>2,652</u>
	<u>1,374,113</u>	<u>1,339,240</u>	<u>441,835</u>	<u>6,963,763</u>	<u>14,323</u>

6 OTHER INCOME AND CHARGES

	2008 HK\$'000	2007 HK\$'000
Surplus on revaluation of investment properties	177,230	184,125
Depreciation	(46,271)	(52,940)
Amortisation of leasehold land	(30,725)	(30,725)
Net unrealised fair value losses on financial assets at fair value through profit or loss	(32,590)	(12,957)
Write-back of provision for diminution in value of properties held for sale	16,057	4,460
Net fair value gains on warrant liabilities	85,261	—
Share option expense of a listed subsidiary	(22,400)	(7,680)
Impairment of goodwill	(3,548)	—
Negative goodwill on acquiring additional interest in a listed subsidiary	<u>36,453</u>	<u>44,885</u>
	<u>179,467</u>	<u>129,168</u>

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7 INCOME AND EXPENSES BY NATURE

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income		
Net rental income (<i>note (a)</i>)	61,420	52,814
Interest income	10,601	9,889
Dividend income	1,725	671
Net realised gain on financial assets at fair value through profit or loss	<u>35,668</u>	<u>972</u>
Expenses		
Operating lease rental expense for land and buildings	6,111	5,275
Employee benefit expense including Director's emoluments (<i>note 10</i>)	139,160	115,330
Auditor's remuneration	4,603	4,119
Provision for bad and doubtful debts written off (net)	459	7,225
Cost of properties and goods sold	<u>516,960</u>	<u>713,689</u>

Note:

(a) Net rental income

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross rental income		
Investment properties	59,593	50,368
Properties held for sale	<u>5,364</u>	<u>7,313</u>
	64,957	57,681
Outgoings	<u>(3,537)</u>	<u>(4,867)</u>
	<u>61,420</u>	<u>52,814</u>

8 FINANCE COSTS

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense		
Long term bank loans	75,335	101,079
Convertible bonds	—	10,898
Convertible notes	842	4,880
Loans from minority shareholders of subsidiaries (<i>note 35</i>)	4,107	4,455
Short term bank loans and overdrafts	9,989	1,102
Fair value loss on interest rate swaps	<u>10,777</u>	<u>7,373</u>
	101,050	129,787
Capitalised as cost of properties under development		
Interest expense	<u>(25,469)</u>	<u>(18,060)</u>
	<u>75,581</u>	<u>111,727</u>

To the extent funds are borrowed generally and used for the purpose of financing certain properties under development, the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation as part of the costs of these properties under development is 4.5% (2007: 5.9%) per annum.

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

Name of Director	Directors' fee	Salaries, allowances and benefits in kind (note (i))	Share options (note (ii))	Employer's contribution to retirement benefit scheme	Total emoluments
2008 (in HK\$'000)					
Executive					
Mr. Fung Siu To, Clement	—	6,110	—	42	6,152
Dr. Lim Yin Cheng	—	2,127	2,560	60	4,747
Mr. Poon Jing	—	15,319	—	12	15,331
Mr. Lun Pui Kan	—	2,426	2,560	95	5,081
Mr. Kwan Po Lam, Phileas	—	1,070	2,560	53	3,683
Mr. Loup, Nicholas James	100	—	—	—	100
	100	27,052	7,680	262	35,094
	-----	-----	-----	-----	-----
Non-executive					
Mr. Liang Shangli	300	—	—	—	300
Mr. Au Yat Chuen, Raymond	120	—	—	—	120
	420	—	—	—	420
	-----	-----	-----	-----	-----
Independent Non-executive					
Mr. Koon Bok Ming, Alan	120	—	—	—	120
Mr. Leung Wai Keung, Richard	200	—	—	—	200
Mr. Wong Chi Keung	100	—	—	—	100
	420	—	—	—	420
	-----	-----	-----	-----	-----
	<u>940</u>	<u>27,052</u>	<u>7,680</u>	<u>262</u>	<u>35,934</u>

Name of Director	Directors' fee	Salaries, allowances and benefits in kind (note (i))	Share options (note (ii))	Employer's contribution to retirement benefit scheme	Total emoluments
2007 (in HK\$'000)					
Executive					
Mr. Fung Siu To, Clement	—	4,174	2,560	42	6,776
Dr. Lim Yin Cheng	—	3,878	—	60	3,938
Mr. Poon Jing	—	12,815	—	12	12,827
Mr. Lun Pui Kan	—	2,420	—	95	2,515
Mr. Kwan Po Lam, Phileas	—	3,100	—	53	3,153
Mr. Loup, Nicholas James	100	—	—	—	100
	100	26,387	2,560	262	29,309
Non-executive					
Mr. Liang Shangli	140	—	—	—	140
Mr. Au Yat Chuen, Raymond	120	—	—	—	120
	260	—	—	—	260
Independent Non-executive					
Mr. Koon Bok Ming, Alan	120	—	—	—	120
Mr. Leung Wai Keung, Richard	200	—	—	—	200
Mr. Wong Chi Keung	100	—	—	—	100
	420	—	—	—	420
	780	26,387	2,560	262	29,989

Note:

- (i) Balance includes HK\$9,700,000 (2007: HK\$11,500,000) paid by subsidiaries of Asia Standard Hotel Group Limited ("Asia Standard Hotel"), a separately listed subsidiary of the Group.
- (ii) Paid by Asia Standard Hotel.
- (b) The five highest paid individuals in the Group for the year include five (2007: five) Directors whose emoluments are already reflected in the analysis presented above.
- (c) During the year, no emolument was paid or is payable by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 EMPLOYEE BENEFIT EXPENSE

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages and salaries	114,580	106,134
Retirement benefits costs (<i>note (a)</i>)	3,675	3,413
Employee's share option expense of a listed subsidiary (<i>note (b)</i>)	<u>22,400</u>	<u>7,680</u>
	140,655	117,227
Capitalised under properties under development	<u>(1,495)</u>	<u>(1,897)</u>
	<u><u>139,160</u></u>	<u><u>115,330</u></u>

Staff costs are stated inclusive of Directors' emoluments.

Share option expenses are included in other charges. The remaining staff costs are included in cost of sales and administrative expenses.

Notes:

(a) Retirement benefits costs

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross contributions	3,675	3,454
Forfeitures utilised	<u>—</u>	<u>(41)</u>
Net contributions	<u><u>3,675</u></u>	<u><u>3,413</u></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, Canada Pension Plan ("CPP") in Canada and retirement plans in Mainland China.

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

The Group also participates in the MPF scheme, which are available to all employees not joining the ORSO schemes in Hong Kong and in the CPP organised by the Canadian Government for all employees in Canada. Monthly contributions to the MPF scheme and CPP are made equal to 5% and 4.95% (2007: 5% and 4.95%) respectively, of the employee's relevant income in accordance with the local legislative requirements.

The Group also contributes 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 and plans are expensed as incurred. The assets of all these retirement schemes and plans are held separately from those of the Group in independently administered funds.

As at 31st March 2008, no forfeiture (2007: Nil) was available to reduce the Group's future contributions to the ORSO Scheme.

(b) **Share options**

The Company and Asia Standard Hotel, a listed subsidiary, operate share option schemes, whereby options may be granted to employees of the Group, including the Executive Directors, to subscribe for shares of the Company and Asia Standard Hotel respectively. The consideration to be paid on each grant of option is HK\$1 for the Company and Asia Standard Hotel respectively.

Details of share options held under the share option schemes as at 31st March 2008 are as follows:

Company

Grantee	Expiry date	Exercise price	2008 Number	2007 Number
Directors	29th March 2015	HK\$0.315	108,264,245	108,264,245
Employees	29th March 2015	HK\$0.315	41,243,520	56,709,841

During the year, no share option was granted, exercised or cancelled (2007: Nil). 15,466,321 share options lapsed upon the demise of an employee (5,000,000 share options lapsed upon resignation of an employee in 2007). No adjustment is required to the prevailing exercising price and number of options following the rights issue of the Company in March 2008 as the rights issue was not price-dilutive.

Asia Standard Hotel

	Expiry date	Exercise price	2008 Number	2007 Number
Employee	31st October 2015	HK\$0.19436	—	4,465,909
Directors	28th March 2017	HK\$0.12960	80,000,000	80,000,000
Employees	28th March 2017	HK\$0.12960	80,000,000	160,000,000
Directors	1st April 2017	HK\$0.13	240,000,000	—
Employees	1st April 2017	HK\$0.13	460,000,000	—

In 2007, the exercise price of the share option has been adjusted from HK\$0.217 per share to HK\$0.19436 per share subsequent to the rights issue of Asia Standard Hotel, the number of options was also adjusted accordingly.

During the year, 700,000,000 share options were granted, 84,465,909 share options lapsed upon the demise of an employee, and no share options were exercised or cancelled. In year 2007, 240,000,000 share options were granted, and no share options were exercised, cancelled or lapsed.

In 2008, the fair value of the options granted and vested in the current year determined using the Binomial option pricing model is HK\$22,400,000 (2007: HK\$7,680,000) and is recognised in the profit and loss account.

The following assumptions were used to calculate the fair values of share options granted in March and April 2007:

	April 2007	March 2007
Closing share price at the date of grant (HK\$)	0.13	0.13
Exercise price (HK\$)	0.1296	0.1296
Expected life of options (years)	1.6	1.6
Expected volatility (%) (<i>note (i)</i>)	51.71	51.71
Risk free rate (%)	4.302	4.302

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) 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.

11 INCOME TAX EXPENSE

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
Hong Kong profits tax	2,466	587
Under/(over) provisions in prior years	<u>2,745</u>	<u>(2,688)</u>
	5,211	(2,101)
Deferred income tax	<u>48,745</u>	<u>60,564</u>
	<u>53,956</u>	<u>58,463</u>

Hong Kong profits tax is provided at the rate of 17.5% on the estimated assessable profit for the year (2007: 17.5%). Income tax on overseas profits has been calculated on the estimated assessable profit for the year at the rates of tax prevailing in the countries in which the Group operates.

Share of income tax of jointly controlled entities and associated companies for the year of charge of HK\$29,000 (2007: credit of HK\$1,000) and charge of HK\$32,643,000 (2007: charge of HK\$7,593,000) are included in the profit and loss account as share of profits less losses of jointly controlled entities and associated companies respectively.

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

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	558,497	359,107
Share of profits less losses of jointly controlled entities and associated companies	<u>(148,709)</u>	<u>(28,999)</u>
	<u>409,788</u>	<u>330,108</u>
Calculated at a tax rate of 17.5% (2007: 17.5%)	71,713	57,769
Under/(over) provisions in prior years	2,745	(2,688)
Effect of different tax rates in other countries	(1,381)	(1,263)
Income not subject to income tax	(22,483)	(8,887)
Expenses not deductible for tax purposes	9,432	6,791
Tax losses not recognised	3,058	9,439
Recognition of previously unrecognised tax losses	(5,350)	(11)
Utilisation of previously recognised tax losses	(1,507)	—
Others	<u>(2,271)</u>	<u>(2,687)</u>
Income tax expense	<u>53,956</u>	<u>58,463</u>

12 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK\$66,900,000 (2007: HK\$554,000).

13 DIVIDENDS

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, paid, of HK0.35 cent (2007: HK0.35 cent) per share	25,377	23,947
Final, proposed, of HK0.20 cent (2007: HK0.35 cent) per share	<u>21,752</u>	<u>25,148</u>
	<u>47,129</u>	<u>49,095</u>

At a meeting held on 10th July 2008, the Board of Directors has proposed a final dividend of HK0.20 cent per share in scrip. This proposed dividend is not reflected in the financial statements, but will be reflected as an appropriation of revenue reserve in the year ending 31st March 2009.

14 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$471,471,000 (2007: HK\$287,596,000) and divided by the weighted average number of 7,430,223,474 (2007: 5,872,615,953 shares, adjusted for the effect of the rights issue in March 2008) shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31st March 2008 is based on HK\$472,165,000 equalling to the profit attributable to shareholders of the Company of HK\$471,471,000 plus after tax interest saving of HK\$694,000 and divided by 7,483,238,697 shares equalling to the weighted average number of 7,430,223,474 shares in issue during the year with an increase of 53,015,223 potential shares deemed to be in issue assuming the Company's convertible notes had been converted at the beginning of the year. The Company and its listed subsidiary's outstanding share options and warrants did not have a dilutive effect on the earnings per share.

The calculation of diluted earnings per share for the year ended 31st March 2007 was based on HK\$291,622,000 equalling to the profit attributable to shareholders of the Company of HK\$287,596,000 plus after tax interest saving of HK\$4,026,000 and 6,166,393,789 (adjusted for the effect of the rights issue in March 2008) shares equalling to the weighted average number of 5,872,615,953 shares in issue during the year plus 293,777,836 potential shares deemed to be in issue assuming the convertible notes had been converted. The Company and its listed subsidiary's outstanding share options did not have a dilutive effect on the earnings per share.

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land of a hotel in Canada	Hotel buildings	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>
Cost					
At 31st March 2006	68,165	1,141,409	19,000	49,577	1,278,151
Currency translation difference	995	5,642	—	418	7,055
Transfer from investment properties	—	45,605	—	—	45,605
Additions	—	12,856	—	1,467	14,323
Disposals	—	(3,281)	—	(862)	(4,143)
At 31st March 2007	69,160	1,202,231	19,000	50,600	1,340,991
Accumulated depreciation					
At 31st March 2006	—	368,131	5,014	48,420	421,565
Currency translation difference	—	2,089	—	415	2,504
Charge for the year	—	51,632	376	932	52,940
Disposals	—	(3,281)	—	(862)	(4,143)
At 31st March 2007	—	418,571	5,390	48,905	472,866
Net book value					
At 31st March 2007	69,160	783,660	13,610	1,695	868,125
Cost					
At 31st March 2007	69,160	1,202,231	19,000	50,600	1,340,991
Currency translation difference	8,099	46,236	—	876	55,211
Additions	—	23,784	—	899	24,683
Disposals	—	—	—	(707)	(707)
At 31st March 2008	77,259	1,272,251	19,000	51,668	1,420,178
Accumulated depreciation					
At 31st March 2007	—	418,571	5,390	48,905	472,866
Currency translation difference	—	20,929	—	852	21,781
Charge for the year	—	45,183	376	712	46,271
Disposals	—	—	—	(702)	(702)
At 31st March 2008	—	484,683	5,766	49,767	540,216
Net book value					
At 31st March 2008	77,259	787,568	13,234	1,901	879,962

Notes:

- (a) Total carrying values of hotel properties comprise the following:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hotel properties		
Hotel buildings	787,568	783,660
Hotel freehold land	77,259	69,160
Hotel leasehold land (<i>note 17</i>)	<u>1,662,351</u>	<u>1,688,681</u>
	<u>2,527,178</u>	<u>2,541,501</u>

Supplementary information with hotel properties at valuation:

The aggregate open market value of the hotel properties in Hong Kong and Canada based on valuation conducted respectively by Knight Frank and Grant Thornton Management Consultants, independent professional valuers, amounted to HK\$4,455,139,000 (2007: HK\$4,075,614,000).

The supplementary information with hotel properties at valuation is for readers' information only. It does not constitute a disclosure requirement under HKAS 16 and HKAS 17.

- (b) The aggregate net book value of property, plant and equipment pledged as securities for loans amounted to HK\$872,325,000 (2007: HK\$860,537,000).

16 INVESTMENT PROPERTIES

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of the year	1,776,150	2,046,470
Transfer to hotel properties	—	(454,445)
Surplus on revaluation	<u>177,230</u>	<u>184,125</u>
End of the year	<u>1,953,380</u>	<u>1,776,150</u>

Investment properties were revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 31st March 2008. Investment properties are situated on long term leasehold land in Hong Kong.

The aggregate net book value of investment properties pledged as securities for loans amounted to HK\$1,953,380,000 (2007: HK\$1,776,150,000).

17 LEASEHOLD LAND

Group	Hotel properties <i>HK\$'000</i>	Properties under development <i>HK\$'000</i>	Self-used properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 31st March 2006	1,527,516	46,099	35,865	1,609,480
Transfer from investment properties	<u>408,840</u>	<u>—</u>	<u>—</u>	<u>408,840</u>
At 31st March 2007 and 2008	<u><u>1,936,356</u></u>	<u><u>46,099</u></u>	<u><u>35,865</u></u>	<u><u>2,018,320</u></u>
Accumulated amortisation				
At 31st March 2006	226,587	598	4,189	231,374
Amortisation for the year	<u>21,088</u>	<u>54</u>	<u>262</u>	<u>21,404</u>
At 31st March 2007	247,675	652	4,451	252,778
Recognised in the profit and loss account	<u>21,088</u>	<u>54</u>	<u>262</u>	<u>21,404</u>
Capitalised in property, plant and equipment	5,242	—	—	5,242
Amortisation for the year	<u>26,330</u>	<u>54</u>	<u>262</u>	<u>26,646</u>
At 31st March 2008	<u><u>274,005</u></u>	<u><u>706</u></u>	<u><u>4,713</u></u>	<u><u>279,424</u></u>
Net book value				
At 31st March 2008	<u><u>1,662,351</u></u>	<u><u>45,393</u></u>	<u><u>31,152</u></u>	<u><u>1,738,896</u></u>
At 31st March 2007	<u><u>1,688,681</u></u>	<u><u>45,447</u></u>	<u><u>31,414</u></u>	<u><u>1,765,542</u></u>

The Group's prepaid leasehold land payments comprise:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Leasehold land in Hong Kong		
Long term lease	1,163,900	1,175,803
Medium term lease	<u>574,996</u>	<u>589,739</u>
	<u><u>1,738,896</u></u>	<u><u>1,765,542</u></u>

The aggregate net book value of leasehold land pledged as securities for loans amounted to HK\$1,738,896,000 (2007: HK\$1,765,542,000).

18 SUBSIDIARIES

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	1,229,076	1,229,076
Amounts due by subsidiaries less provisions	<u>3,572,180</u>	<u>2,996,983</u>
	<u><u>4,801,256</u></u>	<u><u>4,226,059</u></u>

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

Details of the principal subsidiaries are set out in note 42.

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

19 JOINTLY CONTROLLED ENTITIES

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets/(liabilities)	96,011	(172,576)
Advances to jointly controlled entities	445,411	436,359
Provisions on advances to jointly controlled entities	<u>(34,883)</u>	<u>(34,883)</u>
	<u><u>506,539</u></u>	<u><u>228,900</u></u>

The shares in certain jointly controlled entities are pledged to secure loan facilities granted to those entities. Advances to jointly controlled entities amounting to HK\$202,752,000 (2007: HK\$192,172,000) are subordinated to the repayment of the loans of those jointly controlled entities.

Advances to jointly controlled entities are made to finance property development projects. The amounts are unsecured, interest free and have no fixed terms of repayment.

Details of the principal jointly controlled entities are set out in note 42.

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

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets		
Non-current assets	715,515	471,966
Current assets	<u>94,716</u>	<u>25,735</u>
	810,231	497,701
	-----	-----
Liabilities		
Non-current liabilities	234,991	205,324
Current liabilities	<u>479,229</u>	<u>464,953</u>
	714,220	670,277
	-----	-----
Net assets/(liabilities)	<u>96,011</u>	<u>(172,576)</u>
Income	13,530	987
Expenses	<u>(13,024)</u>	<u>(426)</u>
Profit before income tax	506	561
Income tax (expense)/credit	<u>(29)</u>	<u>1</u>
Profit for the year	<u>477</u>	<u>562</u>

20 ASSOCIATED COMPANIES

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets/(liabilities)	3,892	(144,341)
Advances to associated companies	665,786	653,444
Provisions for advances to associated companies	<u>(4,106)</u>	<u>(4,106)</u>
	665,572	504,997
Amount due to an associated company included in current liabilities	<u>(51,150)</u>	<u>(51,150)</u>
Total carrying amounts of associated companies	<u>614,422</u>	<u>453,847</u>

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

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

Advances to associated companies are made to finance property development projects. Except for an amount of HK\$911,000 (2007: HK\$908,000) due from an associated company which is interest bearing at prime rate, the remaining amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment.

Details of the principal associated companies are set out in note 42.

The Group's share of assets and liabilities and results of associated companies

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets	807,935	626,459
Liabilities	<u>(804,043)</u>	<u>(770,800)</u>
	<u>3,892</u>	<u>(144,341)</u>
Revenues	182,976	13,934
Profit for the year	<u>148,232</u>	<u>28,437</u>

21 MORTGAGE LOANS RECEIVABLE

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mortgage loans receivable	27,410	10,986
Less: current portion included in current assets	<u>(2,388)</u>	<u>(339)</u>
	<u>25,022</u>	<u>10,647</u>

The mortgage loans receivable carry interest at rates ranged from prime rate plus 1.5 to 2.0% (2007: prime rate plus 1.5% to 2.0%) per annum. The effective interest rate at 31st March 2008 was 7.5% (2007: 7.9%) per annum. The mortgage loans receivable are denominated in Hong Kong dollar. The carrying amounts of the mortgage loans receivable approximate their fair values.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****22 PROPERTIES HELD FOR/UNDER DEVELOPMENT FOR SALE AND COMPLETED PROPERTIES HELD FOR SALE**

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held for/under development for sale		
Leasehold land	635,353	634,956
Development costs	<u>262,889</u>	<u>161,803</u>
	<u>898,242</u>	<u>796,759</u>
Completed properties held for sale		
Leasehold land	117,957	243,120
Development costs	<u>99,445</u>	<u>220,351</u>
	<u>217,402</u>	<u>463,471</u>

At 31st March 2008, properties amounting to HK\$923,482,000 (2007: HK\$941,672,000) were pledged to banks to secure certain banking facilities of the Group.

23 TRADE AND OTHER RECEIVABLES

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
Fully performing	47,039	110,079
Past due but not impaired	10,379	11,473
Impaired and provided for	<u>115</u>	<u>129</u>
	57,533	121,681
Less: provision for impairment of receivables	<u>(115)</u>	<u>(129)</u>
Trade receivables, net	57,418	121,552
Prepayments	9,228	6,036
Utility and other deposits	7,293	6,484
Other receivables	<u>122,374</u>	<u>44,076</u>
	<u>196,313</u>	<u>178,148</u>

As at 31st March 2008, other receivables include loans receivable of HK\$95,540,000 (2007: HK\$11,100,000) which were interest bearing from 5% to 2% above prime rate per annum and repayable within one year (2007: 5% per annum and repayable within two years).

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

An aging analysis of trade receivables net of provision for impairment is as follows:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	56,321	118,831
61 days to 120 days	1,082	2,071
More than 120 days	<u>15</u>	<u>650</u>
	<u>57,418</u>	<u>121,552</u>

The majority of past due but not impaired trade receivables are aged less than 120 days. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 day to 60 days	10,135	10,045
More than 60 days	<u>244</u>	<u>1,428</u>
	<u>10,379</u>	<u>11,473</u>

As of 31st March 2008, trade receivables of HK\$115,000 (2007: HK\$129,000) were impaired.

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

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

The carrying amounts of the trade receivables of the Group are denominated in the following currencies:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong dollar	54,490	118,072
Canadian dollar	2,861	3,423
Renminbi	<u>67</u>	<u>57</u>
	<u>57,418</u>	<u>121,552</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	Group		Company	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong	106,524	32,796	18,415	6,570
Pledged United States treasury bills	—	34,522	—	—
	<u>106,524</u>	<u>67,318</u>	<u>18,415</u>	<u>6,570</u>

25 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong	<u>326,656</u>	<u>—</u>

26 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2008		2007	
	Assets	Liabilities	Assets	Liabilities
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Forward foreign exchange contracts	—	—	5,556	—
Interest rate swaps	—	12,894	600	2,717
Derivative financial instruments for purchase of listed securities	<u>—</u>	<u>13,395</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>26,289</u>	<u>6,156</u>	<u>2,717</u>

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

The notional principal amounts of the outstanding interest rate swaps contracts at 31st March 2008 were HK\$600,000,000 (2007: HK\$650,000,000).

The derivative financial instruments for purchase of listed securities were secured by fixed deposit of the Group.

27 BANK BALANCES AND CASH

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand	77,940	109,263	580	545
Restricted bank balances	26,274	24,520	—	—
Short-term bank deposits	<u>515,009</u>	<u>87,563</u>	<u>100,012</u>	<u>—</u>
	<u>619,223</u>	<u>221,346</u>	<u>100,592</u>	<u>545</u>

The effective interest rate on restricted bank balances was 2.3% (2007: 3.5%) per annum. These balances are pledged to banks to secure certain banking facilities of the Group or required to be utilised for specific purposes.

The effective interest rate on short-term bank deposits was 1.5% (2007: 3.2%) per annum for the Group and 2.0% (2007: 3.9%) per annum for the Company. These deposits have an average maturity of 6 days (2007: 72 days) for the Group and 6 days (2007: 8 days) for the Company.

28 TRADE AND OTHER PAYABLES

Trade and other payables of the Group include trade payables, rental and management fee deposits, interest and other payables, retentions payable of construction costs and various accruals. Trade payables of the Group amounted to HK\$23,870,000 (2007: HK\$34,318,000).

Aging analysis of trade payables is as follows:

	2008	2007
	HK\$'000	HK\$'000
0 day to 60 days	23,524	33,614
61 days to 120 days	33	406
More than 120 days	<u>313</u>	<u>298</u>
	<u>23,870</u>	<u>34,318</u>

29 WARRANT LIABILITIES

(a) The Company

On 7th September 2007, the Company issued bonus warrants to shareholders on the basis of one warrant for every five shares of the Company. The initial subscription price was at HK\$0.29 per share and the warrants are exercisable at any time within one year from the date of issue. Apart from the adjustments upon occurrence of the usual adjustment events, the subscription price is subject to the reset adjustment at the end of six months from the date of issue of the warrants and on the tenth business day before the date of expiration of the warrants. As a result of the rights issue (note 30 (a)), the subscription price was adjusted from HK\$0.29 to HK\$0.256 on 13th February 2008. Following the reset adjustments arrangement, the subscription price was further adjusted from HK\$0.256 to HK\$0.179 per share on 6th March 2008. The fair value of the warrant liabilities is determined using Lattice model.

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

	<i>HK\$'000</i>
Fair value of warrants at date of issue	83,492
Fair value gain credited to profit and loss account	(63,652)
Set off against reserve upon conversion of warrants	<u>(186)</u>
At 31st March 2008	<u><u>19,654</u></u>

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

Closing share price at 31st March 2008 (HK\$)	0.147
Exercise price (HK\$)	0.179
Expected remaining life of warrants (years)	0.4
Expected volatility (%)	47.13
Risk free rate (%)	0.80

(b) **Listed subsidiary**

On 7th September 2007, Asia Standard Hotel, the listed subsidiary issued bonus warrants to shareholders on the basis of one warrant for every five shares of Asia Standard Hotel. The initial subscription price was at HK\$0.146 per share and the warrants are exercisable at any time within three years from the date of issue. Apart from the adjustments upon occurrence of the usual adjustment events, the subscription price is subject to the reset adjustment at the end of each six months from the date of issue of the warrants and on the tenth business day before the date of expiration of the warrants. Following the reset adjustments arrangement, the subscription price was further adjusted from HK\$0.146 to HK\$0.084 per share on 6th March 2008. The fair value of the warrant liabilities is determined using Lattice model.

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

	<i>HK\$'000</i>
Fair value of warrants at date of issue	38,523
Fair value gain credited to profit and loss account	(21,609)
Set off against minority interest upon conversion of warrants	<u>(5)</u>
At 31st March 2008	<u><u>16,909</u></u>

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

Closing share price at 31st March 2008 (HK\$)	0.076
Exercise price (HK\$)	0.084
Expected remaining life of warrants (years)	2.4
Expected volatility (%)	43.85
Risk free rate (%)	1.39

30 SHARE CAPITAL

Shares of HK\$0.01 each	Number of shares		Amount HK\$'000	
	2008	2007	2008 HK\$'000	2007 HK\$'000
Authorised:				
At 31st March 2007 and 2008			<u>400,000,000,000</u>	<u>4,000,000</u>
Issued and fully paid:				
At the beginning of the year	6,917,288,795	5,076,925,957	69,173	50,769
Issue of rights shares (<i>note (a)</i>)	3,625,274,773	1,710,518,044	36,253	17,105
Scrip dividend (<i>notes (b)</i>)	62,223,578	129,844,794	622	1,299
Conversion of convertible notes (<i>note (c)</i>)	267,857,140	—	2,678	—
Conversion of warrants (<i>note (d)</i>)	<u>3,190,301</u>	<u>—</u>	<u>32</u>	<u>—</u>
At the end of the year	<u>10,875,834,587</u>	<u>6,917,288,795</u>	<u>108,758</u>	<u>69,173</u>

Notes:

- (a) In March 2008, the Company issued 3,625,274,773 rights shares at the issue price of HK\$0.18 each on the basis of one rights share for every two existing shares held. Net proceeds were approximately HK\$643,600,000 and are intended for future acquisition (including development costs) of development projects in Hong Kong, Macau and PRC, payment of development costs of existing projects and for working capital purposes.

In November 2006, the Company issued 1,710,518,044 rights shares at the issue price of HK\$0.175 each on the basis of one rights share for every three existing shares held. Net proceeds were approximately HK\$295,000,000 and were used for repayment of convertible bonds and bank loans of the Group.

- (b) In October 2007, 62,223,578 new shares were allotted and issued at HK\$0.25 per share in lieu of final dividend for the year ended 31st March 2007.

In February 2007, 75,216,617 new shares were allotted and issued at HK\$0.1918 per share in lieu of interim dividend for the year ended 31st March 2007.

In October 2006, 54,628,177 new shares were allotted and issued at HK\$0.2446 per share in lieu of final dividend for the year ended 31st March 2006.

- (c) In May 2007, convertible notes in the principal amount of HK\$75,000,000 was converted into 267,857,140 ordinary shares, with the remaining principal amount of HK\$19,000,000 redeemed by the Company together with accrued interest.

- (d) In September 2007, 1,437,029,187 warrants were issued, and 3,190,301 warrants were converted at HK\$0.29 per share during the year.

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FINANCIAL INFORMATION ON THE GROUP
31 RESERVES

	Share premium <i>HK\$'000</i>	Convertible note <i>HK\$'000</i>	Capital redemption <i>HK\$'000</i>	Share option <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Available- for-sale investment reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group									
At 31st March 2006	884,454	—	43,868	160	—	—	2,670,292	(213,523)	3,385,251
Currency translation differences	—	—	—	—	—	—	—	1,109	1,109
Profit for the year	—	—	—	—	—	—	—	287,596	287,596
2006 final dividend (with scrip option)	12,816	—	—	—	—	—	—	(30,462)	(17,646)
2007 interim dividend (with scrip option)	13,674	—	—	—	—	—	—	(23,947)	(10,273)
Equity component	—	5,805	—	—	—	—	—	—	5,805
Issue of rights shares (net of expense)	278,386	—	—	—	—	—	—	—	278,386
Share options granted by a listed subsidiary	—	—	—	4,822	—	—	—	—	4,822
At 31st March 2007	1,189,330	5,805	43,868	4,982	—	—	2,670,292	20,773	3,935,050
Representing:									
2007 final dividend proposed	—	—	—	—	—	—	—	25,148	25,148
Others	1,189,330	5,805	43,868	4,982	—	—	2,670,292	(4,375)	3,909,902
At 31st March 2007	1,189,330	5,805	43,868	4,982	—	—	2,670,292	20,773	3,935,050
At 31st March 2007	1,189,330	5,805	43,868	4,982	—	—	2,670,292	20,773	3,935,050
Currency translation differences	—	—	—	—	—	—	—	13,013	13,013
Fair value gain on available-for-sale investments	—	—	—	—	—	10,436	—	—	10,436
Less: provision for deferred tax	—	—	—	—	—	(1,826)	—	—	(1,826)
Profit for the year	—	—	—	—	—	—	—	471,471	471,471
Redemption of convertible notes	—	(5,805)	—	—	—	—	—	1,818	(3,987)
Conversion of convertible notes	72,321	—	—	—	—	—	—	—	72,321
Issue of rights shares (net of expenses)	608,009	—	—	—	—	—	—	—	608,009
Issue of warrants	—	—	—	—	(83,491)	—	—	—	(83,491)
Conversion of warrants	893	—	—	—	185	—	—	1	1,079
2007 final dividend (with scrip option)	14,934	—	—	—	—	—	—	(25,148)	(10,214)
2008 interim dividend	—	—	—	—	—	—	—	(25,377)	(25,377)
Share options granted by a listed subsidiary	—	—	—	13,164	—	—	—	2,840	16,004
At 31st March 2008	1,885,487	—	43,868	18,146	(83,306)	8,610	2,670,292	459,391	5,002,488
Representing:									
2008 final dividend proposed	—	—	—	—	—	—	—	21,752	21,752
Others	1,885,487	—	43,868	18,146	(83,306)	8,610	2,670,292	437,639	4,980,736
At 31st March 2008	1,885,487	—	43,868	18,146	(83,306)	8,610	2,670,292	459,391	5,002,488

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	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Company						
At 31st March 2006	883,303	43,868	—	2,684,451	280,254	3,891,876
Profit for the year	—	—	—	—	554	554
2006 final dividend (with scrip option)	12,816	—	—	—	(30,462)	(17,646)
2007 interim dividend (with scrip option)	13,674	—	—	—	(23,947)	(10,273)
Issue of rights shares (net of expenses)	<u>278,386</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>278,386</u>
At 31st March 2007	<u>1,188,179</u>	<u>43,868</u>	<u>—</u>	<u>2,684,451</u>	<u>226,399</u>	<u>4,142,897</u>
Representing:						
2007 final dividend proposed	—	—	—	—	25,148	25,148
Others	<u>1,188,179</u>	<u>43,868</u>	<u>—</u>	<u>2,684,451</u>	<u>201,251</u>	<u>4,117,749</u>
At 31st March 2007	<u>1,188,179</u>	<u>43,868</u>	<u>—</u>	<u>2,684,451</u>	<u>226,399</u>	<u>4,142,897</u>
At 31st March 2007	1,188,179	43,868	—	2,684,451	226,399	4,142,897
Profit for the year	—	—	—	—	66,900	66,900
Conversion of convertible notes	72,321	—	—	—	—	72,321
Issue of rights shares (net of expenses)	608,009	—	—	—	—	608,009
Issue of warrants	—	—	(83,491)	—	—	(83,491)
Conversion of warrants	893	—	185	—	1	1,079
2007 final dividend (with scrip option)	14,934	—	—	—	(25,148)	(10,214)
2008 interim dividend	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(25,377)</u>	<u>(25,377)</u>
At 31st March 2008	<u>1,884,336</u>	<u>43,868</u>	<u>(83,306)</u>	<u>2,684,451</u>	<u>242,775</u>	<u>4,772,124</u>
Representing:						
2008 final dividend proposed	—	—	—	—	21,752	21,752
Others	<u>1,884,336</u>	<u>43,868</u>	<u>(83,306)</u>	<u>2,684,451</u>	<u>221,023</u>	<u>4,750,372</u>
At 31st March 2008	<u>1,884,336</u>	<u>43,868</u>	<u>(83,306)</u>	<u>2,684,451</u>	<u>242,775</u>	<u>4,772,124</u>

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus and the capital redemption reserve are also distributable. Total distributable reserves of the Company amounted to HK\$2,887,788,000 (2007: HK\$2,954,718,000) as at 31st March 2008.

32 CONVERTIBLE NOTES

On 15th May 2006, the Group issued convertible notes of the principal amount of HK\$94,000,000, which bore interest at 4% per annum payable semi-annually in arrears. Each holder of the notes had the option to convert the notes into shares at an initial conversion price of HK\$0.305 (adjusted to HK\$0.28 pursuant to the rights issue in November 2006) per share, subject to adjustment. The Company might purchase/redeem all or part of the notes at any time on or after 15th May 2007, at par together with accrued interest.

The fair value of the liability component and the equity conversion component were determined at issuance of the notes. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The residual amount represents the value of the equity conversion component.

During the year, a total principal amount of HK\$75,000,000 was converted into ordinary shares of the Company and the remaining principal amount of HK\$19,000,000 was repurchased with accrued interest.

33 BORROWINGS

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short term bank and other loans and overdrafts				
Secured	358,295	186,000	—	—
Unsecured	20,000	—	—	—
Long term bank loans, secured	<u>1,440,603</u>	<u>1,455,248</u>	<u>18,520</u>	<u>20,000</u>
	<u>1,818,898</u>	<u>1,641,248</u>	<u>18,520</u>	<u>20,000</u>
The maturity of the long term loans is as follows:				
Bank loans, secured				
Repayable within one year	331,068	14,073	2,960	1,480
Repayable between one and two years	13,942	254,778	2,960	2,960
Repayable between two and five years	<u>185,828</u>	<u>336,735</u>	<u>8,880</u>	<u>8,880</u>
Repayable within five years	530,838	605,586	14,800	13,320
Repayable after five years	<u>909,765</u>	<u>849,662</u>	<u>3,720</u>	<u>6,680</u>
	1,440,603	1,455,248	18,520	20,000
Current portion included in current liabilities	<u>(331,068)</u>	<u>(14,073)</u>	<u>(2,960)</u>	<u>(1,480)</u>
	<u>1,109,535</u>	<u>1,441,175</u>	<u>15,560</u>	<u>18,520</u>

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The effective interest rates of the borrowing at the balance sheet date range from 1.3% to 5.0% (2007: 4.5% to 7.0%) per annum. The interest rates of the borrowings are not subject to contractual repricing.

The carrying amount of the short term and long term borrowings approximate their fair values.

34 DEFERRED INCOME TAX

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

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred income tax assets	45,808	64,517	110	110
Deferred income tax liabilities	<u>(200,467)</u>	<u>(167,763)</u>	<u>—</u>	<u>—</u>
	<u>(154,659)</u>	<u>(103,246)</u>	<u>110</u>	<u>110</u>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdictions is as follows:

Group

Deferred income tax liabilities

	Available-for-sale investments		Accelerated tax depreciation		Revaluation of properties		Fair value adjustments		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	—	—	(51,794)	(49,479)	(166,858)	(139,011)	(84,386)	(92,197)	(303,038)	(280,687)
Recognised in the profit and loss account	—	—	(1,223)	(2,315)	(28,565)	(27,847)	(41)	7,811	(29,829)	(22,351)
Recognised in equity	<u>(2,668)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,668)</u>	<u>—</u>
At the end of the year	<u>(2,668)</u>	<u>—</u>	<u>(53,017)</u>	<u>(51,794)</u>	<u>(195,423)</u>	<u>(166,858)</u>	<u>(84,427)</u>	<u>(84,386)</u>	<u>(335,535)</u>	<u>(303,038)</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
Deferred income tax assets

	Accelerated accounting depreciation		Provisions		Tax losses		Difference in cost base of properties		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	—	392	—	181	118,024	143,004	81,768	94,428	199,792	238,005
Recognised in the profit and loss account	296	(392)	—	(181)	(29,335)	(24,980)	10,123	(12,660)	(18,916)	(38,213)
At the end of the year	<u>296</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>88,689</u>	<u>118,024</u>	<u>91,891</u>	<u>81,768</u>	<u>180,876</u>	<u>199,792</u>

Company

	Tax losses	
	2008 HK\$'000	2007 HK\$'000
At the beginning and the end of the year	<u>110</u>	<u>110</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 tax assets of HK\$104 million (2007: HK\$100 million) in respect of losses amounting to HK\$548 million (2007: HK\$517 million) that can be carried forward against future taxable income. Except for tax losses of HK\$446 million (2007: HK\$462 million) which have no expiry date, the balance will expire at various dates up to and including 2026 (2007: 2026).

35 AMOUNTS DUE TO MINORITY SHAREHOLDERS

Loans from minority shareholders are to finance property projects of subsidiaries and have no specific terms of repayment. Loans of HK\$102,151,000 (2007: HK\$98,043,000) bear interest at 1.5% above prime rate (2007: 1.5% above prime rate) per annum and the remaining balance is interest free.

36 CAPITAL COMMITMENTS

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment		
Contracted but not provided for	115,013	1,300
Authorised but not contracted for	<u>31,827</u>	<u>96,700</u>
	<u>146,840</u>	<u>98,000</u>

37 OPERATING LEASE ARRANGEMENTS

(a) Lessor

The Group leases out certain properties under operating leases which typically run for lease terms between 1 and 6 years.

At 31st March 2008, the future aggregate minimum rental receipts receivable under non-cancellable operating leases were as follows:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
In respect of land and buildings:		
Within one year	78,500	69,672
In the second to fifth year inclusive	<u>62,008</u>	<u>78,527</u>
	<u>140,508</u>	<u>148,199</u>

(b) Lessee

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

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
In respect of land and buildings:		
Within one year	4,284	5,418
In the second to fifth year inclusive	<u>3,250</u>	<u>7,650</u>
	<u>7,534</u>	<u>13,068</u>

38 FINANCIAL GUARANTEES

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Guarantees for the banking and loan facilities of:				
Subsidiaries	—	—	817,125	927,225
Jointly controlled entities	197,840	168,340	197,840	168,340
Associated companies	—	65,010	—	65,010
Third parties	—	1,229	—	—
Guarantees for the convertible notes issued by a subsidiary	—	—	—	94,000
	<u>197,840</u>	<u>234,579</u>	<u>1,014,965</u>	<u>1,254,575</u>

39 NOTE TO CONSOLIDATED CASH FLOW STATEMENT

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

	2008 HK\$'000	2007 HK\$'000
Profit before income tax	558,497	359,107
Share of profits less losses of		
Jointly controlled entities	(477)	(562)
Associated companies	(148,232)	(28,437)
Depreciation	46,271	52,940
Amortisation of leasehold land	30,725	30,725
Impairment of goodwill	3,548	—
Net realised and unrealised fair value gains on financial assets at fair value through profit or loss	(3,078)	11,985
Surplus on revaluation of investment properties	(177,230)	(184,125)
Net fair value gains on warrant liabilities	(85,261)	—
Negative goodwill on acquiring additional interest in a listed subsidiary	(36,453)	(44,885)
Employee's share option expense of a listed subsidiary	22,400	7,680
Gain on disposal of property, plant and equipment	(582)	—
Write-back of provision for diminution in value of properties held for for sale	(16,057)	(4,460)
Dividend income	(1,725)	(671)
Interest income	(10,601)	(9,889)
Interest expense	<u>75,581</u>	<u>111,727</u>
Operating profit before working capital changes	257,326	301,135
Increase in mortgage loans receivable	(16,424)	(766)
Decrease in properties held for/under development for sale (excluding interest expense capitalised)	171,544	131,128
(Increase)/decrease in hotel and restaurant inventories	(78)	376
Increase in trade and other receivables	(18,165)	(21,688)
(Increase)/decrease in financial assets at fair value through profit or loss	(22,734)	54
Decrease in derivative financial instruments	5,556	—
(Increase)/decrease in restricted bank balances	(1,754)	4,692
Increase in deposit received on properties pre-sold	—	(212,068)
Decrease in trade and other payables	<u>(27,776)</u>	<u>(708)</u>
Net cash generated from operations	<u>347,495</u>	<u>202,155</u>

40 RELATED PARTY TRANSACTIONS

The major shareholder of the Group is Asia Orient Holdings Limited (“Asia Orient”), a company incorporated in Bermuda and listed in Hong Kong.

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

Sales and purchases of goods and services

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from/(expense to) subsidiaries of Asia Orient		
Rental income (<i>note (a)</i>)	407	269
Management fee expense (<i>note (b)</i>)	(1,027)	(1,044)
Cleaning expense (<i>note (c)</i>)	(809)	(881)
Rental income from associated companies of Asia Orient (<i>note (a)</i>)	313	186
Interest income from an associated company (<i>note 20</i>)	3	3
Interest expense to a minority shareholder (<i>note 35</i>)	<u>(4,107)</u>	<u>(4,455)</u>

Notes:

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

41 COMPARATIVE FIGURES

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

42 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

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

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
Subsidiaries

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

Name	Principal activity	Issued and fully paid ordinary share capital
<i>Incorporated in Hong Kong</i>		
Asia Standard (Beijing) Company Limited	Investment holding	HK\$2
Asia Standard Development (Holdings) Limited	Investment holding	HK\$10 and non-voting deferred share capital of HK\$362,892,949
Asia Standard Development (Real Estate Agencies) Limited	Real estate agency services	HK\$2
Asia Standard Finance Company Limited	Financing services	HK\$1,000,000
Asia Standard International Limited*	Investment holding	HK\$1,214,916,441
Asia Standard Management Services Limited	Management services	HK\$2
Asia Standard Project Management Company Limited	Project management	HK\$2
Full Union Development Limited	Property development	HK\$2
Get Rich Enterprises Limited (80% owned)	Property development	HK\$2
Glory Ocean Limited	Property development	HK\$2
Grace Profit Enterprises Limited (67.7% owned)	Catering operation	HK\$2
Hoi Chak Properties Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$2
Honest Engineering Limited (80% owned)	Construction	HK\$100
JBC Travel Company Limited (67.7% owned)	Travel agency	HK\$2,500,000
Kelpoint Limited	Property development	HK\$2
Perfect Wave Limited (67.7% owned)	Catering operation	HK\$2
Stone Pole Limited (67.7% owned)	Hotel holding	HK\$10
Tilpifa Company Limited	Property investment	HK\$10 and non-voting deferred share capital of HK\$10,000
Tonlok Limited	Property development	HK\$1,000
Trade Hope Limited	Property development	HK\$2
Union Rich Resources Limited (80% owned)	Property development	HK\$2
Vinstar Development Limited (67.7% owned)	Hotel holding	HK\$2
Way Link Holdings Limited (90% owned)	Property trading	HK\$2
Winfast Engineering Limited	Construction	HK\$2
<i>Incorporated in Bermuda</i>		
Asia Standard Hotel Group Limited (67.7% owned)	Investment holding	HK\$126,162,000
<i>Incorporated in the British Virgin Islands</i>		
Enrich Enterprises Ltd (67.7% owned)**	Hotel holding	US\$1
Global Gateway Corp. (67.7% owned)**	Hotel operation	US\$1
Glory Ventures Enterprises Inc. (67.7% owned)**	Hotel holding	US\$1
Greatime Limited (67.7% owned)	Securities investment	US\$1
<i>Incorporated in the Cayman Islands</i>		
Asia Standard International Capital Limited*	Financing services	US\$2

* Direct subsidiary of the Company

** Operates in Canada

Associated companies

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

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
Gallop Worldwide Limited (incorporated in the British Virgin Islands)	Investment holding	US\$2	50%
Perfect Pearl Company Limited	Property investment	HK\$11,000	33%
Sheen Finance Limited	Financing services	HK\$2	50%

Jointly controlled entities

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

Name	Principal activity	Issued and fully paid ordinary share capital	Group equity interest
Grosvenor Asia Standard (China) Limited (incorporated in the British Virgin Islands)	Property development in the People's Republic of China (the "PRC")	US\$1,500	50%
Lucky New Investment Limited	Property development	HK\$1	50%
Ocean Champion Development Limited	Property development	HK\$10,000	50%
Paramount Shine Limited	Property development	HK\$2	50%
<i>Incorporated in the PRC</i>			
漁陽房地產開發(深圳)有限公司#	Property development	RMB40,000,000	41.32%
北京黃海房地產開發有限公司#	Property development	RMB240,000,000 (RMB 232,138,000 paid)	44%
Shanghai Hong Hua TGIF Restaurant Company Limited#	Catering operation	RMB17,384,640	64.3%

operates in PRC

43 APPROVAL OF FINANCIAL STATEMENTS

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

3. MATERIAL CHANGES

As at the Latest Practicable Date, there have not been any material change in the trading or financial position or outlook of the Group since 31 March 2008, being the date to which the latest published audited accounts of the Group were made up.

4. INDEBTEDNESS

At the close of business on 30 June 2008 being the latest practicable date of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$1,631.8 million which comprised secured bank loans of approximately HK\$1,488.5 million, unsecured bank loans of HK\$28.2 million, amount due to minority shareholders of HK\$115.0 million, and obligations under finance leases of HK\$0.1 million.

The Group's above outstanding borrowings are secured by certain property, plant and equipment, investment properties, leasehold land, properties held for/under development for sale, and completed properties held for sale with an aggregate book value of approximately HK\$5,489.7 million and bank deposit of approximately HK\$3.0 million as at 30 June 2008. At the close of business on 30 June 2008, the Group had contingent liabilities of HK\$215.2 million in respect of guarantees for banking facilities to jointly controlled entities.

Save as aforesaid, and apart from the intra-group liabilities and normal trade debts payable, the Group did not have any outstanding mortgages, charges, debentures, loan capital or overdrafts, or other similar indebtedness, finance leases or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 30 June 2008.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 30 June 2008.

The following is the text of a letter, summary of valuation and valuation certificates prepared for the purpose of incorporation in this circular, received from Vigers Appraisal & Consulting Limited, an independent property valuer, in connection with its valuation as at 31 May 2008.

VIGERS APPRAISAL & CONSULTING LIMITED

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



5 August 2008

The Board of Directors
Asia Orient Holding Limited
30th Floor
Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Dear Sirs,

Re: Valuation of Various Properties in Hong Kong and the People's Republic of China

In accordance with your instructions for us to value the above property interest owned by Asia Standard International Group Limited and its subsidiaries (together referred to as the "Asia Standard Group"), we confirm that we have carried out an inspection, made relevant enquiries and obtained such information as we consider necessary for the purpose of providing you with our opinion of its value as at 31 May 2008 (the "Valuation Date").

Our valuations are our opinion of market values of the properties which is defined as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing selling on an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuations have been prepared in accordance with "The HKIS Valuation Standards on Properties (First Edition 2005)" published by The Hong Kong Institute of Surveyors, the relevant provisions in the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board).

Our valuations have been made on the assumption that the properties were sold in the prevailing market in their existing state without the effect of deferred term contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the properties. In addition, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the properties.

We have valued the properties by direct comparison approach with reference to market comparables with due allowances for the differences between the comparables and the properties. Where appropriate, we have also valued the properties held for investment by capitalisation of the net rental income obtained from the property with allowances for reversionary income potential.

We have relied to a considerable extent on the information made available to us and we have accepted advice on such matters as planning approvals, statutory notices, easements, tenure, lettings and rental income, development potential, development plans and schedule, site areas, floor areas, and all other relevant matters. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group and we have been advised by the Group that no material facts have been omitted from the information provided. All documents have been used for reference only and all dimensions, measurements and areas are therefore approximations.

For all the properties in Hong Kong, we have carried out at the Land Registry. For the property 23, we have relied on the legal opinion given by the PRC lawyer, W & H Law Firm in respect of the commercial podium of Level 1 — Level 4. The PRC legal opinions confirmed the right to manage and use but not the legal ownership of the car parks. No PRC opinion was obtained for property 21. We have ascribed no commercial value to the car parks in PRC. For property 24, we have also relied on the legal opinion of W & H Law Firm. The legal opinions confirmed the land use and management rights conferred to the joint venture company.

We have to stress that we have not been provided with the original copies of all the documents to verify their accuracy. In any events, we reserve the right to revise our valuations should there disclose any information which is in contravention to the information provided to us.

We have inspected the exterior of the properties. However, we have not carried out any structural surveys nor have we inspected woodwork or other parts of the structures which were covered, unexposed or inaccessible to us. We are therefore unable to report whether the properties were free from any structural or non-structural defect.

We have not carried out any site surveys to determine the demarcation of the properties. In valuing the properties under developments and held for future developments, no test nor investigations have been carried out to determine the stability or suitability of ground conditions nor factors which could delay completion of a development such as archaeological artefacts, contaminations, ecological or environmental considerations. Unless otherwise informed, our valuations, assume that the sites are sound and no delays will occur in a construction schedule due to considerations relating to the sites, and that the grounds were not contaminated.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties for any expenses or taxation which might be incurred in effecting a sale. Unless otherwise stated, we have assumed that the properties were free from any encumbrances, restrictions and outgoings of an onerous nature which could serve to affect the values of the properties.

According to the information provided by the Asia Standard Group, the potential tax liability which would arise on the disposal of property interests of Group II, III, and IV in Hong Kong is stamp duty and 17.5% profit tax, and property interests in Group V and Group VI in the PRC are PRC business tax (5% of consideration), PRC land appreciation tax (30% of the appreciation amount) and PRC corporate income tax (15-33% of net profit). It is expected that the relevant tax will be crystallised in the future as the properties are held for sale. As advised by the Asia Standard Group, property interests of Group I, which are held for investment, will be subject to profit tax of 17.5% of net profit upon disposal, save for deduction of any profit which is capital in nature. The Group has no intention to dispose of these properties at present. Therefore, the likelihood of such tax liability is remote. According to the established practice, in the course of our valuations, we have neither verified nor taken into account such tax liability.

Unless otherwise stated, all monetary amounts stated herein are in the currency of Hong Kong Dollars ("HK\$"). The exchange rate used in valuing the properties interests in the PRC on 31 May 2008 was HK\$100 = RMB87.

For properties 1, 2, 3 and 4 in Group I and properties 15, 16, and 17 in Group IV, we have made valuations of these property interests as at 31 March 2008 for balance sheet purpose. The valuation figures of these property interests as at the Valuation Date are effective the same as the valuation figures we assessed as at 31 March 2008.

We enclose herewith our Summary of Values and Valuation Certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Gilbert K. M. YUEN
Registered Professional Surveyor
MRICS MHKIS
Executive Director

Note: Mr. Gilbert K. M. Yuen is a Registered Professional Surveyor in General Practice Division with over 20 years' and 15 years' valuation experience on properties in Hong Kong and the People's Republic of China respectively.

SUMMARY OF VALUES

Property	Capital Value in existing state as at 31 May 2008	Interest attributable to the Group	Capital Value attributable to the Group as at 31 May 2008
Group I: Property interests held for investment by the Asia Standard Group in Hong Kong			
1. Asia Standard Tower, Nos. 59-65 Queen's Road Central and Nos. 2-10 Li Yuen Street West, Central, Hong Kong	HK\$1,250,000,000	100%	HK\$1,250,000,000
2. The Goldmark, No. 502 Hennessy Road, Causeway Bay, Hong Kong	HK\$1,750,000,000	33%	HK\$577,500,000
3. Asia Orient Tower, Town Place, No. 33 Lockhart Road, Wanchai, Hong Kong	HK\$790,000,000	100%	HK\$790,000,000
4. The Whole of No. 22 Pottinger Street, Central, Hong Kong	HK\$34,000,000	100%	HK\$34,000,000
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Sub-Total:	HK\$3,824,000,000		HK\$2,651,500,000
Group II: Property interests under development held by the Asia Standard Group in Hong Kong			
5. Lot Nos. 2328RP, 2340A1, 2340A2, 2340A3, 2340A4RP, 2340A5RP, 2340A6RP, 2340RP, 2341, 2342A, 2342B1, 2342BRP, 2342CRP, 2342DRP, 2343A1, 2343ARP, 2343BRP in Demarcation District No. 124, Hung Shui Kiu, Yuen Long, New Territories, Hong Kong	HK\$397,000,000	80%	HK\$317,600,000

Property	Capital Value in existing state as at 31 May 2008	Interest attributable to the Group	Capital Value attributable to the Group as at 31 May 2008
6. The Remaining Portion of Lot No. 531, The Remaining Portion of Section D of Lot No. 532, and The Remaining Portion of Lot No. 532 in Demarcation District No. 130, Lam Tei, Tuen Mun, New Territories, Hong Kong	HK\$58,500,000	100%	HK\$58,500,000
7. Tsuen Wan Town Lot No. 367, Yau Kom Tau, Tsuen Wan, New Territories, Hong Kong	HK\$1,265,000,000	50%	HK\$632,500,000
Sub-Total:	HK\$1,720,500,000		HK\$1,008,600,000

Group III: Property interests held for Future Development by the Asia Standard Group in Hong Kong

8. The Remaining Portion of Lot No. 114 in Demarcation District No. 106, Kam Tin South, Yuen Long, New Territories, Hong Kong	HK\$3,000,000	50%	HK\$1,500,000
9. Lot Nos. 706, 732, 734, 710, 755, 759, 97 and 120 in Demarcation District No. 125, Ha Tsuen, Yuen Long, New Territories, Hong Kong	HK\$13,000,000	100%	HK\$13,000,000
10. Various Lots in Demarcation District No. 221, Sha Ha, Sai Kung, New Territories, Hong Kong	HK\$130,000,000	7.5%	HK\$9,750,000

Property	Capital Value in existing state as at 31 May 2008	Interest attributable to the Group	Capital Value attributable to the Group as at 31 May 2008
11. Various Lots in Demarcation District No. 232, Mau Tin, Sai Kung, New Territories, Hong Kong	HK\$48,390,000	30%	HK\$14,517,000
Sub-Total:	HK\$194,390,000		HK\$38,767,000
Group IV: Unsold Property interests held by the Asia Standard Group in Hong Kong			
12. Various units in Green Orchid, 1 Ping Hing Lane, Ping Shan, Yuen Long, New Territories, Hong Kong	HK\$3,500,000	100%	HK\$3,500,000
13. Various units in Canaryside, 8 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	HK\$199,800,000	100%	HK\$199,800,000
14. Jadewater, 238 Aberdeen Main Road, Hong Kong	HK\$1,054,000,000	100%	HK\$1,054,000,000
15. Various units in China United Centre, No. 28 Marble Road, North Point, Hong Kong	HK\$79,000,000	80%	HK\$63,200,000
16. Flats C & E on 31/F, Li Chit Garden, No. 1 Li Chit Street, Wan Chai, Hong Kong	HK\$7,500,000	100%	HK\$7,500,000
17. Flat B, 11/F, Miami Mansion, Nos. 13-15 Cleveland Street, Causeway Bay, Hong Kong	HK\$6,600,000	100%	HK\$6,600,000

Property	Capital Value in existing state as at 31 May 2008	Interest attributable to the Group	Capital Value attributable to the Group as at 31 May 2008
18. Flat A, 5/F, Block 1, Kam Fai Garden, No. 6 Wah Fat Road, Tuen Mun, New Territories, Hong Kong	HK\$1,200,000	100%	HK\$1,200,000
19. Car Parking Spaces Nos. 12-17, 19, 26, 27, 29 and 34 on Ground Floor, Swallow Garden, No. 68 San Wan Road, Fanling Wai, Fanling, New Territories, Hong Kong	HK\$1,100,000	100%	HK\$1,100,000
20. Car Parking Spaces Nos. 1-3, 58, 67, 68, 75, 77, 78, 81, 95 and 97 on Ground Floor, Royal Knoll, No. 2 Chi Wing Close, Fanling, New Territories, Hong Kong	HK\$2,160,000	100%	HK\$2,160,000
Sub-Total:	HK\$1,354,860,000		HK\$1,339,060,000

Group V: Unsold Property Interests held by the Asia Standard Group in the PRC

21. 50 car parking spaces in Palace Apartment, Ya Bao Road, Chao Yang District, Beijing, The People's Republic of China	No Commercial Value	100%	No Commercial Value
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Property	Capital Value in existing state as at 31 May 2008	Interest attributable to the Group	Capital Value attributable to the Group as at 31 May 2008
22. Retail Podium on Level 1 to Level 4 and 163 Car parking spaces on Basement 1 to Basement 3, Oriental Garden, Junction of Dongmen Central Road and Tongle Road, Luhu District, Shenzhen, The People's Republic of China	HK\$320,000,000	41.32%	HK\$132,224,000
Sub-Total:	HK\$320,000,000		HK\$132,224,000
Group VI: Property Interests held for future development by the Asia Standard Group in the PRC			
23. No. 72 Yong Shun Street West, Yong Shun Township, Tongzhou, Beijing, The People's Republic of China	HK\$364,370,000	44%	HK\$160,322,800
Sub-Total:	HK\$364,370,000		HK\$160,322,800
Grand Total:	<u>HK\$7,778,120,000</u>		<u>HK\$5,330,473,800</u>

VALUATION CERTIFICATE

Property interests held for investment by the Asia Standard Group in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008								
1. Asia Standard Tower, Nos. 59-65 Queen's Road Central and Nos. 2-10 Li Yuen Street West, Central, Hong Kong Inland Lot Nos. 5148, 5149, 5150, 5151, 5152 and The Extensions Thereto, The Remaining Portion of Inland Lot No. 5153 and The Extension Thereto, Inland Lot Nos. 5185, 5186, 5187, 5188 and 5189	<p>The property comprises a 23-storey plus a lower ground floor commercial building completed in about 1977. The site area of the building is approximately 727.09 sq.m. (7,826.36 sq.ft.).</p> <p>According to the information provided by the Asia Standard Group, the property has a total gross floor area of approximately 12,371.80 sq.m. (133,169 sq.ft.) with breakdown as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Gross Floor Area (sq.ft)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>26,976*</td> </tr> <tr> <td>Office</td> <td>106,193</td> </tr> <tr> <td>Total</td> <td><u>133,169</u></td> </tr> </tbody> </table> <p>* Saleable Area is 20,692 sq.ft.</p> <p>The property is held from the Government under various Government leases for respective terms of 999 years commencing from 26 June 1843. The current total Government Rent payable for the lots is about \$144 per annum.</p>		Gross Floor Area (sq.ft)	Retail	26,976*	Office	106,193	Total	<u>133,169</u>	<p>According to the information provided by the Asia Standard Group, as at 31 May 2008, except approximately 975.57 sq.m. (10,501 sq.ft.) office spaces were vacant, the remaining areas of the property were let to various tenants with the latest tenancy expiring on 14 September 2010. The total monthly rent was HK\$3,655,149.2, exclusive of rates and management fees.</p>	HK\$1,250,000,000
	Gross Floor Area (sq.ft)										
Retail	26,976*										
Office	106,193										
Total	<u>133,169</u>										

Notes:

- The registered owner of the property is Hoi Chak Properties Limited which is a wholly-owned subsidiary of Asia Standard International Group Limited.
- The property is subject to a Mortgage in favour of The Hong Kong and Shanghai Banking Corporation Limited.
- According to the Central District Outline Zoning Plan No. S/H4/12 dated 18 February 2003, the property currently lies within the zoning of "Commercial".

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
2. The Goldmark, No. 502 Hennessy Road, Causeway Bay, Hong Kong	The property comprises a 24-storey plus two basements commercial building completed in about 1987. The site area of the building is approximately 581.94 sq.m. (6,264 sq.ft.).	According to the information provided by the Asia Standard Group, as at 31 May 2008, except portions of the property having a total gross floor area of approximately 1,721.01 sq.m. (18,525 sq.ft.) retail spaces and 1,692.68 sq.m. (18,220 sq.ft.) offices spaces were vacant, the remaining areas of the property were let to various tenants with the latest tenancy expiring on 11 May 2011. The total monthly rent was HK\$3,336,954, exclusive of rates and management fees. In addition, there were also incomes from advertising stations at side wall Q Board and North Flank Wall A + B which were HK\$4,722,000 and HK\$4,690,000 respectively in January to December 2007.	HK\$1,750,000,000 (33% interest attributable to the Group: HK\$577,500,000)
Inland Lot Nos. 8584 and Section Q of Inland Lot No. 81	According to the information provided by the Asia Standard Group, the property has a total gross floor area of approximately 9,900.59 sq.m. (106,570 sq.ft.) with the breakdown as follows:		
	Gross Floor Area (sq.ft)		
	Retail	49,949*	
	Office	56,621	
	Total	<u>106,570</u>	
	* Saleable area is 29,472 sq.ft.		
	The property is held from the Government under two Government leases for respective terms of 75 years renewable for further 75 years commencing from 21 December 1984 (Inland Lot No. 8584) and 999 years commencing from 26 June 1843 (Section Q of Inland Lot No. 81). The current total Government Rent payable for the lots is about \$1,012 per annum.		

Notes:

1. The registered owners of the property are Perfect Pearl Company Limited (99/100th shares) which is a 33% owned associate company of the Asia Standard International Group and MTR Corporation Limited (1/100th share).
2. The property is subject to a legal charge in favour of Hang Seng Bank Limited (99/100th shares).
3. Order No. UBZ/U07-60/0001/06 under S. 24 (1) and 24 (2) (C) (II) of the Building Ordinance Remarks By the Building Authority Re External Wall Facing Hennessy Road, 2/F to 3/F registered vide Memorial No. 08031401980016 dated 8 January 2008;
4. According to the Causeway Bay Outline Zoning Plan No. S/H6/14 dated 13 September 2005, the property currently lies within the zoning of "Commercial/Residential".

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008										
3. Asia Orient Tower, Town Place, No. 33 Lockhart Road, Wanchai, Hong Kong	The property comprises one of a twin 24-storey commercial buildings erected on a 6-level podium completed in about 1993.	According to the information provided by the Group, as at 31 May 2008, about 1,482.07 sq.m. (15,953 sq.ft.) office spaces were vacant and 1,376.25 sq.m. (14,814 sq.ft.) office spaces were owner occupied, the remaining areas of the property were leased to various tenants with the latest tenancy expiring on 31 January 2011. The total monthly rent was HK\$2,357,769.4 exclusive of rates and management fees, which included rent paid for the owner occupied portions and car park rental.	HK\$790,000,000										
The Remaining Portions of Sub-sections 1, 2 and 4 of Section A, Section A of Sub-section 3 of Section A and The Remaining Portion of Section A of Inland Lot No. 2821	According to the information provided by the Asia Standard Group, the property has a total gross floor area of approximately 10,552.67 sq.m. (113,588 sq.ft.) with breakdown as follows: * Saleable area is 1,891 sq.ft. The property also includes 35 private car parking spaces. The property is held from the Government under five Government leases for a term of 99 years renewable for further 99 years commencing from 25 May 1929. The Determined Rent payable for Section A of Inland Lot No. 2821 is about \$144 per annum.	<table border="1"> <thead> <tr> <th></th> <th>Gross Floor Area (sq.ft)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>3,120*</td> </tr> <tr> <td>Office (self occupied)</td> <td>19,472</td> </tr> <tr> <td>Office (lease out)</td> <td>90,996</td> </tr> <tr> <td>Total</td> <td>113,588</td> </tr> </tbody> </table>		Gross Floor Area (sq.ft)	Retail	3,120*	Office (self occupied)	19,472	Office (lease out)	90,996	Total	113,588	
	Gross Floor Area (sq.ft)												
Retail	3,120*												
Office (self occupied)	19,472												
Office (lease out)	90,996												
Total	113,588												

Notes:

- The registered owner of the property is Tilpifa Company Limited which is a wholly-owned subsidiary of Asia Standard International Group Limited.
- The property is subject to a Debenture and a Deed of Variation and Further Charges in favour of The Hong Kong and Shanghai Banking Corporation Limited.
- According to the Wan Chai Outline Zoning Plan No. S/H5/25 dated 7 November 2007, the property currently lies within the zoning of "Commercial/Residential".

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008												
4. The Whole of No. 22 Pottinger Street, Central, Hong Kong	The property comprises a 3-storey pre-war commercial/residential tenement building erecting on a site of area of 70.23 sq.m. (756 sq.ft.).	According to the information provided by the Group, the property was leased for a term of 3 years commencing from 7 September 2007 to 6 September 2010 at a monthly rent of HK\$168,000 exclusive of rates and management fees with an option to renew for a further term of 3 years at market rent.	HK\$34,000,000												
Inland Lot No. 5158	According to the information provided by the Asia Standard Group, the property has a total saleable floor area of 191.6 sq.m. (2,063 sq.ft.)														
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Saleable area (sq.ft.)</th> </tr> </thead> <tbody> <tr> <td>G/F</td> <td style="text-align: right;">52.3 sq.m. (563 sq.ft.)</td> </tr> <tr> <td>Cockloft</td> <td style="text-align: right;">37.9 sq.m. (408 sq.ft.)</td> </tr> <tr> <td>1/F</td> <td style="text-align: right;">50.7 sq.m. (546 sq.ft.)</td> </tr> <tr> <td>2/F</td> <td style="text-align: right;">50.7 sq.m. (546 sq.ft.)</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">191.6 sq.m. (2,063 sq.ft.)</td> </tr> </tbody> </table>	Floor	Saleable area (sq.ft.)	G/F	52.3 sq.m. (563 sq.ft.)	Cockloft	37.9 sq.m. (408 sq.ft.)	1/F	50.7 sq.m. (546 sq.ft.)	2/F	50.7 sq.m. (546 sq.ft.)	Total	191.6 sq.m. (2,063 sq.ft.)		
Floor	Saleable area (sq.ft.)														
G/F	52.3 sq.m. (563 sq.ft.)														
Cockloft	37.9 sq.m. (408 sq.ft.)														
1/F	50.7 sq.m. (546 sq.ft.)														
2/F	50.7 sq.m. (546 sq.ft.)														
Total	191.6 sq.m. (2,063 sq.ft.)														
	The property is held from the Government under a Government Lease for a term of 999 years commencing from 26 June 1843. The Government rent is \$14 per annum.														

Notes:

1. The registered owner of the property is Glory Ocean Limited which is a wholly-owned subsidiary of Asia Standard International Group Limited.
2. The property is subject to a legal charge in favour of Industrial and Commercial International Capital Limited.
3. The property is zoned for "Commercial" under the Central Outline Zoning Plan No. S/H4/12 dated 18 February 2003.

Group II: Property interests held under development held by the Asia Standard Group in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
5. Lot Nos. 2328RP, 2340A1, 2340A2, 2340A3, 2340A4RP, 2340A5RP, 2340A6RP, 2340ARP, 2340RP, 2341, 2342A, 2342B1, 2342BRP, 2342CRP, 2342DRP, 2343A1, 2343ARP, 2343BRP in Demarcation District 124, Hung Shui Kiu, Yuen Long, New Territories, Hong Kong	<p>The property comprises 18 agricultural lots in D.D.124 with a total site area of 5,274.5 sq.m. (56,775 sq.ft.).</p> <p>The property is held from the Government under a Block Government Lease for a term expired on 30 June 1997 and has been extended until 30 June 2047 by the New Territories Leases (Extension) Ordinance.</p> <p>The annual Government rent is equivalent to three percent for the time being of the rateable value of the property.</p>	According to the information provided by the Asia Standard Group, as at 31 May 2008, the property was vacant.	<p>HK\$397,000,000 (80% interest attributable to the Group: HK\$317,600,000)</p>

Notes:

- The registered owner of the property is Union Rich Resources Limited which is an 80% owned subsidiary of the Asia Standard International Group Limited.
- The property is subject to a Mortgage in favour of Hang Seng Bank Limited.
- The property is zoned for "Residential (Group A)2" under Ping Shan Outline Zoning Plan No. S/YL-PS/11 dated 1 February 2005.
- Principal conditions for a proposed land exchange have been offered by the Lands Department and was accepted by the owner on 3 July 2007. The conditions contain *inter alia* the followings:

Area to be surrendered:	5,274 sq.m. (56,774.7 sq.ft.)
Area to be granted:	9,420 sq.m. (101,397 sq.ft.)
Lease Term:	50 years from the date of Agreement
User:	Private residential purposes only
Minimum total gross floor area:	27,363 sq.m. (287,367 sq.ft.)
Maximum total gross floor area:	45,605 sq.m.(490,892 sq.ft.)
Total Site Coverage:	Maximum 42% on the pink area (as shown on the site plan having a site area of about 9,121 sq.m.)
Maximum no. of storeys:	12
Maximum building height:	47.5m above Hong Kong Principal Datum
- In our valuation, we have assumed the leased exchange would be imminent subject to the payment of premium and the valuation was made on the basic of conditions granted after the land exchange. The valuation is not inclusive of the premium.

6. The total construction cost expended on the property as at 31 May 2008 was in the sum of HK\$2,300,000 (excluding interests capitalized) which has been reflected in the capital value in its existing state. The estimated further cost required for completion of the development was in the sum of HK\$657,000,000 which did not include the premium.
7. The estimated capital value of the development when completed as at 31 May 2008 was in the sum of HK\$1,738,000,000.
8. The expected date of completion is in 2010.

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
6. The Remaining Portion of Lot No. 531, The Remaining Portion of Section D of Lot No. 532, and The Remaining Portion of Lot No. 532 in Demarcation District No. 130, Lam Tei, Tuen Mun, New Territories, Hong Kong	<p>The property comprises 3 agricultural lots in D.D.130 with a total site area of 1004.4sq.m. (10,811 sq.ft.).</p> <p>The property is held from the Government under the New Grant No. 356 for a term expired on 30 June 1997 and has been extended until 30 June 2047 by the New Territories Leases (Extension) Ordinance.</p> <p>The annual Government rent is equivalent to three percent for the time being of the rateable value of the property.</p>	According to the information provided by the Asia Standard Group, the property was vacant as at 31 May 2008	HK\$58,500,000

Notes:

- The registered owner of the property is Free Ocean Investments Limited which is a wholly-owned subsidiary of Asia Standard International Group Limited.
- The property is subject to a Notice (under S.19 of Railways Ordinance Chapter 519) of Resumption of land (Remarks: GN. 4958 with relevant resumption plan no. WRM0051) and is also subject to a Notice (under S. 21 of Railways Ordinance Chapter 519) of Creation of Rights (Remarks: of temporary occupation of land G.N.4961 with relevant plan no. WRM0052).
- The property is zoned for "Commercial" under Lam Tei & Yick Yuen Outline Zoning Plan No. S/TM-LTTY/6 dated 14 March 2006. Approval for application under section 16 of the Town Planning Ordinance was given by Town Planning Board for a proposed residential development with retail facilities in "Commerical" zone on the property and adjoining Government Land on 24 August 2007 with development parameters as the followings:

Area (including the Government Land):	1,800 sq.m. (19,375 sq.ft.)
Total Plot Ratio:	3.6
Gross Floor Area:	Domestic — 6,428 sq.m. (69,191 sq.ft.) Non-Domestic — 52 sq.m. (560 sq.ft.)
No. of Storeys/Building Height:	9 storeys over 3 storeys podium
- Land exchange application has to be made to the Lands Department in order to carry out the development in accordance with the above planning permission. The approval of the modification/land exchange will be required the payment of premium. In our valuation, we have regarded that the master plan of this land exchange scheme has been principally approved by the Town Planning Board, the land exchange would be expected to be imminent subject to the payment of premium. Our valuation was made on the basic of this master plan and the valuation is not inclusive of the premium.
- The estimated cost required for completing the development was in the sum of HK\$67,000,000 which did not include the premium.

6. The estimated capital value of the development when completed as at 31 May 2008 was in the sum of HK\$227,000,000.

7. The expected date of completion is in 2010.

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
7. Tsuen Wan Town Lot No. 367, Yau Kom Tau, Tsuen Wan, New Territories, Hong Kong	<p>The property comprises a development land with a site area of 7,700 sq.m. (82,883 sq.ft.).</p> <p>The development will comprise a 32-storey residential building providing 59 duplex units on a 7-level carpark podium.</p> <p>Ancillary facilities including a clubhouse with outdoor swimming pool, tennis court, gymnasium and landscaped garden. There are 184 private carparking spaces plus 8 motor cycle parking spaces.</p> <p>The anticipated completion of the development is in December 2008.</p> <p>According to the information provided by the Asia Standard Group, the approved gross floor area of the development is totally 16,317 sq.m. (175,636 sq.ft.).</p> <p>The property is held from Government under the New Grant No. 20228 for a same term of 50 years from 7 July 2006.</p> <p>The annual Government rent is equivalent to three percent for the time being of the rateable value of the property.</p>	According to the information provided by the Asia Standard Group, as at 31 May 2008, construction works were under progress.	HK\$1,265,000,000 (50% interest attributable to the Group: HK\$632,500,000)

Notes:

1. The registered owner of the property is Lucky New Investment Limited, in which Asia Standard International Group Limited owns 50% interest.
2. The property is subject to a building mortgage and a supplement to building mortgage in favour of Hang Seng Bank Limited.
3. The property is zoned for "Residential (Group B)" by Tsuen Wan Outline Zoning Plan No. S/TW/24 dated 11 April 2008.
4. The total construction cost expended on the property as at 31 May 2008 was in the sum of HK\$127,800,000 (excluding interests capitalized) which has been reflected in the capital value in its existing state. The estimated further cost required for completing the development was in the sum of HK\$273,750,000.
5. The estimated capital value of the development when completed as at 31 May 2008 was HK\$1,850,000,000.

Group III: Property interests held for Future Development by the Asia Standard Group in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
8. The Remaining Portion of Lot No. 114 in Demarcation District No. 106, Kam Tin South, Yuen Long, New Territories, Hong Kong	<p>The property comprises an agricultural lot in D.D.106 with a land area of 2,256.95 sq.m. (27,523 sq.ft.).</p> <p>The property is held from the Government under a Block Government Lease for a term expired on 30 June 1997 and has been extended until 30 June 2047 by the New Territories Leases (Extension) Ordinance.</p> <p>The annual Government rent is equivalent to three percent for the time being of the rateable value of the property.</p>	According to the information provided by the Asia Standard Group, the property was vacant as at 31 May 2008	HK\$3,000,000 (50% interest attributable to the Group: HK\$1,500,000)

Notes:

1. Crystal Rich Limited, a wholly owned subsidiary company of the Asia Standard International Group is the registered co-owner of the property, which holds 1/2 tenant-in-common share.
2. The property is zoned for "Comprehensive Development Area" under Kam Tin South Outline Zoning Plan No. S/YL-KTS/10 dated 4 June 2004.
3. As at 31 May 2008, there was no development plan for the property.

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
9. Lot Nos. 706, 732, 734, 710, 755, 759, 97 and 120 in Demarcation District No. 125, Ha Tsuen, Yuen Long, New Territories, Hong Kong	<p>The property comprises 8 agricultural lots in D.D.120 with a total land area of 1.08 acre i.e 4,370.59 sq.m. (47,045 sq.ft.).</p> <p>The property is held from the Government under a Block Government Lease for a term expired on 30 June 1997 and has been extended until 30 June 2047 by the New Territories Leases (Extension) Ordinance.</p> <p>The annual Government rent is equivalent to three percent for the time being of the rateable value of the property.</p>	According to the information provided by the Asia Standard Group, the property was vacant as at 31 May 2008.	HK\$13,000,000

Notes:

1. The registered owner of the property is Trade Hope Limited which is a wholly-owned subsidiary of Asia Standard International Group Limited.
2. The property is subject to a legal charge in favour of Sino View Holdings Limited.
3. The property is zoned for "Comprehensive Development Area" under Ha Tsuen Outline Zoning Plan No. S/YL-HT/9 dated 25 January 2008.
4. As at 31 May 2008, there was no development plan for the property.

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
10. Various Lots in Demarcation District No. 221, Sha Ha, Sai Kung, New Territories, Hong Kong	<p>The property comprises 144 agricultural lots in D.D.221 with total land area of 34,813.70sq.m. (374,734.64 sq.ft.).</p> <p>2 of these lots with aggregate land area of 303.51 sq.m. (3,267 sq.ft.) are owned with ½ share; 4 of these lots with aggregate area of 979.83 sq.m. (9,147.6 sq.ft.) are owned with ¼ share; and 1 of these lots with an area of 1,214 sq.m. (1,306.8 sq.ft.) are owned with ¾ share by the respective Group's subsidiary companies.</p> <p>The property is held from the Government under a Block Government Lease for a term expired on 30 June 1997 and has been extended until 30 June 2047 by the New Territories Leases (Extension) Ordinance.</p> <p>The annual Government rent is equivalent to three percent for the time being of the rateable value of the property.</p>	According to the information provided by the Asia Standard Group, the property was vacant as at 31 May 2008.	HK\$130,000,000 (7.5% interest attributable to the Group: HK\$9,750,000)

Notes:

1. The subject lots include Lots Nos. 80, 88, 97, 103, 107, 109, 110, 116, 126, 128, 130, 140, 142, 143, 144, 145, 147, 148, 150, 160, 162, 166, 169, 171, 174, 175, 180, 181, 182, 186, 192, 194, 195, 196, 198, 200, 201, 202, 204, 206, 208, 213, 215, 217, 220, 223, 224, 233, 269, 270, 1372, 1376, 1417, 1418, Section B of Lot No.1429, Lot Nos. 190, 191, The remaining portion of Lot No. 102, The remaining portion of Lot No. 112, The remaining portion of Lot No. 1362, The remaining portion of Lot No. 1371, The remaining portion of Lot No. 1383, The remaining portion of Lot No. 1406, The remaining portion of Section C of the Lot No. 1407, The remaining portion of Section C of Lot No. 1416, The remaining portion of Lot No. 1434, Section A of Lot No. 157, Section A of Lot No. 158, Section A of Lot No. 178, Section A of Lot No. 189, The remaining portion of Lot No. 271, Lots Nos.117, 123, 93, 104, 135, 165, 168, 184, 211, 212, 214, 218, 219, 221, The remaining portion of 101, The remaining portion of 1375, The remaining portion of Section D of Lot No. 1407, The remaining portion of Section D of Lot No. 1416, Section D of Lot No. 199, ½ of Lot No. 124, ½ of Lot No. 132, Lot Nos. 137, 89, 91, 92, 95, 96, 106, 114, 115, 119, 121, 122, 125, 127, 129, 141, 146, 151, 161, 164, 167, 173, 183, 188, 207, 209, 210, 216, 222, 1373, 1419, 1420, 1422, The remaining portion of Lot No. 131, Section B of Lot No. 133, The remaining portion of Lot No. 1374, The remaining portion of Lot No. 1377, Section A of Lot No. 138, The remaining portion of Lot No. 138, The remaining portion of Lot No. 1415, The remaining portion of Lot No. 1423, The remaining portion of Lot No. 1427, Section B of Lot No. 158, Section B of Lot No. 189, Section B of Lot No. 205, The remaining portion of Lot No. 98, ¼ of Lot No. 90, ¼ of Lot No. 153, ¼ of Lot No. 154, ¼ of Section B of Lot No. 157, ¾ of Section C of Lot No. 133.
2. The registered owner of Lots Nos. 80, 88, 97, 99, 103, 109, 110, 116, 126, 128, 130, 140, 142, 143, 144, 145, 147, 148, 150, 160, 162, 166, 169, 171, 174, 175, 180, 181, 182, 186, 192, 194, 195, 196, 198, 200, 201, 202, 204, 206, 208, 213, 215, 217, 220, 223, 224, 233, 269, 270, 1372, 1376, 1417, 1418, The remaining portion of Lot No. 102, The remaining portion of Lot No. 112, The remaining portion of Lot No. 1362, The remaining portion of Lot No. 1371, The remaining portion of Lot No. 1383, The remaining portion of Lot No. 1406, The remaining portion of

Section C of 1407, The remaining portion of Section C of Lot No. 1416, The remaining portion of Lot No. 1434, Section A of Lot No. 157, Section A of Lot No. 158, Section A of Lot No. 178, Section A of Lot No. 189 and The remaining portion of Lot No. 271 in D.D. 221 is New Hope Limited, in which Asia Standard International Group Limited owns 7.5% interest.

The registered owner of Lots Nos. 95, 104, 135, 165, 168, 184, 211, 212, 214, 218, 219, 221, The remaining portion of Lot No. 101, The remaining portion of Lot No. 1375, The remaining portion of Section D of Lot No. 1407, The remaining portion of Section D of Lot No. 1416, Section D of Lot No. 199 in D.D. 221 is Regenteam Investments Limited, in which Asia Standard International Group Limited owns 7.5% interest.

The registered owners of Section B of Lots No. 1429, Lots Nos. 190, 191, 117 and 123 in D.D. 221 are New Hope Limited and Regenteam Investments Limited which are 7.5% effectively owned by Asia Standard International Group Limited, each with ½ shares by tenant-in-common.

The registered owner of Lots Nos. 89, 91, 92, 95, 96, 106, 114, 115, 119, 121, 122, 125, 127, 129, 141, 146, 151, 161, 164, 167, 173, 183, 188, 207, 209, 210, 216, 222, 1373, 1419, 1420, 1422, The remaining portion of Lot No. 131, Section B of 133, The remaining portion of Lot No. 1374, The remaining portion of Lot No. 1377, Section A of Lot No. 138, The remaining portion of Lot No. 138, The remaining portion of Lot No. 1415, The remaining portion of Lot No. 1423, The remaining portion of Lot No. 1427, Section B of Lot No. 158, Section B of Lot No. 189, Section B of Lot No. 205, The remaining portion of Lot No. 98 in D.D. 221 is Shingo Development Limited, in which Asia Standard International Group Limited owns 7.5% interest.

The 1/2 tenant-in-common shares of Lots Nos. 132 and 137 in D.D. 221 are owned by Regenteam Investments Limited, in which Asia Standard International Group Limited owns 7.5% interest.

The 1/4 tenant-in-common shares of Lots Nos. 90, 153, 154 and Section B of Lot No. 157 and 3/4 tenant-in-common shares of Section C of Lot No. 133 in D.D. 221 are owned by Shingo Developments Limited, in which Asia Standard International Group Limited owns 7.5% interest.

3. The subject lots fall within the area zoned for “Comprehensive Development Area (1)” under Sai Kung Town Outline Zoning Plan under S/SK-SKT/4 dated 19 December 2006.
4. As at 31 May 2008, there was no development plan for the property.

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
11. Various Lots in Demarcation District No. 232, Mau Tin, Sai Kung, New Territories, Hong Kong	<p>The property comprises 162 agricultural lots in D.D.232 with total land area of 15.87 acre i.e 64,223.07 sq.m. (691,297 sq.ft.).</p> <p>The property is held from the Government under a Block Government Lease for a term expired on 30 June 1997 and has been extended until 30 June 2047 by the New Territories Leases (Extension) Ordinance.</p> <p>The annual Government rent is equivalent to three percent for the time being of the rateable value of the property.</p>	According to the information provided by the Asia Standard Group, as at 31 May 2008, the property was vacant.	HK\$48,390,000 (30% interest attributable to the Group: HK\$14,517,000)

Notes:

- The subject lots include Lots Nos. 1, 2, 5, 6, 7, 8, 9, 10, 11, 14, 15, 20, 22, 23, 24, 25, 26, 27, Section A of Lot No. 28, Section B of Lot No. 28, Section C of Lot No. 28, Section D of Lot No. 28, Section E of Lot No. 28, Section F of Lot No. 28, Section G of Lot No. 28, The remaining portion of Lot No. 28, Subsection 1 of Section A of Lot No. 29, Subsection 2 of Section A of Lot No. 29, Subsection 3 of Section A of Lot No. 29, Subsection 4 of Section A of Lot No.29, Subsection 5 of Section A of Lot No. 29, Subsection 6 of Section A of Lot No. 29, Subsection 7 of Section A Lot No. 29, Subsection 8 of Section A of Lot No. 29, Subsection 9 of Section A of Lot No. 29, Subsection 10 of Section A of Lot No. 29, Subsection 11 of Section A of Lot No. 29, Subsection 12 of Section A of Lot No. 29, Subsection 13 of Section A of Lot No. 29, Subsection 14 of Section A of Lot No. 29, Subsection 15 of Section A of Lot No. 29, Subsection 16 of Section A of Lot No. 29, Subsection 17 of Section A of Lot No. 29, Subsection 18 of Section A of Lot No. 29, Subsection 19 of Section A of Lot No. 29, Subsection 20 of Section A of Lot No. 29, Subsection 21 of Section A of Lot No. 29, Subsection 22 of Section A of Lot No. 29, Subsection 23 of Section A of Lot No. 29, Subsection 24 of Section A of Lot No. 29, Subsection 25 of Section A of Lot No. 29, Subsection 26 of Section A of Lot No. 29, Subsection 27 of Section A of Lot No. 29, Subsection 28 of Section A of Lot No. 29, Subsection 29 of Section A of Lot No. 29, Subsection 30 of Section A of Lot No.29, Subsection 31 of Section A of Lot No. 29, Subsection 32 of Section A of Lot No.29, Subsection 33 of Section A of Lot No.29, Subsection 34 of Section A of Lot No. 29, Subsection 35 of Section A of Lot No. 29, Subsection 36 of Section A of Lot No. 29, Subsection 37 of Section A of Lot No. 29, Subsection 25 of Section B of Lot No. 29, Subsection 26 of Section B of Lot No. 29, Subsection 27 of Section B of Lot No.29, Subsection 28 of Section B of Lot No. 29, Subsection 29 of Section B of Lot No. 29, Subsection 30 of Section B of Lot No. 29, Subsection 31 of Section B of Lot No. 29, Subsection 32 of Section B of Lot No. 29, Subsection 33 of Section B of Lot No. 29, Subsection 34 of Section B of Lot No. 29, Subsection 35 of Section B of Lot No. 29, Subsection 36 of Section B of Lot No. 29, Subsection 37 of Section B of Lot No. 29, Subsection 38 of Section B of Lot No. 29, Subsection 39 of Section B of Lot No. 29, Subsection 40 of Section B of Lot No. 29, Subsection 41 of Section B of Lot No. 29, Subsection 42 of Section B of Lot No. 29, Subsection 43 of Section B of Lot No. 29, Subsection 44 of Section B of Lot No. 29, Subsection 45 of Section B of Lot No. 29, Subsection 46 of Section B of Lot No. 29, Subsection 1 of Section C of Lot No. 29, Subsection 2 of Section C of Lot No. 29, Subsection 3 of Section C of Lot No. 29, Subsection 4 of Section C of Lot No. 29, Subsection 5 of Section C of Lot No. 29, Subsection 6 of Section C of Lot No. 29, Subsection 7 of Section C of Lot No. 29, Subsection 8 of Section C of Lot No. 29, Subsection 9 of Section C of Lot No. 29, Subsection 10 of Section C of Lot No. 29, Subsection of 11 of Section C of Lot No. 29, Subsection 12 of Section C of Lot No. 29, Subsection 13 of Section C of Lot No. 29, Subsection 14 of Section C of Lot No. 29, Subsection 15 of Section C of Lot No. 29, Subsection 16 of Section C of Lot No. 29, Subsection 17 of Section C of Lot No. 29, Subsection 18 of Section C of Lot No. 29, Subsection 19 of Section C of Lot No. 29, Subsection 20 of Section C of Lot No. 29, Subsection 21 of Section C of Lot No. 29, Subsection 22 of Section

C of Lot No. 29, Subsection 23 of Section C of Lot No. 29, Subsection 24 of Section C of Lot No. 29, Subsection 25 of Section C of Lot No. 29, Subsection 26 of Section C of Lot No. 29, Subsection 27 of Section C of Lot No. 29, Subsection 28 of Section C of Lot No. 29, Subsection 29 of Section C of Lot No. 29, Subsection 30 of Section C of Lot No. 29, Subsection 31 of Section C of Lot No. 29, The remaining portion of Section A of Lot No. 29, The remaining portion of Section B of Lot No. 29, The remaining portion of Section C of Lot No. 29, The remaining portion of Lot No. 29, Lot Nos. 30, 31, 32, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, Section A of Lot No. 46, Section B of Lot No. 46, The remaining portion of Lot No. 46, Lot Nos. 48, 49, 50, 51, 52, 54, 55, 56, 58, 59, 60, 62, 63, 64, 65, 66, 67, 69, 71, 72, 73, 75, 76, 77.

2. The registered owner of the property is Auburntown Limited which is a 30% owned associate company of Asia Standard International Group Limited.
3. Majority of the subject lots fall within the area zoned for "Conservation Area" and some of the subject lots fall within the area of "Coastal Protection Area" under Hebe Haven Outline Zoning Plan under S/SK-HH/6 dated 14 March 2006.
4. As at 31 May 2008, there was no development plan for the property.

Group IV: Unsold Property interests held by the Asia Standard Group in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
12. Various units in Green Orchid, 1 Ping Hing Lane, Ping Shan, Yuen Long, New Territories, Hong Kong 148/2,019th parts or shares of and in The Remaining Portion of Lot No. 1738 in D.D. 122	The property comprises 24 car private parking spaces nos. 3, 5, 6, 10, 13, 15, 16, 17, 18, 20, 23, 37, 40, 41, 43, 45, 46, 47, 48, 49, 50, 51, 52, 53 and 4 motor cycle parking spaces nos. M1, M2, M5 and M6 on Ground Floor of Green Orchid. Green Orchid is a residential development consisting of two 5-storey residential blocks with car parking spaces on Ground Floor. The development was completed in 2006. The property is held from the Government under New Grant No. YL 4668 for a term of 50 years commencing from 14 July 2004. The annual Government Rent is equivalent to three percent of the rateable value for the time being of the property.	According to the information provided by the Asia Standard Group, the property was vacant as at 31 May 2008.	HK\$3,500,000

Notes:

1. The registered owner of the property is Kelpoint Limited which is a wholly-owned subsidiary of Asia Standard International Group Limited.
2. According to the Ping Shan Outline Zoning Plan No. S/YL-PS/11 dated 1 February 2005, the property currently lies within the zoning as "Comprehensive Development Area".

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
13. Various units in Canaryside, 8 Shung Shun Street Yau Tong, Kowloon, Hong Kong 1,122/6,051th parts or shares of and in The Remaining Portion of Lot No. Yau Tong Inland Lot No. 21	<p>The property comprises 6 residential units on various floors; all the commercial units on the Ground Floor and 1st Floor and 23 car parking spaces and 5 motor cycle parking spaces on 1st and 2nd Floors of Canaryside.</p> <p>Canaryside is development of a 39-storey commercial/residential building. (There are no designation of 4th, 14th, 24th, 34th Floors) completed in 2006. The commercial units are on the Ground and 1st Floor, car parking spaces on 1st and 2nd Floor, a club house, swimming pool on the 3rd Floor and residential units on the 5th Floor to 42nd Floor.</p> <p>According to the information provided by the Asia Standard Group the total gross floor area of the commercial units and residential units of the property are approximately 3,716.09 sq.m. (40,000 sq.ft.) and 325.53 sq.m. (3,504 sq.ft.) respectively. (The break-down areas of the units are shown in Note 4 below).</p> <p>The property is held from the Government under Conditions of Sale No. UB10361 for a term expired on 30 June 1997 and has been extended until 30 June 2047 by the New Territories Lease Extension Ordinance.</p> <p>The annual Government Rent is equivalent to 3% of the rateable value for the time being of the property.</p>	<p>According to the information provided by the Asia Standard Group, the property was vacant as at 31 May 2008.</p>	<p>HK\$199,800,000</p>

Notes:

1. The registered owner of the property is Tonlok Limited which is a wholly owned subsidiary of Asia Standard International Group Limited.
2. According to the Cha Kwo Ling, Yau Tong, Lei Yue Mun Outline Zoning Plan No. S/K15/16 dated 23 May 2008, the property currently lies within the zoning of "Residential (Group E)".
3. All the commercial units, i.e. Restaurants 1, 2, 3, 5, 6 on Ground Floor and Restaurant 7, 8 on 1st Floor are subject to a Mortgage and Assignment of Sale Proceeds and Rental Income in favour of United Commercial Bank.

4. The property includes the followings:-

Residential Units — Flats F on 21st Floor, 30th Floor, 32nd Floor, 33rd Floor, 35th Floor and 37th Floor;

Commercial Units — Restaurant 1, Restaurant 2, Restaurant 3, Restaurant 5 and Restaurant 6 on Ground Floor, Restaurant 7 and Restaurant 8 on 1st Floor;

Car Parking Spaces — C101, C102, C103, C105, C106, C107, C108, C109, C110 on 1st Floor, R101, R102 and R103 on 1st Floor, R201, R211, R219, R223, R225, R226, R227, R231, R235, R242, and R249 on 2nd Floor;

Motor Cycle Parking Spaces — M101, M102, M103, M105 and M106 on 1st Floor.

5. According to the information provided by the Asia Standard Group, the gross floor area of the typical Flat F unit is 584 sq.ft. and the gross floor area of the commercial properties are as follows:

Restaurant 1 — 4,823 sq.ft.

Restaurant 2 — 5,143 sq.ft.

Restaurant 3 — 5,513 sq.ft.

Restaurant 5 — 5,525 sq.ft.

Restaurant 6 — 7,380 sq.ft.

Restaurant 7 — 5,628 sq.ft.

Restaurant 8 — 5,988 sq.ft.

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
14. Jadewater, Nos. 238 Aberdeen Main Road, Aberdeen, Hong Kong Aberdeen Inland Lot No. 365	<p>The property comprises the whole of the development, namely, Jadewater which is a 41-storey commercial/residential building completed in 2008. The ground floor has two retail shops and the upper floors from 6th — 45th Floors are residential units providing totally 180 units. (There are no designations of 4th, 14th, 24th, 34th and 44th Floors). Ancillary facilities include a clubhouse with outdoor swimming pool, children play area, gymnasium and landscape garden. There are totally 39 carparking spaces and 5 motor cycle spaces on Ground to 3rd Floors.</p> <p>The property is held from the Government under Conditions of Sale No. 10793 for a term of 75 years renewable for further 75 years commencing from 4 July 1975. The Government rent is equivalent to HK\$1,000 per annum.</p>	According to the information provided by the Asia Standard Group, as at 31 May 2008, the property was vacant.	HK\$1,054,000,000

Notes:

- The registered owner of the property is Full Union Development Limited which is a wholly-owned subsidiary of Asia Standard International Group Limited.
- The property is subject to a building mortgage and a supplement to building mortgage in favour of Hang Seng Bank Limited.
- The property is zoned for "Residential (Group E)" under Aberdeen and Ap Lei Chau Outline Zoning Plan No. S/H15/24 dated 19 December 2006. Approval for application under section 16 of the Town Planning Ordinance was given by Town Planning Board for a proposed residential development scheme on the property on 18 February 2000.
- According to the information provided by the Asia Standard Group, the gross floor areas of the residential units are as follows:

	Flat A	Flat B	Flat C	Flat D	Flat E
6th Floor	908	899	697	707	637
7th — 43rd Floors	937	964	747	762	687
45th Floor	937	964	747	762	687

And the gross floor areas of the retail shops on the Ground Floor are as follows:

- Shop 1 — 1,277 sq.ft.
Shop 2 — 1,315 sq.ft.

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
15. Various units in China United Centre, No. 28 Marble Road, North Point, Hong Kong	The property comprises various office units including Unit 02 on 10th Floor, Units 03-05 on 16th, Units 05-11 on 20th Floor, and whole of 23rd Floor of a 31-storey (including a basement and a mechanical floor) commercial/office building completed in 1997.	According to the information provided by the Asia Standard Group, as at 31 May 2008, the property was fully leased to various tenants with the latest tenancy expiring on 1 October 2010. The total monthly rent was HK\$226,047 exclusive of rates and management fees but inclusive of licence fees.	HK\$79,000,000 (80% interest attributable to the Group: HK\$63,200,000)
892/23,400th plus 457/727 of 727/23,400th shares of and in Subsection 2, Section B of Subsection 3, the Remaining Portion of Subsection 3, Section A of Subsection 3, Subsection 5, Subsection 4, the Remaining Portion, the Remaining Portion of Section A of Subsection 1, Subsections 5, 3, 2, 4 and 6 of Section A of Subsection 1 of Section A of Inland Lot No. 3504.	According to the information provided by the Group, the property has a total gross floor area of approximately 1,881.46 sq.m. (20,252 sq.ft.) The property is held under Conditions of Sale No. 3369 for a term of 75 years (renewable for another 75 years) commencing from 17 October 1932.		

Notes:

1. The registered owner of the property is Get Rich Enterprises Limited, which is an 80% owned subsidiary of Asia Standard International Group Limited.
2. The property is subject to a mortgage in favour of Hang Seng Bank Limited.
3. According to the North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007, the property currently lies within the zoning of "Commercial/Residential".

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
16. Flats C and E on 31st Floor, Li Chit Garden, No. 1 Li Chit Street, Wan Chai, Hong Kong 101/10370th parts or shares of and in Inland Lot No. 8797	The property comprises 2 residential units on 31st Floor of Li Chit Garden. Li Chit Garden comprises a 18-storey residential building completed in 1994. The property has a total gross floor area of approximately 160.35 sq.m. (1,726 sq.ft.). The property is held from the Government under Conditions of Exchange No. 12307 from 28 April 1994 to 30 June 2047. The annual Government rent is equivalent to three percent of the ratable value for the time being of the property.	According to the information provided by the Group, the property was occupied as staff quarter as at 31 May 2008	HK\$7,500,000

Notes:

1. The registered owners of Flats C and E are Mark-Gold Limited, Kenfair Limited and Winpact Limited respectively which are wholly-owned subsidiaries of Asia Standard International Group Limited.
2. According to the Wan Chai Outline Zoning Plan No. S/H5/25 dated 6 November 2007, the subject property currently lies within the zoning of "Government/Institution/Community".

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
17. Flat B on 11th Floor, Miami Mansion, Nos. 13 & 15 Cleveland Street, Hong Kong 1/49th parts or shares of and in Section OO of Marine Lot No. 231 and The Extension Thereto	The property comprises a residential unit on 11th Floor of Miami Mansion. Miami Mansion comprises a 12-storey composite building completed in about 1964. The property has a gross floor area of approximately 128.21 sq.m. (1,380 sq.ft.). The property is held under Government Lease for a term of 999 years commencing from 25 December 1869. The determined rent of the lot is about \$34 per annum.	According to the information provided by the Group, the property was occupied as staff quarter at 31 May 2008	HK\$6,600,000

Notes:

1. The registered owner of the property is Concept Miles Limited which is a wholly-owned subsidiary of Asia Standard International Group Limited.
2. According to the Causeway Bay Outline Zoning Plan No. S/H6/14 dated 13 September 2005, the subject property currently lies within the zoning of "Commercial/Residential".

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
18. Flat A on 5th Floor, Block 1, Kam Fai Garden, No. 6 Wah Fat Street, Tuen Mun, New Territories, Hong Kong 12/6400th parts or shares of and in Tuen Mun Town Lot No. 244	<p>The property comprises a residential unit on 5th Floor of Block 1 of Kam Fai Garden. Kam Fai Garden comprises four about 16-storey residential buildings plus 2 level car park podium. The development was completed in 1987.</p> <p>The property has a gross floor area of approximately 59.46 sq.m. (640 sq.ft.).</p> <p>The property is held from the Government under New Grant No. 2727 for a term of 99 years expired on 30 June 2047 and has been extended by virtue of the New Territories Leases (Extension) Ordinance to 30 June 2047.</p> <p>The annual Government rent is equivalent to three percent of the ratable value for the time being of the property.</p>	According to the information provided by the Asia Standard Group, the property was vacant as at 31 May 2008.	HK\$1,200,000

Notes:

1. The registered owner of the property is Waliway Limited which is a wholly-owned subsidiary of Asia Standard International Group Limited.
2. According to the Tuen Mun Outline Zoning Plan No. S/TM/23 dated 27 October 2006, the subject property currently lies within the zoning of "Residential (Group B)".

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
19. Car Parking Spaces Nos. 12-17, 19, 26, 27, 29, and 34 on Ground Floor, Swallow Garden, No. 68 San Wan Road, Fanling Wai, Fanling, New Territories, Hong Kong 11/555th parts or shares of and in Fanling Sheung Shui Town Lot No. 64	<p>The property comprises 11 car parking spaces on Ground Floor of Swallow Garden which comprises a 5-storey residential building with Ground Floor Car Park. The development was completed in 1992.</p> <p>The property is held from the Government under New Grant No. 12463 for a term commencing from 28th December 1990 to 30th June 2047.</p> <p>The annual Government rent is equivalent to three percent of the ratable value for the time being of the property.</p>	<p>According to the information provided by the Asia Standard Group, the property was vacant as at 31 May 2008.</p>	<p>HK\$1,100,000</p>

Notes:

1. The registered owner of the property is Starwick Development Limited which is a wholly-owned subsidiary of Asia Standard International Group Limited.
2. According to the Fanling/ Sheung Shui Outline Zoning Plan No. S/FSS/14 dated 27 March 2007, the subject property currently lies within the zoning as "Residential (Group C)1".

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
20. Car Parking Spaces Nos. 1-3, 58, 67, 68, 75, 77, 78, 81, 95 and 97 on Ground Floor, Royal Knoll, No. 2 Chi Wing Close, Fanling, New Territories, Hong Kong 360/18,230th parts or shares of and in Fanling Sheung Shui Town Lot No. 130	<p>The property comprises 12 car parking spaces on Ground of Royal Knoll. Royal Knoll comprises two 13-storey residential buildings with 1 level podium and a lower ground floor car park. The development was completed in 1999.</p> <p>The Upper Ground Floor and Lower Ground are devoted to car park uses. The 1st Floor is designed as a clubhouse for residents. The remaining upper floors are used for residential purpose.</p> <p>The property is held from the Government under New Grant No. 13082 for a term commencing from 12 September 1996 to 30 June 2047.</p> <p>The annual Government rent is equivalent to three percent of the ratable value for the time being of the property.</p>	<p>According to the information provided by the Asia Standard Group, the property was vacant as at 31 May 2008.</p>	<p>HK\$2,160,000</p>

Notes:

1. The registered owner of the property is Tonlok Limited which is a wholly-owned subsidiary of Asia Standard Group Limited.
2. According to the Fanling Sheung Shui Outline Zoning Plan No. S/FSS/14 dated 27 March 2007, the subject property currently lies within the zoning of "Residential (Group C)2".

Group V: Unsold Property interests held by the Asia Standard Group in the PRC

	Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
21.	50 car parking spaces in Palace Apartment, Ya Bao Road, Chao Yang District, Beijing, The People's Republic of China	<p>The property comprises 50 car parking spaces in a residential development, namely, Palace Apartment.</p> <p>According to the Land Use Right Certificate 市朝中外國用(98)字第00444號, by which the subject land is granted, the land use right for commercial use is 40 years commencing from 26 April 1994 to 25 April 2064 and for residential use is 70 years commencing from 26 April 1994 to 25 April 2064.</p>	According to the information provided by the Asia Standard Group, the property was vacant as at 31 May 2008	No Commercial Value

Notes:

- The subject car parking spaces include B1, B2, B3, B5, B6, B7, B8, B9, B10, B11, B12, F1, F2, F3, F5, F6, F7, F8, F9, N1 and N2 on Ground Level; 17 on Basement 1; D68, D69, D70, D71, D72, D75, D76, D77, D86, D87, D89, D90, D91, D92, D93, D95, D96, D97, D98, D100, D101, D102, D103, D108, D115, D116, D117 and D131 on Basement 2.
- According to the Land Use Right Certificate 市朝中外國用(98)字第00444號, the land use right of the subject land is granted to Beijing Hengrun Estate Development Co. Ltd. (北京恒潤房地產開發有限公司), which is the developer of Palace Apartment.
- No Realty Title Certificates in respect of the subject car parking spaces are available. We are advised that these carparking spaces have been distributed to Asia Standard (Beijing) Company Limited which is a wholly-owned subsidiary of Asia Standard International Group Limited. Due to the uncertainty of whether the car parks are transferable, we have ascribed no commercial value to the property.

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
22. Retail Podium on Level 1 to Level 4, and 163 carparking spaces on Basement 1 to Basement 3 Oriental Garden, Junction of Dongmen Central Road and Tongle Road, Luhu District, Shenzhen, The People's Republic of China	<p>The property comprises the 4-level retail podium and all the carparking spaces on the Basement 1 to Basement 3 of Oriental Garden. Oriental Garden is a development comprising three high-rise residential blocks on a 4-level retail podium completed in 2004.</p> <p>The gross floor area of the retail podium of the property is 12,850.3 sq.m. (138,320 sq.ft.).</p> <p>According to the Land Use Right Contract 深地合字(2002)1027號, by which the subject land is granted, the land use right is 70 years commencing from 18 April 2002 to 17 April 2072.</p>	<p>According to the information provided by the Asia Standard Group, as at 31 May 2008, the Level 1 to Level 3 of the retail podium was leased for a term of 10 years from 1 July 2005 to 30 June 2006 at a monthly rental as listed in the Note 8 below.</p> <p>Level 4 of the retail podium and the carpark in the basements were vacant.</p>	<p>RMB 278,400,000 equivalent to HK\$320,000,000 (41.32% interest attributable to the Group: HK\$132,224,000)</p>
Lot No.(宗地號): H212-28			

Notes:

- Pursuant to the Realty Title Certificate (深房地字第2000100613號) registered dated 17 May 2002, 深圳市漁陽房地產投資有限公司 (95%), which is a 41.32% owned associate company of Asia Standard International Group Limited and 深圳市輕工業(集團)股份有限公司 (5%) are the co-owners of Lot No. H212-28.
- As advised by Asia Standard Group, the 5% interest held by 深圳市輕工業(集團)股份有限公司 has been acquired by 深圳市漁陽房地產投資有限公司.
- The PRC legal opinion stated that according to 深圳經濟特區房地產登記條例, Level 1 to Level 4 of the podium is registered under 漁陽房地產開發(深圳)有限公司, and the uses of this podium is commercial with a total gross floor area of 12,850.3 sq.m. 漁陽房地產開發(深圳)有限公司 is the owner of this podium.
- According to an Article of 漁陽房地產開發(深圳)有限公司, 深圳市漁陽房地產投資有限公司 was established on 21 September 1995 and was owned by 陳偉強 (60%) and 鄭漢 (40%). In 2002, Globe Developments Limited and Goldrite Investments Limited, the companies registered in British Virgin Islands, acquired all the 100% shares owned by 陳偉強 and 鄭漢 of 深圳市漁陽房地產投資有限公司 and changed the name of the company from 深圳市漁陽房地產投資有限公司 to 漁陽房地產開發(深圳)有限公司. Consequently, the company became a wholly foreign-owned enterprise, of which Best Globe Developments Limited owned 73.68% and Goldrite Investment Limited which is a wholly owned subsidiary of Asia Standard International Group Limited, owned 26.32%.
- According to a transfer of shares contract between Best Globe Development Limited and Goldrite Investments Limited dated 23 September 2005. Best Globe Development Limited transferred 15% shares of 漁陽房地產開發(深圳)有限公司 to Goldrite Investments Limited. Consequently Best Globe Development Limited holds 58.68% and Goldrite Investments Limited holds 41.32% in 漁陽房地產開發(深圳)有限公司.
- The PRC legal opinion stated that according to 深圳市經營性停車場許可證, the use right of the carpark on Basement 1 to Basement 3 is under 漁陽房地產開發(深圳)有限公司.

7. Due to the uncertainty as to whether the car parks are transferable, we have ascribed no commercial value to the car parks.
8. The monthly rentals for Level 1 to Level 3, which is exclusive of management fees, water, electricity charges are as follows:

Term	Monthly Rental
1 July 2005 to 30 June 2006	RMB820,684
1 July 2006 to 30 June 2007	RMB943,787
1 July 2007 to 30 June 2008	RMB1,085,355
1 July 2008 to 30 June 2009	RMB1,247,440
1 July 2009 to 30 June 2010	RMB1,384,904
1 July 2010 to 30 June 2011	RMB1,481,848
1 July 2011 to 30 June 2012	RMB1,585,561
1 July 2012 to 30 June 2013	RMB1,696,559
1 July 2013 to 30 June 2014	RMB1,815,353
1 July 2014 to 30 June 2015	RMB1,942,456

9. We are advised by the Asia Standard Group that the property at the time of disposal at the amount of market value as at 31 May 2008 will be subject to business tax, land appreciation tax and corporate income tax in the PRC. The precise tax implication will be subject to prevailing rules and regulations at the time of disposal. For indicative purpose and based on prevailing rules and information available as at the latest practicable date, the potential tax obligation arising from the disposal of this property is estimated to be 15% of the profits subject to corporate income tax 30% of the gain subject to land appreciation tax and 5% of the sales proceeds subject to business tax. The potential tax liability would arise when the property is being disposed of.

Group VI: Property interests held by the Asia Standard Group for future development in the PRC

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 May 2008
23. No. 72 Yong Shun Street West, Yong Shun Town, Tongzhou District, Beijing, The People's Republic of China	<p>The property comprises a development land with a site area of 51,390.5 sq.m. (according to the Land Use Right Certificate).</p> <p>According to the Land Use Right Certificate 京通國用(2005)第005號 dated 28 March 2005, by which the subject land is granted, the land use rights are to expire on 30 August 2044, 30 August 2054 and 30 August 2074 for commercial, basement carpark and residential uses respectively.</p>	According to the information provided by the Asia Standard Group, as at 31 May 2008 was occupied with scattered dwelling houses and local shops.	RMB 317,000,000 equivalent to HK\$364,370,000 (44% interest attributable to the Group: HK\$160,322,800)

Notes:

- Pursuant to the State-owned Land Use Rights Certificate 京通國用(2005)第005號 issued by Beijing Municipality Government (北京市人民政府) dated 28 March 2005, the land use rights of a parcel of land located at Yong Shun Village, Rong Shun Town, Tongzhou District with a site area of 51,390.5 sq.m. is granted to Beijing Huang Hai Real Estate Development Co. Ltd. 北京黃海房地產開發有限公司.
- Pursuant to the State-owned Land Use Rights Contract 京地出(合)字(2004)第0818號 entered between Beijing Municipality State Land Resources Bureau (北京市國土資源局) and Beijing Huang Hai Real Estate Development Co. Ltd. dated 31 August 2004, the use and development of the land are subject to inter alia the following conditions:

Land Area	:	52,493.075 sq.m.
Uses	:	Residential, commercial and basement carpark purposes
Land Use Term	:	Commercial — 40 years from 31 August 2004 Residential — 70 years from 31 August 2004 Basement Car Park 50 years from 31 August 2004
Gross Floor Area	:	The total permitted gross floor is 113,761.48 sq.m as follows: Above Ground Level: 83,834.35 sq.m. (residential) 5,968.03 sq.m. (commercial) Below Ground Level: 1,500 sq.m. (commercial) 9,959 sq.m. (basement car park)
- Pursuant to the Planning Permit of Construction Land No. 規(通)地字0007號 issued by Beijing Municipality Planning Committee (北京市規畫委員會) dated 16 April 2004, a piece of land situated at No. 72 Yong Shun West Street in Tongzhou District with an area of 53,752.935 sq.m. is permitted to be used by Beijing Huang Hai Real Estate Development Co. Ltd.

4. The PRC Legal Opinion stated that Beijing Huang Hai Real Estate Development Co. Ltd. 北京黃海房地產開發有限公司 is a Sino-Foreign Joint Venture Enterprises between 俊星公司 (56%) and 廣佳發展有限公司 (44%).
5. According to the Asia Standard Group, 廣佳發展有限公司 is a wholly-owned subsidiary of the Asia Standard International Group Limited.
6. The PRC Legal Opinion stated that Beijing Huang Hai Real Estate Development Co. Ltd. is entitled to the land use right and development right of the property.
7. In the course of our valuation, we have made the following assumptions:
 - (i) The Asia Standard Group is entitled to transfer the property to any third party with the residue terms of the land use rights at no extra land premium or other onerous payment payable to any government authorities;
 - (ii) All land premium, and the ancillary cost of site clearance have been settled.
8. As at 31 May 2008, there was no approved development plan for the property.
9. We are advised by the Asia Standard Group that the property at the time of disposal at the amount of market value as at 31 May 2008 will be subject to business tax, land appreciation tax and corporate income tax in the PRC. The precise tax implication will be subject to prevailing rules and regulations at the time of disposal. For indicative purpose and based on prevailing rules and information available as at the latest practicable date, the potential tax obligation arising from the disposal of this property is estimated to be 15% of the profits subject to corporate income tax 30% of the gain subject to land appreciation tax and 5% of the sales proceeds subject to business tax. The potential tax liability would arise when the property is being disposed of.

The following is the text of a letter, summary of valuation and valuation certificates prepared for the purpose of incorporation in this circular, received from Knight Frank Petty Limited, an independent property valuer, in connection with its valuation as at 31 May 2008.



4/F, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

5 August 2008

The Directors
Asia Standard International Group Limited
30th Floor, Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Dear Sirs

In accordance with the instructions from Asia Standard International Group Limited (“the Company”) for us to value the properties held by the Company and its subsidiaries (together referred to as “the Group”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of respective market values of the properties as at 31 May 2008 for the purpose of inclusion in a public circular.

Our valuation of each of the properties is our opinion of its Market Value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

We have valued the property Nos 1 and 2 which are held for operation by the Company as fully operational hotels by profit method of valuation with due consideration to the trading potential of the operations in the premises. Under such basis of valuation, the properties are valued as fully operational hotels with the inclusion of fixtures and equipment which are related to the operations. Our valuations also include the value of the management right too and no allowance has been made for the management expenses.

In valuing property No 3 which is under conversion from an office building to a fully operational hotel building with the inclusion of fixtures and equipment which are related to the operations, we have been valued by reference to market sales comparables and the conversion proposals shown to us. We have also accepted your advice as to the outstanding conversion costs and the estimated timeframe to complete the conversion. We have assumed all approvals on the building plans are obtained and necessary approvals from relevant government departments have been obtained for the occupation and operation of the hotel.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals, statutory notices, easements, tenure, trading accounts, development proposal, particulars of occupancy, tenancy schedules, approved building plans, estimated conversion costs, site and floor areas and all other relevant matters. We have not been provided with extracts of title documents relating to the properties but have caused searches to be made at the Land Registry. We have not scrutinised the original documents to verify ownership or to ascertain the existence of any amendments to the documents. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximations only.

We have inspected the exterior of the properties and did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the properties are or are not free from rot, infestation or any other defects. No tests were carried out on any of the services. In addition, we have not carried out investigations on the site to determine the suitability of the ground conditions and the service etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

No allowance has been made in our valuation for any charges or mortgages on or amounts owing on the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

According to the information supplied by the Company, the potential tax liability which would arise on the disposal of the property interest of the Company at 3.75% on consideration in Hong Kong is stamp duty only and this would be payable by the purchaser only. According to our established practice, in the course of our valuation, we have neither verified nor taken into account the tax liability that would arise on the disposal of the properties which should be the responsibility of the purchaser. As advised by the Company, the Company has no intention to dispose of the properties at present. Therefore, the likelihood of such potential tax liability is remote.

We would like to further disclose that we have prepared on 18 June 2008 another valuation report in certificate format for the same properties as at 31 March 2008 for accounting purpose. There was no difference between the valuations as at 31 March 2008 and 31 May 2008 for property Nos 1 and 2. For property No 3, our valuation as at 31 May 2008 was HK\$770 million which is HK\$20 million higher than the valuation of HK\$750 million that we assessed as at 31 March 2008, due to improved progress in the conversion works.

In valuing the properties, we have regard to the requirements contained in The HKIS Valuation Standards on Properties (First Edition 2005) published by Hong Kong Institute of Surveyors and all the requirements contained in the provisions of Chapter 5 of the Rules Governing the Listing of securities on the Stock Exchange of Hong Kong Limited.

We enclose herewith our summary of valuation and valuation report.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Alex S L Ng
MHKIS MRICS RPS(GP)
Executive Director

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Catherine Cheung
MHKIS MRICS RPS(GP)
Director

Notes: Mr Alex S L Ng, M.R.I.C.S., M.H.K.I.S., R.P.S.(GP), has been a qualified valuer with Knight Frank Petty Limited since November 1995 and has 23 years' experience in the valuation of properties in Hong Kong and the People's Republic of China.

Ms Catherine Cheung, M.R.I.C.S., M.H.K.I.S., R.P.S.(GP), is a qualified property valuer and has over 15 years' experience in the valuation of properties in Hong Kong and the People's Republic of China.

SUMMARY OF VALUATION

Property	Market Value in existing state as at 31 May 2008
1. Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong	HK\$1,649,000,000
2. Empire Hotel Kowloon, 62 Kimberley Road, Tsim Sha Tsui, Kowloon	HK\$1,536,000,000
3. 8 Wing Hing Street, Causeway Bay, Hong Kong	<u>HK\$770,000,000</u>
	Total : <u>HK\$3,955,000,000</u>

VALUATION

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2008
<p>1. Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong</p> <p>Inland Lot No 8399</p>	<p>The property comprises a 24-storey (including three Basement levels) hotel building erected on a site with an area of approximately 10,613 sq.ft. The building was completed in about 1990.</p> <p>The Third Basement of the hotel building is used as back of the house, the Second Basement accommodates a Chinese restaurant, the First Basement accommodates a Western restaurant, the Ground Floor accommodates the hotel lobby and a lobby lounge, the Mezzanine Floor accommodates another Western restaurant and the podium level accommodates a business centre. The 1st Floor to 18th Floor (penthouse) accommodate 360 guest rooms (including 36 suites). A gymnasium and a swimming pool are provided on the penthouse.</p> <p>The existing hotel building has a total gross floor area of approximately 184,000 sq.ft.</p> <p>According to a set of floor plans supplied by the Company, an extension of two more levels on the top floor of the existing hotel building, accommodating 33 new guest rooms, has been approved by the Building Authority. The extension will have a total gross floor area of approximately 9,450 sq.ft.</p> <p>The property is held under Conditions of Exchange No 11851 for a term of 75 years from 9 July 1987 renewable for a further term of 75 years.</p> <p>The Government rent payable for the property is HK\$1,000 per annum.</p>	<p>The property is operated by the Company as a hotel except for the 2nd Basement and the Mezzanine Floor which are leased to two tenants.</p> <p>The 2nd Basement is let for a term of three years from 15 July 2005 at a rent of HK\$200,000 per month exclusive of management fees, Government rent and rates.</p> <p>The tenant of 2nd Basement also agrees to pay an additional rent based on 10% of its gross revenue of that month which is in excess of HK\$3,300,000.</p> <p>The Mezzanine Floor is let for a term of two years from 4 June 2006 at a rent of HK\$92,500 per month exclusive of management fees, Government rent, rates and operating expenses. The tenant has an option to renew the tenancy for a further term of two years.</p>	HK\$1,649,000,000

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2008
		The above rent excludes turnover rent calculated at 10% of the Sales Turnover of that month less the said monthly rent of HK\$92,500. Where 10% of the Sales Turnover of any month is below HK\$92,500, no turnover rent shall be payable for that particular month.	

Notes:

- (1) The registered owner of the property is Stone Pole Limited, a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Debenture dated 14 March 2007 in favour of Bank of China (Hong Kong) Limited registered vide Memorial No 07041101780287.
- (3) The property falls within an area zoned for "Commercial/Residential" uses under Wan Chai Outline Zoning Plan No S/H5/25 dated 16 November 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2008
<p>2 Empire Hotel Kowloon, 62 Kimberley Road, Tsim Sha Tsui, Kowloon</p> <p>Kowloon Inland Lot No 11070</p>	<p>The property comprises a 26-storey (including a Basement and Lower Ground Floor) hotel building erected on an irregular-shaped site with an area of approximately 11,424 sq.ft. The building was completed in 2001.</p> <p>The hotel accommodates 315 guest rooms (or 328 room bays), several food and beverage outlets and function rooms. In addition, a swimming pool and gymnasium are provided within the development. It is also planned to have the 2/F of the property, formerly used as a restaurant, be used as back of house area. The existing back of house area will be converted into another 21 guest rooms.</p> <p>The property has a total gross floor area of approximately 220,000 sq.ft.</p> <p>The property is held under Conditions of Exchange No 12392 for a term commencing on 27 April 1996 and expiring on 30 June 2047.</p> <p>The annual Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property.</p>	<p>The property is operated by the Company as a hotel except for the following mentioned portions which are either leased out or licensed to other third parties.</p> <p>The property is also subject to a Licence Agreement for a term of 3 years expiring on 30 November 2008 for the installation of Radio Frequency Equipment at portion space of Basement 1 Level and erection of 4 antennae at the external wall of 3rd Floor at a monthly licence fee of HK\$12,600 inclusive of rates, government rent and management fees.</p> <p>The whole of Basements 1 and 2 of the property is subject to a tenancy for a term of two years from February 2008 at a rent of HK\$178,000 per month exclusive of management fees, government rent and rates, electricity and water charges and with an option to renew for a further term of two years at the then market rent.</p>	HK\$1,536,000,000

Notes:

- (1) The registered owner of the property is Vinstar Development Limited, a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Debenture dated 6 July 2004 and a Second Mortgage dated 15 August 2006 in favour of Bank of China (Hong Kong) Limited registered by Memorial No UB9275856 and 06091402450019 respectively.
- (3) The property falls within an area zoned for "Commercial" uses under Tsim Sha Tsui Outline Zoning Plan No S/K1/23 dated 25 April 2008.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2008
<p>3. 8 Wing Hing Street, Causeway Bay, Hong Kong</p> <p>The Remaining Portion of Section A and The Remaining Portion of Inland Lot No 2372 and The Remaining Portion of Section D, The Remaining Portion of Section C, The Remaining Portion of Section B, The Remaining Portion of Sub-section 1 of Section B and The Remaining Portion of Section A of Inland Lot No 5386</p>	<p>The property is a 28-storey commercial building completed in February 1999.</p> <p>Ground floor of the building accommodates 4 shops/2 carparking spaces/a carpark entrance/an entrance hall whilst 1st floor is designed for restaurant. The 2nd to 3rd floors of the building are designed for carparks which comprise a total of 22 carparking spaces being served by two car lifts whilst the 5th to 30th floors (with 4th, 14th and 24th omitted from floor numbering) are designed for office uses. Conversion works are being undertaken in the property to change it into a hotel building of 280 guest rooms.</p> <p>Upon completion, the Ground Floor and 1st Floor will accommodate the main entrance hall, hotel lobby, light refreshment restaurant. 2/F will accommodate carparking spaces whilst 3/F will be the back of house area. Guestrooms will be provided on the remaining upper floors. A spa will also be found on the 5/F and an exercise room will be found on the 30/F. The conversion works is scheduled to be completed by late 2008.</p> <p>The property comprises a total gross floor area of 10,050.54 sq m (108,184 sq ft).</p> <p>Inland Lot Nos 2372 and 5386 are each held under a Government lease for a term of 75 years from 13 February 1922 renewable for 75 years.</p>	<p>The property is vacant and conversion into a hotel building is being undertaken.</p>	<p>HK\$770,000,000</p>

Notes:

- (1) The registered owner of the property is Master Asia Enterprises Limited, a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Mortgage and Rent Assignment vide memorial nos UB7657993 and UB7657994 respectively in favour of The Hongkong and Shanghai Banking Corporation Limited dated 31 December 1998.
- (3) The property is subject to a Deed of Variation of Mortgage M/N 7657993 & Further Charge to supplement to Rent Assignment M/N 7657994 in favour of The Hong Kong and Shanghai Banking Corporation Limited dated 24 July 2000.
- (4) The property is subject to a Deed of Variation and Further Charge and Further Supplement to Rent Assignment vide memorial no 07020801930466 in favour of The Hongkong and Shanghai Banking Corporation Limited dated 26 January 2007.

- (5) We are advised by the Company that the total estimated conversion costs is approximately HK\$126,800,000. Based on the assumption that the conversion has been approved and as if completed as at 31 May 2008 in accordance with the proposal and relevant licences for use as a hotel have been granted, the market value of the property is estimated as HK\$970,000,000 as at 31 May 2008.
- (6) The renovation costs already expended as at 31 May 2008 was approximately HK\$21,300,000.
- (7) The property falls within an area zoned for ("Commercial/Residential") uses under North Point Outline Zoning Plan No S/H8/21 dated 27 July 2007.

The following is the text of a letter, summary of valuation and valuation certificates prepared for the purpose of incorporation in this circular, received from Grant Thornton LLP, an independent property valuer, in connection with its valuation as at 31 May 2008. Property values used in this report are equivalent Canadian dollar unless otherwise indicated. For reference, the market value of the property covered by this report and attributable to the Group of CDN\$46.5 million is equivalent to approximately HK\$365.0 million.



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333 Seymour Street
Vancouver, BC
V6B 0A4

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The Board of Directors
Asia Standard International Group Ltd.
30th Floor, Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai
Hong Kong

July 15, 2008

Dear Sirs,

In accordance with your instructions to us to value the property interests of Asia Standard International Group Limited (“the Company”) and its subsidiaries (together “the Group”) in the Empire Landmark Hotel, we confirm that we have carried out a site visit, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market values of such property interests as at May 31, 2008.

The definition of Market Value appearing in the Uniform Standards of Professional Appraisal Practice, modified for use in Canada, is:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated.
- Both parties are well informed or well advised, and acting in what they consider their best interests.

- A reasonable time is allowed for exposure in the open market.
- Payment is made in terms of cash in Canadian or U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

We have valued the property as a fully operational hotel with the inclusion of fixtures and equipment which are related to the operations. Our valuation is based on our July 15, 2008 valuation study report, with a May 31, 2008 valuation date and our review of the financial performance of the property prior to the May 31 valuation date.

We have relied to a considerable extent on the information provided by the management of the Empire Landmark Hotel and have accepted advice given to us by the Group on such matters as planning approvals, statutory notices, easements, tenure, development proposal, development programme, construction cost expended, outstanding construction cost, site and floor areas and all other relevant matters. We have not scrutinized the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate.

We have viewed the exterior of the property and did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the property is free from rot, infestation or any other defects. No tests were carried out on any of the services. In addition, we have not carried out investigations on the site to determine the suitability of the ground conditions and the service etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

No allowance has been made in our valuation for any charges or mortgages on or amounts owing in relation to any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. We assume that the property interests are free from encumbrances, restrictions and outgoing of any onerous nature which could affect their values.

According to the information prepared for the Group, the potential tax liability which would arise on any disposition would be as follows.

The following concerns the Canadian taxation of the Landmark Trust ("the Trust") and Global Gateway ("Global") on a disposition by the Trust of the Empire Landmark Hotel land and building and a disposition by Global of the fixed assets, leasehold interest and goodwill related to the hotel business.

In the event of a sale of the land and building by the Trust, the gain, if any, will be subject to an effective rate of tax of 21.46%. To the extent there is a recapture of tax depreciation previously claimed, the amount recaptured will be subject to tax at a rate of 42.92%. The rate of tax applying to

the gain may be reduced to the effective non-resident corporate rate of tax of 16.06% by arranging to have the asset transferred as a capital distribution from the Trust to one or both of the corporate beneficiaries prior to the sale. The rate of tax on recapture of tax depreciation would be reduced to 32.12%.

On a disposition by Global of fixed assets, leasehold interest and goodwill related to the hotel business, the gain, if any, will be subject to an effective rate of tax of 17.06%. To the extent there is recapture of tax depreciation previously claimed, the amount recaptured will be subject to tax at a rate of 34.12%. Global also would be subject to what is commonly known as "branch tax", generally comparable to dividend withholding tax. In general, branch tax would be applied at the rate of 25% of the total of the gain, if any, on the sale of fixed assets, leasehold and goodwill, and recapture of tax depreciation, less the amount of income taxes paid. Global may be able to reduce its taxable income by claiming available non-capital and net capital losses of other years.

According to our established practice, in the course of our Valuation we have neither verified nor taken into account such tax liability. As advised by the Group, it has no intention to dispose of these properties at present. Therefore, the likelihood of such potential tax liability is remote.

In valuing the property interests, we have prepared the report in accordance with the "First Edition of The HKIS Valuation Standards on Properties" published by the Hong Kong Institute of Surveyors ("HKIS") and Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have completed our valuation of this property as at March 31, 2008 for financial reporting purpose. The valuation of this property as at May 31, 2008 is the same as the valuation we assessed as at March 31, 2008.

In undertaking the valuation for the existing hotel, we have used the actual net profit of the hotels for the year up to May 31, 2008 and then capitalized the actual profit by a property yield to derive the market value of the hotel. We have not used any profit forecast in the valuation.

Based on our work, we conclude that the market value as at May 31, 2008 of the Empire Landmark Hotel attributable to the Group is CDN\$46.5 million. We enclose herewith our summary of valuation and valuation certificate.

Yours truly,
Grant Thornton LLP
Doug Bastin, CMC
Partner, Grant Thornton Consulting

Mr. Douglas Bastin is a Certified Management Consultant (CMC) and has over 25 years' experience in undertaking the valuation of hotel properties in Canada.

SUMMARY OF VALUATION

Property	Capital value projected as at 31 May 2008	Interest Attributable to the Group (67.7%)
1. The Empire Landmark Hotel 1400 Robson Street Vancouver, B.C. Canada V6G 1B9	CDN\$68.7 million	Capital value projected attributable to the Group as at 31 May, 2008 CDN\$46.5 million

VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy
The Empire Landmark Hotel 1400 Robson Street Vancouver, B.C., Canada V6G 1B9	<p>The subject property was built in 1972 with 42 floors and 3 levels of underground parking.</p> <p>The property has a registered site area of approximately 40,965 sq.ft. and comprises one city block. The subject property is zoned C6 Commercial; the hotel is a conforming use under this zoning classification.</p> <p>The hotel currently has 358 guest rooms.</p> <p>The property has 12 meeting rooms with a combined square footage of 14,000 sq.ft.; the major room is the ballroom with 4,588 sq.ft. of space.</p> <p>The property includes a restaurant and lounge with 210 seats and a 43 seat lobby bar and 36 seat café.</p> <p>The property also includes a fitness centre, a business centre, retail space and 10,000 sq.ft. of commercial lease space.</p>	The registered owner of this hotel is Liford Limited, a wholly-owned subsidiary of Asia Standard Hotel Group Limited.

Legal Description:

Lot 1, Block 44
Plan 15341
District Lot 185
PID # 003-511-138

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

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

As at the Latest Practicable Date, the authorized and issued share capital of the Company were as follows:

<i>Authorised:</i>	<i>HK\$</i>
<u>400,000,000,000</u> Shares	<u>4,000,000,000.00</u>
 <i>Issued and fully paid:</i>	
<u>10,875,834,822</u> Shares	<u>108,758,348.22</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.

Save for 235 Shares issued following the exercise of the Old Warrants by a shareholder on 17 April 2008, there has been no alteration to the issued share capital of the Company since the end of the last financial year of the Company, being 31 March 2008.

(b) **Share options**

As at the Latest Practicable Date, details of the outstanding share options were as follows:

Grantee	Number of underlying Shares subject to the outstanding share options
Fung Siu To, Clement	20,621,761
Lim Yin Cheng	20,621,761
Poon Jing	5,155,440
Lun Pui Kan	20,621,761
Kwan Po Lam, Phileas	20,621,761
Nicholas James Loup	20,621,761
Employees	30,932,640
Others	<u>10,310,880</u>
	149,507,765

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

(c) **Warrants**

As at the Latest Practicable Date, details of the outstanding Old Warrants were as follows:

Grantee	Subscription price (subject to adjustment) HK\$	Number of Shares subject to the outstanding Old Warrants
Asia Orient	0.179	729,156,442
Poon Jing	0.179	1,415,675
Public	0.179	<u>893,699,624</u>
		1,624,271,741

The warrants are exercisable from 7 September 2007 to 6 September 2008 at an initial subscription price of HK\$0.29 per Share. As a result of the Rights Issue the subscription price was adjusted from HK\$0.29 to HK\$0.256. Following the reset adjustment pursuant to the terms of the Old Warrants, the subscription price was further adjusted from HK\$0.256 to HK\$0.179 per Share on 6 March 2008.

As at the Latest Practicable Date, save as disclosed above, the Company did not have any options, warrants, derivatives or conversion rights affecting Shares.

3. DISCLOSURE OF DIRECTORS' INTEREST

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or pursuant to the Model Code, or to be disclosed in this circular pursuant to the requirements of the Takeovers Code, were as follows:

(i) Long position in shares

(a) *The Company*

Director	Number of Shares held			Percentage shareholding (%)
	Personal Interest	Corporate interest	Total	
Poon Jing	9,397,533	4,888,401,048 <i>(Note)</i>	4,897,798,581	45.03

Note: By virtue of his controlling interest (37.77%) in Asia Orient, Mr. Poon Jing is deemed to be interested in the Shares held by the subsidiaries of Asia Orient.

(b) *Subsidiaries*

Director	Subsidiary	Number of shares held			Percentage shareholding (%)
		Personal interest	Corporate interest	Total	
Poon Jing	Asia Standard Hotel	403,383	9,121,284,139	9,121,687,522	70.67
Poon Jing and Fung Siu To, Clement	Centop Investment Limited ("Centop")	—	20 <i>(Note 1)</i>	20	20
Poon Jing	Centop	—	80 <i>(Note 2)</i>	80	80
Fung Siu To, Clement	Mark Honour Limited	9	—	9	9

Note 1. Centop is owned as to 80% by the Company and 20% by Kingscore Investment Limited (“Kingscore”). Each of Mr. Poon Jing and Mr. Fung Siu To, Clement 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.

Note 2. By virtue of his interest in the Company through Asia Orient, Mr. Poon Jing is deemed to be interested in the shares of all the Company’s subsidiaries and associated corporations.

(ii) **Long position in underlying shares**

Interests in share options

(a) *The Company*

Name of Director	Number of underlying Shares subject to the outstanding share options
Fung Siu To, Clement	20,621,761
Lim Yin Cheng	20,621,761
Poon Jing	5,155,440
Lun Pui Kan	20,621,761
Kwan Po Lam, Phileas	20,621,761
Nicholas James Loup	20,621,761

Share options (as adjusted) are exercisable during the period from 30 March 2005 to 29 March 2015 at exercise price of HK\$0.315 per Share (as adjusted).

(b) *Asia Standard Hotel*

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

Interests in warrants(a) *The Company*

Name of Director	Number of warrants held		
	Personal interest	Corporate interest	Total
Poon Jing	1,415,675	729,156,442 <i>(Note)</i>	730,572,117

Note: By virtue of his controlling interest (37.77%) in Asia Orient, Mr. Poon Jing is deemed to be interested in the Old Warrants held by Asia Orient.

The warrants are exercisable from 7 September 2007 to 6 September 2008 at an initial subscription price of HK\$0.29 per Share. As a result of the Rights Issue of the Company on the basis of 1 rights share for every 2 shares held by shareholders as of 13 February 2008 the subscription price was adjusted from HK\$0.29 to HK\$0.256 per Share. Following the reset adjustment pursuant to the terms of the Old Warrants, the subscription price was adjusted from HK\$0.256 to HK\$0.179 per Share on 6 March 2008.

(b) *Asia Standard Hotel*

Name of Director	Number of warrants held		
	Personal interest	Corporate interest	Total
Poon Jing	76,686	1,742,211,916	1,742,288,602

The warrants are exercisable from 7 September 2007 to 6 September 2010 at an initial subscription price of HK\$0.146 per share. Following the reset adjustment pursuant to the terms of warrants of Asia Standard Hotel, the subscription price was adjusted from HK\$0.146 to HK\$0.084 per share on 6 March 2008.

Save as disclosed in this section headed "Disclosure of Directors' Interest", as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares, debentures, options, warrants and convertible securities of and derivatives in respect of shares of the Company or any of its associated corporation(s) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code in the Listing Rules or pursuant to the requirements of the Takeovers Code to be disclosed in this circular.

4. ADDITIONAL DISCLOSURE OF THE CONCERT PARTY GROUP

- (a) The principal members of the Concert Party Group are Asia Orient and Mr. Poon Jing.

Asia Orient has its registered office at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda and its head office and principal place of business in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong. The board of directors of Asia Orient comprises Messrs. Fung Siu To Clement, Lim Yin Cheng, Poon Jing, Lun Pui Kan, Kwan Po Lam Phileas, Chan Sze Hung, Cheung Kwok Wah Ken, Hung Yat Ming and Wong Chi Keung. Mr. Poon Jing is the controlling shareholder of Asia Orient who together with parties acting in concert with him has an interest of approximately 39.58% in Asia Orient.

The address of Mr. Poon Jing is N.T.D.D. 381, Lot 951, Section J, New Territories, Hong Kong.

- (b) Save for the interests of Mr. Poon Jing and Mr. Fung Siu To, Clement in the Company as disclosed under the section headed "Disclosure of Directors' Interest", none of the directors of Asia Orient has interest in the Company.
- (c) As at the Latest Practicable Date, the Concert Party Group was interested in 4,897,798,581 Shares representing approximately 45.03% of the issued capital of the Company.

Individual interests of the members of the Concert Party Group in the Company were as follows:

- (i) Interest in Shares

	Number of Shares interested	Percentage shareholding (%)
Poon Jing (<i>Note 1</i>)	4,897,798,581	45.03
Asia Orient (<i>Note 2</i>)	4,888,401,048	44.94

Note 1: Mr. Poon Jing is also a director of Asia Orient. He is the beneficial owner of 9,397,533 Shares. In addition, by virtue of his controlling interest (37.77%) in Asia Orient, Mr. Poon Jing is deemed to be interested in the Shares held by the subsidiaries of Asia Orient.

Note 2: Asia Orient is deemed to be interested in the Shares held by Asia Orient Company Limited, a wholly-owned subsidiary of Asia Orient.

(ii) Interest in share options and warrants

	Number of share options held	Number of Old Warrants held
Poon Jing	5,155,440	1,415,675
Asia Orient	—	729,156,442
Fung Siu To, Clement	20,621,761	—

Save as disclosed above, as at the Latest Practicable Date, the Concert Party Group did not hold any Shares, options, warrants, derivatives, or other convertible securities and rights affecting the Shares.

- (d) Save that Asia Orient and Mr. Poon Jing acquired their respective assured entitlements of 1,629,467,010 and 3,132,511 rights shares of the Company at the price of HK\$0.18 per Share, respectively, on 10 March 2008, none of the members of the Concert Party Group (including the directors of Asia Orient) has dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.
- (e) None of the members of the Concert Party Group (including the directors of Asia Orient) has borrowed or lent Shares during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.
- (f) It is the intention of the Concert Party Group that the existing business of the Group should be continued and not to introduce any major changes in the Group's business, including any redeployment of the fixed assets of the Group. In addition, the Concert Party Group does not have any plan to cause any change to the continued employment of the Group's employees.

5. SHAREHOLDINGS AND DEALINGS IN THE SHARES OF ASIA ORIENT

- (a) As at the Latest Practicable Date, save as disclosed below, neither the Company nor any of the Directors had any interest in shares, convertible securities, warrants, options or derivatives of Asia Orient:

(i) Directors' interests in the shares of Asia Orient

Director	Number of shares in Asia Orient held by such Director			Total	Approximate percentage shareholding (%)
	Personal Interest	Corporate Interest	Family Interest		
Poon Jing	123,873,694	107,619,384	3,953,852	235,446,930	37.77
Fung Siu To, Clement	11,260,763	—	—	11,260,763	1.81

(ii) Directors' interests in the share options of Asia Orient

Director	Capacity	Number of underlying shares in Asia Orient subject to the outstanding share options
Fung Siu To, Clement	Beneficial owner	2,126,301
Lim Yin Cheng	Beneficial owner	2,126,301
Lun Pui Kan	Beneficial owner	2,126,301
Kwan Po Lam, Phileas	Beneficial owner	2,126,301

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

- (b) Save that Mr. Poon Jing acquired 416,000 shares of Asia Orient at the price of HK\$1.35 per share in Asia Orient from the open market on 25 January 2008, neither the Company nor any Director has dealt for value in any securities of Asia Orient during the period beginning six months prior to the date of the Announcement and ending with the Latest Practicable Date.

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

- (a) As at the Latest Practicable Date, none of the Warrants to be issued and the Shares falling to be issued to any member of the Concert Party Group under the Bonus Issue of Warrants will be transferred, charged or pledged to any other persons.
- (b) As at the Latest Practicable Date, no persons holding shares, convertible securities, warrants, options or derivative of the Company have irrevocably committed themselves to vote for or against the approval of the Bonus Issue of Warrants or the Whitewash Waiver.
- (c) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code was entered into by any person with Asia Orient or any person acting in concert with it with respect to the shares, convertible securities, warrants, options or derivatives of the Company.
- (d) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between Asia Orient and parties acting in concert with it and any of the directors, recent directors, shareholder or recent shareholders of the Company having any connection with or dependence upon the Bonus Issue of Warrants and the Whitewash Waiver.
- (e) As at the Latest Practicable Date, none of (i) the subsidiaries of the Company; (ii) any pension funds of the Group; and (iii) any adviser to the Company as specified in class (2) of the definition of associates, had any interest in the shares, convertible securities, warrants, options or derivatives of the Company.
- (f) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code was entered into by any person with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code with respect to the shares, convertible securities, warrants, options or derivatives of the Company.
- (g) As at the Latest Practicable Date, there were no holdings in the shares, convertible securities, warrants, options or derivatives of the Company which are managed on a discretionary basis by fund managers connected with the Company.
- (h) As at the Latest Practicable Date, no benefit had been given or would be given to any Director as compensation for loss of office or otherwise in connection with the Bonus Issue of Warrants and/or the Whitewash Waiver.
- (i) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the Bonus Issue of Warrants or the Whitewash Waiver or otherwise connected with any of them.

- (j) As at the Latest Practicable Date, none of the Directors had any material personal interest in any material contract entered into by Asia Orient.
- (k) None of the Directors has borrowed or lent any Shares during the six months period prior to the date of the Announcement and ending on the Latest Practicable Date.

7. MARKET PRICE OF SHARES

The table below shows the closing prices of the Shares on the Stock Exchange (a) on the last trading day of the Shares prior to the publication of the Announcement, being 15 July 2008; (b) at the end of each of the calendar month during the period commencing six months preceding the date of the Announcement and ending on the Latest Practicable Date; and (c) on the Latest Practicable Date:

Date	Closing price <i>HK\$</i>
31 January 2008	0.180
29 February 2008	0.191
31 March 2008	0.147
30 April 2008	0.151
30 May 2008	0.146
30 June 2008	0.128
15 July 2008	0.132
31 July 2008	0.128
Latest Practicable Date	0.127

The highest and lowest closing prices of the Shares as recorded on the Stock Exchange during the period commencing six months preceding the date of the Announcement and ending on the Latest Practicable Date were HK\$0.198 per Share on 27 February 2008 and HK\$0.124 per Share on 3 July 2008, respectively.

8. EXPERTS' QUALIFICATIONS AND CONSENTS

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

Name	Qualification
VC Capital	a licensed corporation licensed to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO
Vigers Appraisal & Consulting Limited	Professional Surveyors and Valuers
Knight Frank Petty Limited	Professional Surveyors and Valuers
Grant Thornton LLP	Professional Appraisers and Valuers

Each of VC Capital, Vigers Appraisal & Consulting Limited, Knight Frank Petty Limited and Grant Thornton LLP has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report (as the case may be) and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of VC Capital, Vigers Appraisal & Consulting Limited, Knight Frank Petty Limited and Grant Thornton LLP:

- (a) did not have any direct or indirect interest in any asset which had since 31 March 2008, being the date to which the latest published audited accounts of the Company were made up, been acquired or disposed of by, or leased to, any member of the Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (b) was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. SERVICE AGREEMENTS

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

10. LITIGATION

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

11. MATERIAL CONTRACTS

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

- (a) the underwriting agreement dated 25 September 2006 between the Company and Taifook Securities Company Limited in relation to the underwriting in respect of the rights issue of the Company on the basis of one right share for every three Shares at a price of HK\$0.175 per rights share;
- (b) the deed poll dated 31 August 2007 executed by the Company constituting the Old Warrants;
- (c) the deed poll dated 31 August 2007 executed by Asia Standard Hotel constituting the warrants which entitle the holders thereof to subscribe, at any time from the date of issue and the date immediately preceding the date falling on the third anniversary of the date of issue, for fully paid shares in Asia Standard Hotel at the initial subscription price of HK\$0.146 (subject to adjustments); and
- (d) the underwriting agreement dated 7 January 2008 between the Company, Taifook Securities Company Limited and Get Nice Investment Limited in relation to the underwriting in respect of the rights issue of the Company on the basis of one rights share for every two Shares at a price of HK\$0.18 per rights share.

12. PROCEDURE TO DEMAND A POLL AT THE SPECIAL GENERAL MEETING

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

- (a) by the Chairman of the meeting; or
- (b) not less than three Shareholders present in person or by a duly authorised corporate representative or by proxy having the right to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

- (d) by any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

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

13. GENERAL

- (a) The financial adviser to the Company is Anglo Chinese Corporate Finance, Limited and its address is 40th Floor, Two Exchange Square, 8 Connaught Road Central, Hong Kong.
- (b) The English text of this circular prevails over the Chinese text.
- (c) A copy of this circular, having attached thereto the written consents referred to under the heading “Experts’ Qualifications and Consents” in this appendix, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. A copy of this circular has been or will as soon as practicable be filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended).

14. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturday and public holidays) at the head office and principal place of business of the Company in Hong Kong from the date of this circular up to and including 27 August 2008 and will be also available at the SGM and the same will be uploaded at the Company’s website (www.asiastandard.com) and the website of The Securities and Futures Commission of Hong Kong (www.sfc.hk) until and including the date of the SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the material contracts referred to in the section headed “Material Contracts” in this appendix;
- (c) the written consents issued by VC Capital, Vigers Appraisal & Consulting Limited, Knight Frank Petty Limited and Grant Thornton LLP;
- (d) the annual reports of the Company for the two years ended 31 March 2007 and 31 March 2008;

- (e) the letter from the Independent Board Committee, the text of which is set out on page 16 of this circular;
- (f) the letter from VC Capital, the text of which is set out on pages 17 to 27 of this circular;
- (g) the letter with the summary of valuation and valuation certificates issued by Vigers Appraisal & Consulting Limited set out in Appendix II to this circular;
- (h) the letter with the summary of valuation and valuation certificates issued by Knight Frank Petty Limited set out in Appendix II to this circular; and
- (i) the letter with the summary of valuation and valuation certificates issued by Grant Thornton LLP set out in Appendix II to this circular.

APPENDIX IV SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

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

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

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

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

The Warrants will confer rights to subscribe up to the Maximum Warrant Amount (subject to adjustment) for Shares, at the Subscription Price (subject to adjustment).

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

1. SUBSCRIPTION RIGHTS

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

APPENDIX IV SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

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

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

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

2. ADJUSTMENTS OF SUBSCRIPTION PRICE AND EXERCISE MONEYS

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

- (a) The Subscription Price will (except as mentioned in sub-paragraphs (b) and (c) below) in each of the following cases, and the Exercise Moneys will in the case of sub-paragraph (a)(viii) below, be adjusted as provided in the Instrument (but the Subscription Price shall however not be adjusted below the nominal value of the Shares until the Subscription Right Reserve (as defined in the Instrument) is maintained pursuant to the terms and conditions of the Instrument):
 - (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
 - (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully-paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

APPENDIX IV SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

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

APPENDIX IV SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

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

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

3. REGISTERED WARRANTS

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

4. REGISTER, TRANSFER AND TRANSMISSION

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

5. PURCHASE AND CANCELLATION

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

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

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

6. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

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

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

7. REPLACEMENT OF WARRANT CERTIFICATES

If a Warrant certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Directors, be replaced at the principal office of the Registrars in Hong Kong (unless the Directors otherwise direct) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Directors may require and on payment of such fee not exceeding HK\$2.50 (or such higher fee as may from time to time be permitted by the Stock Exchange) as the Directors may determine. Mutilated or defaced warrant certificates must be surrendered before replacements will be issued.

APPENDIX IV SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

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

8. PROTECTION OF SUBSCRIPTION RIGHTS

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

9. CALL

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

10. FURTHER ISSUES

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

11. UNDERTAKINGS BY THE COMPANY

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

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

- (e) it will keep available for issue sufficient ordinary capital to satisfy in full all outstanding Subscriptions Rights.

12. NOTICES

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

13. WINDING-UP OF THE COMPANY

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

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

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

14. OVERSEAS WARRANTHOLDERS

If a Warrantholder has a registered address in any territory (other than Hong Kong) where, in the opinion of the Directors, the allotment of Shares to such Warrantholder upon exercise of any Subscription Rights would or might, in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory, then the Company shall, acting as agent for such Warrantholder, as soon as practicable after an exercise by such Warrantholder of any Subscription Rights, either:

- (a) allot the Shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Company; or

APPENDIX IV SUMMARY OF THE TERMS AND CONDITIONS OF THE WARRANTS

- (b) allot such Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Company,

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

15. GOVERNING LAW

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

NOTICE OF SGM



ASIA STANDARD INTERNATIONAL GROUP LIMITED

(泛海國際集團有限公司)*

(incorporated in the Bermuda with limited liability)

(Stock Code: 129)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders (“Shareholders”) of Asia Standard International Group Limited (“Company”) will be held at Basement 1, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Wednesday, 27 August 2008 at 10:30 a.m. (or, if later, immediately following the conclusion or adjournment of the annual general meeting of the Company to be held at the same place at 10:00 a.m. on 27 August 2008) for the purpose of considering and, if thought fit, passing the following Resolutions:-

ORDINARY RESOLUTIONS

1. “**THAT** conditional upon (a) the passing of Resolution 2 by the Independent Shareholders (as defined in the circular (the “**Circular**”) of the Company to the shareholders of the Company (the “**Shareholders**”) dated 5 August 2008 of which this notice forms part, a copy of which is marked “A” and signed by the Chairman of this meeting for the purpose of identification) as set out in the notice convening this meeting of which this Resolution forms part; and (b) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval for the listing of, and permission to deal in, the shares of HK\$0.01 each (the “**Shares**”) in the capital of the Company which may fall to be issued upon exercise of the subscription rights attaching to the Warrants (as defined below), the Directors be and are hereby authorised:
 - (A) to create and issue warrants (the “**Warrants**”) to subscribe for new Shares at any time during the period from the date of issue thereof to the date immediately preceding the date falling on the first anniversary of the date of issue of the Warrants (both dates inclusive) at the Subscription Price (as defined in the Circular) per Share, subject to adjustment, upon the terms and conditions of the instrument by way of deed poll constituting the Warrants (the “**Warrant Instrument**”) (a copy of the draft Warrant Instrument, subject to further modifications, is marked “B” and signed by the Chairman of this meeting for the purpose of identification) by way of bonus issue to the Shareholders whose names appear on the register of members of the Company on 26 August 2008 (the “**Record Date**”) in the proportion of one Warrant for every five Shares then held **PROVIDED THAT** (a) the Warrants shall not be issued to the Excluded Shareholders (as defined in the Circular) but shall be sold through a private matching service to be provided by the Company or its agent and the net proceeds of sale, after deduction of expenses, shall be distributed in Hong Kong dollars to the Excluded Shareholders, if any, pro rata to their respective shareholdings

* For identification purposes only

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unless the amount falling to be distributed to any such Excluded Shareholder is less than HK\$100.00, in which case it shall be retained for the benefit of the Company; and (b) fractional entitlements shall not be allotted but shall be aggregated and sold for the benefit of the Company;

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

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

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

By Order of the Board
Lun Pui Kan
Secretary

Hong Kong, 5 August 2008

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

*Head office and principal place of
business in Hong Kong:*
30th Floor
Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai
Hong Kong

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Notes:

1. Every Shareholder entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a Shareholder of the Company.
2. A form of proxy for use at the above meeting is enclosed herewith.
3. Where there are joint holders of any Shares, any one of such persons may vote at the meeting, personally or by proxy or by a duly authorized corporate representative (as defined in the Bye-Laws), in respect of such Shares as if he was solely entitled thereto provided that if more than one of such joint holders be present at the meeting personally or by proxy or by a duly authorized corporate representative, the person whose name stands first on the register of Shareholders in respect of such Shares shall alone be entitled to vote in respect thereof.
4. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the head office and principal place of business of the Company in Hong Kong at 30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting (or any adjournment thereof).
5. Members are recommended to read the circular of the Company containing information concerning the Resolutions proposed in this notice.

As at the date hereof, the executive Directors are Mr. Fung Siu To Clement, Dr. Lim Yin Cheng, Mr. Poon Jing, Mr. Lun Pui Kan, Mr. Kwan Po Lam Phileas and Mr. Nicholas James Loup; the non-executive Director is Mr. Au Yat Chuen Raymond and the independent non-executive Directors are Mr. Koon Bok Ming Alan, Mr. Leung Wai Keung Richard and Mr. Wong Chi Keung.