THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Capital Estate Limited (the "Company"), you should at once hand this circular together with the form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

CAPITAL ESTATE LIMITED
冠 中 地 產 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

(1) CONNECTED TRANSACTION — SUBSCRIPTION OF SHARES BY A CONNECTED PERSON;
AND
(2) WHITEWASH WAIVER

Financial Adviser to the Company

Access Capital

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

ALTUS CAPITAL LIMITED

A letter from the independent board committee of the Company (the "Independent Board Committee") is set out on pages 14 to 15 of this circular.

A letter from Altus Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the independent shareholders of the Company is set out on pages 16 to 26 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at Empire Room 1, M/Floor, Empire Hotel Hong Kong Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong, on Wednesday, 15 July 2009 at 9:00 a.m. is set out on pages 153 to 155 of this circular. A form of proxy is also enclosed with this circular.

Whether or not you are able to attend the extraordinary general meeting of the Company, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting (as the case may be) should you so wish.

19 June 2009

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In this circular, unless otherwise defined, terms used herein shall have the following meaning:

"Altus Capital" or "Independent Financial Adviser"	Altus Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the Whitewash Waiver
"Announcement"	the announcement dated 16 April 2009 jointly made by the Company and Fullkeen in relation to, among other things, the Subscription and the Whitewash Waiver
"associates"	the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"BVI"	British Virgin Islands
"Company"	Capital Estate Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
"Concert Group"	Mr. Chu, Mr. Si, Mr. Sio, Ms. Liu Yan Xia (also known as "Lao Im Ha"), the spouse of Mr. Sio, and Fullkeen
"connected persons"	the meaning ascribed thereto in the Listing Rules
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company at Empire Room 1, M/Floor, Empire Hotel Hong Kong Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong, on Wednesday, 15 July 2009 at 9:00 a.m. for the purpose of considering, and if thought fit, approving the Subscription and the Whitewash Waiver
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates
"Fullkeen" or the "Subscriber"	Fullkeen Holdings Limited, a company incorporated in the BVI with limited liability and is beneficially owned as to 70% by Mr. Sio and as to 30% by Mr. Si as at the Latest Practicable Date
"Group"	the Company and its subsidiaries

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hotel Fortuna Acquisition"	the acquisition of 100% of the issued share capital of Hotel Fortuna (Hong Kong) from the Hotel Fortuna Vendors by the Company as disclosed in the circular of the Company dated 28 March 2008
"Hotel Fortuna (Hong Kong)"	Hotel Fortuna (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability
"Hotel Fortuna Vendors"	Mason Creation Limited, Upper Way Holdings Limited and Mr. Siu Ka Kuen
"Independent Board Committee"	the independent committee of the Board, comprising Messrs. Li Sze Kuen, Billy, Wong Kwong Fat and Leung Kam Fai, all of whom are independent non-executive Directors, formed to advise the Independent Shareholders as to the Subscription and the Whitewash Waiver
"Independent Shareholders"	Shareholders other than the Concert Group and those who are involved in or interested in the Subscription and the Whitewash Waiver
"Last Trading Day"	16 April 2009, being the last full trading day immediately before the signing of the Subscription Agreement
"Latest Practicable Date"	17 June 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Chu"	Mr. Chu Nin Yiu, Stephen, the executive chairman and a substantial shareholder of the Company, who is beneficially interested in 25.1% of the issued share capital of the Company

"Mr. Lau"	Mr. Lau Chi Kan, Michael, a Director and Shareholder, who was beneficially interested in 75,000 Shares, representing less than 0.01% of the issued share capital of the Company as at the Latest Practicable Date
"Mr. Si"	Mr. Si Tit Sang, who beneficially owns 30% of Fullkeen
"Mr. Sio"	Mr. Sio Tak Hong, who beneficially owns 70% of Fullkeen
"PRC"	the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Relevant Period"	the period commencing from 17 October 2008 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	shares of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription for the Subscription Shares as contemplated under the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 16 April 2009 entered into between the Company and Fullkeen in respect of the Subscription
"Subscription Price"	HK$0.025 each Subscription Share
"Subscription Shares"	8,000,000,000 new Shares to be issued and allotted under the Subscription Agreement
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, in respect of the obligations of the Concert Group to make a mandatory general offer for all the securities of the Company not already owned by the Concert Group which would otherwise arise as a result of the issue and allotment of the Subscription Shares under the Subscription Agreement
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	percent.

CAPITAL ESTATE LIMITED
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 193)

Execution Directors:
Mr. Chu Nin Yiu, Stephen *(Executive Chairman)*
Mr. Chu Nin Wai, David *(Deputy Chairman)*
Mr. Lau Chi Kan, Michael

Independent non-executive Directors:
Mr. Li Sze Kuen, Billy
Mr. Wong Kwong Fat
Mr. Leung Kam Fai

Registered office:
17th Floor
Asia Orient Tower, Town Place
33 Lockhart Road
Wanchai
Hong Kong

19 June 2009

To the Shareholders

Dear Sir/Madam,

(1) CONNECTED TRANSACTION — SUBSCRIPTION OF SHARES BY A CONNECTED PERSON; AND (2) WHITEWASH WAIVER

INTRODUCTION

On 16 April 2009, the Board announced in the Announcement that the Company and Fullkeen, a company beneficially owned as to 70% by Mr. Sio and as to 30% by Mr. Si, entered into the Subscription Agreement in relation to the subscription of 8,000,000,000 new Shares at HK$0.025 per Subscription Share.

As Fullkeen is beneficially owned by Mr. Sio and Mr. Si, both of whom are directors of subsidiaries of the Company, Fullkeen is an associate of both Mr. Sio and Mr. Si, and a connected person of the Company under the Listing Rules. Accordingly, the Subscription constitutes a connected transaction under Chapter 14A of the Listing Rules and is subject to, among other things, the approval of the Independent Shareholders at the EGM, on which voting shall be taken by poll.

Mr. Sio, Mr. Si, Mr. Chu and Ms. Liu Yan Xia (also known as "Lao Im Ha") are parties acting in concert.

Upon completion of the Subscription, the total interest of the Concert Group in the Company will increase from approximately 26.9% to approximately 54.4%.

Under Rule 26 of the Takeovers Code, the issue of the Subscription Shares to Fullkeen pursuant to the Subscription Agreement will trigger a mandatory offer by Fullkeen for all the securities of the Company other than those already owned by the Concert Group. An application has been made by Fullkeen to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to the approval of the Independent Shareholders at the EGM on which voting shall be taken by poll. The Concert Group and their respective associates, and the Directors (including Mr. Lau) and those who are interested in or involved in the Subscription and the Whitewash Wavier, will abstain from voting on the resolution to approve the Subscription and the Whitewash Waiver at the EGM.

An Independent Board Committee, comprising Messrs. Li Sze Kuen, Billy, Wong Kwong Fat and Leung Kam Fai, being all the independent non-executive Directors of the Company, has been established to advise the Independent Shareholders as to the Subscription and the Whitewash Waiver. The letter from the Independent Board Committee setting out its advice and recommendations to the Independent Shareholders on the Subscription and the Whitewash Waiver is set out on pages 14 to 15 of this circular.

Altus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver. The letter from the Independent Financial Adviser setting out its advice and recommendations to the Independent Board Committee and the Independent Shareholders on the Subscription and the Whitewash Waiver is set out on pages 16 to 26 of this circular.

The purpose of this circular is to provide Shareholders with details of the Subscription and the Whitewash Waiver, and a notice convening the EGM.

THE SUBSCRIPTION

The Subscription Agreement

On 16 April, 2009, the Company and Fullkeen, a company beneficially owned as to 70% by Mr. Sio and as to 30% by Mr. Si, entered into the Subscription Agreement in relation to the subscription of 8,000,000,000 new Shares at HK$0.025 per Subscription Share.

Summarised below are the principal terms of the Subscription Agreement:

Date

16 April 2009

Parties

(a) Issuer: the Company; and

(b) Subscriber: Fullkeen

Fullkeen is a company incorporated on 6 March 2009 in the BVI with limited liability and is an investment holding company. Fullkeen is beneficially owned as to 70% by Mr. Sio and as to 30% by Mr. Si.

As Fullkeen is owned by Mr. Sio and Mr. Si, both are directors of subsidiaries of the Company and Fullkeen is an associate of both Mr. Sio and Mr. Si, it is a connected person of the Company under the Listing Rules.

Subscription Price

The Subscription Price of HK$0.025 was determined on an arm's length basis and represents:

(i) a discount of approximately 28.57% to the closing price of HK$0.0350 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 20.38% to the average closing price per Share of approximately HK$0.0314 in the last five consecutive trading days immediately prior to and including the Last Trading Day;

(iii) a discount of approximately 16.67% to the average closing price per Share of approximately HK$0.0300 in the last ten consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 58.33% to the closing price of HK$0.0600 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

(v) a discount of approximately 57.26% to the Company's unaudited consolidated net assets of approximately HK$0.0585 per Share as at 31 January 2009.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with all other Shares in issue at the time of issue and allotment of the Subscription Shares but will not participate in any dividend or other distribution which has been or may be declared with a record date prior to the date of issue and allotment of the Subscription Shares.

The Subscription Shares

The Subscription Shares represent approximately 60.2% of the existing issued share capital of the Company and approximately 37.6% of the issued share capital of the Company as enlarged by the Subscription Shares, respectively.

The Subscription Shares will be issued under a specific mandate to be considered by the Independent Shareholders at the EGM. Application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Conditions of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon:

(i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares;

(ii) the granting of the Whitewash Waiver by the Executive; and

(iii) the Independent Shareholders approving by way of poll at the EGM the Subscription Agreement, the Whitewash Waiver, the issue and allotment of the Subscription Shares to Fullkeen and the implementation of the transactions contemplated under the Subscription Agreement.

The above conditions cannot be waived by the parties to the Subscription Agreement. In the event that the conditions to the Subscription Agreement are not fulfilled by 31 July 2009, or such later date as may be agreed between the Company and Fullkeen, all rights, obligations and liabilities of the parties in respect of or under the Subscription Agreement shall cease and terminate, and neither party shall have any claim of any nature whatsoever against the other under the Subscription Agreement.

Completion shall take place on the eighth business day after fulfilment of the conditions or such other date as the Company and Fullkeen may agree in writing.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in property rental, financial investment, property development and sales, and hotel operations.

Reference is made to the circular of the Company dated 28 March 2008 in relation to the Hotel Fortuna Acquisition. As announced by the Company, on 29 February 2008, the Company entered into the sale and purchase agreement with the Hotel Fortuna Vendors, namely, Mason Creation Limited (beneficially owned as to 50% by Mr. Sio, 20% by Mr. Si and 30% by Mr. Kong Tat Choi), Upper Way Holdings Limited (beneficially owned as to 41.7% by Mr. Tang Fung, 41.7% by Mr. Lai Kin Hak and 16.6% by Mr. Xiao De Wei) and Mr. Siu Ka Kuen, pursuant to which the Company conditionally agreed to acquire from the Hotel Fortuna Vendors the entire issued share capital of Hotel Fortuna (Hong Kong) and the relevant shareholders' loans at an aggregate consideration of HK$550,000,000, subject to adjustments. The Hotel Fortuna Acquisition was approved by the then shareholders of the Company on 14 April 2008 and was subsequently completed on 31 December 2008 ("Completion Date") at the adjusted consideration of approximately HK$534.0 million. Out of the total consideration, HK$284.0 million (before any accrued interest) remains outstanding, which is to be settled on or before the expiry of the third year after the Completion Date in accordance with the terms of the relevant sale and purchase agreement (the "Hotel Fortuna Loan"). The Company is currently paying interest to each of the Hotel Fortuna Vendors at the rate of 2% per annum on the outstanding amount of the Hotel Fortuna Loan.

As stated in the interim results announcement of the Company dated 8 April 2009, the Group's unaudited net loss attributable to equity holders of the Company for the six months ended 31 January 2009 amounted to approximately HK$229.3 million, representing a deterioration from an unaudited net loss of approximately HK$146.5 million for the same period last year which was mainly attributable to an impairment loss on properties for development and goodwill arising from the acquisition of Hotel Fortuna (Hong Kong) as a result of the recent downturn in the global economy and uncertainties surrounding the financial and property markets. As a result of the completion of the Hotel Fortuna Acquisition, the Group's gearing ratio (total liabilities/shareholders' funds before minority interests) amounted to approximately 74.0% as at 31 January 2009 compared with approximately 4.0% as at 31 July 2008.

Notwithstanding the fact that the Group has the financial capability to pay the interest to the Hotel Fortuna Vendors as it falls due, the Directors are mindful of the significant deterioration in economic and credit conditions that has affected the world economies since the announcement of the Hotel Fortuna Acquisition in March 2008. Given the uncertain outlook in the near to medium term, the Group is conscious that there is no assurance that the Company will be able to obtain the necessary funding, either through debt or equity financing or both, to re-finance the Hotel Fortuna Loan.

The Directors, having taken a prudent approach in evaluating the current financial position of the Group, consider the entering the Subscription allows the Group to (i) strengthen its capital base; (ii) improve its gearing ratio; (iii) remove uncertainty over the Company's ability to pay the majority of the outstanding remaining balance under the Hotel Fortuna Acquisition; and (iv) save interest expenses for the majority of the remaining outstanding balance. In addition, the Directors consider that the Subscription, and the consequential strengthening of the Group's financial position, will afford the Group more flexibility in seeking new investment opportunities, which may entail new debt financing arrangements at appropriate terms.

The gross proceeds from the Subscription are estimated to be approximately HK$200 million. After deducting estimated expenses relating to the Subscription, the net proceeds from the Subscription would amount to approximately HK$198.7 million. The Company intends to use the net proceeds as to approximately HK$172.1 million for settling all the outstanding balance payable to Mason Creation Limited in relation to the Hotel Fortuna Acquisition and as to approximately HK$26.6 million for general working capital purposes. On this basis, the net price per Subscription Share is approximately HK$0.0248.

As at the Latest Practicable Date, Mr. Sio, Mr. Si and Mr. Kong Tat Choi (being the beneficial owners of Mason Creation Limited) are directors of certain subsidiaries of the Company. While Mr. Sio and Mr. Si are beneficial owners of the Subscriber subscribing for 8,000,000,000 new Shares under the Subscription Agreement, Mr. Kong Tat Choi is not a Shareholder as at the Latest Practicable Date.

SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company before and after completion of the Subscription:

	Existing shareholding		**Immediately after completion of the Subscription**	
	Number of Shares	*Approximate percentage (%)*	*Number of Shares*	*Approximate percentage (%)*
Concert Group:				
Subscriber[1]	—	—	8,000,000,000	37.6
Ms. Liu Yan Xia (also known as "Lao Im Ha")[2]	244,910,000	1.8	244,910,000	1.1
Mr. Chu[3]	3,334,474,000	25.1	3,334,474,000	15.7
Aggregate holdings of the Concert Group	3,579,384,000	26.9	11,579,384,000	54.4
Other Shareholders	9,707,512,896	73.1	9,707,512,896	45.6
Total	13,286,896,896	100	21,286,896,896	100

Note:

1. The Subscriber is owned as to 70% by Mr. Sio and 30% by Mr. Si.
2. Ms. Liu Yan Xia (also known as "Lao Im Ha") is the spouse of Mr. Sio.
3. Mr. Chu is a director of the Company. On 19 September 2008, Mr. Chu was granted options to subscribe for 117,000,000 new Shares at the exercise price of HK$0.0348 per Share, exercisable from 19 September 2008 to 18 March 2010.

As at the Latest Practicable Date, save for a total of 197,000,000 options, the Company had no other outstanding securities, warrants, options or derivatives which are convertible or exchangeable into Shares.

PREVIOUS FUND RAISING EXERCISES OF THE COMPANY

The Company did not conduct any fund raising exercises in the past 12 months immediately preceding the Latest Practicable Date.

INTENTION OF FULLKEEN REGARDING THE GROUP

It is the intention of Fullkeen that the Group will continue with its existing principal activities. Fullkeen believes that the Subscription will provide further support to the business of the Group as well as providing the Group with additional cash to strengthen its financial position. Fullkeen has no intention to introduce any major changes to the existing business, or any redeployment of fixed assets of the Group other than in its ordinary course of business, and intends that the employees of the Company and its subsidiaries will continue to be employed by the Group.

WHITEWASH WAIVER

Mr. Sio, Mr. Si, Mr. Chu and Ms. Liu Yan Xia (also known as "Lao Im Ha") are parties acting in concert.

As at the Latest Practicable Date, Mr. Chu, the executive chairman and a substantial Shareholder of the Company, and Ms. Liu Yan Xia (also known as "Lao Im Ha"), spouse of Mr. Sio, were interested in 3,334,474,000 and 244,910,000 Shares, representing approximately 25.1% and 1.8% of the issued share capital of the Company, respectively.

Upon completion of the Subscription, the total interest of the Concert Group in the Company will increase from approximately 26.9% to approximately 54.4%.

Under Rule 26 of the Takeovers Code, the issue of the Subscription Shares to Fullkeen pursuant to the Subscription Agreement will trigger a mandatory offer by Fullkeen for all the securities of the Company other than those already owned by the Concert Group. An application has been made by Fullkeen to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to the approval of the Independent Shareholders at the EGM on which voting shall be taken by poll. The Concert Group and their respective associates, and the Directors (including Mr. Lau) and those who are interested in or involved in the Subscription and the Whitewash Wavier, will abstain from voting on the resolution to approve the Subscription and the Whitewash Waiver at the EGM.

It is one of the conditions of the Subscription Agreement that the Whitewash Waiver be granted by the Executive and be approved by the Independent Shareholders at the EGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription Agreement will not become unconditional and the Subscription will not proceed.

Shareholders and public investors should note that immediately upon completion of the Subscription, the shareholding of the Concert Group in the Company will exceed 50% of the voting rights of the Company and that the Concert Group may increase their holding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

None of the members of the Concert Group has acquired any voting rights of the Company for the period from 17 October 2008 (being six months prior to 16 April 2009, being the date of the Announcement) up to the Latest Practicable Date.

Save for the Subscription Agreement, there are no agreements or arrangements to which Fullkeen is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Whitewash Waiver.

IMPLICATIONS UNDER THE LISTING RULES

As Fullkeen is beneficially owned as to 70% by Mr. Sio and as to 30% by Mr. Si, both of whom are directors of subsidiaries of the Company, Fullkeen is an associate of both Mr. Sio and Mr. Si and is a connected person of the Company under the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to, among other things, the approval of the Independent Shareholders at the EGM on which voting will be taken by poll.

As at the Latest Practicable Date, the Concert Group and its associates were interested in approximately 26.9% of the issued share capital of the Company, and entitled to exercise control over the voting rights of 3,579,384,000 Shares. They will abstain from voting on the resolution to approve the Subscription and the Whitewash Waiver at the EGM.

EGM

Set out on pages 153 and 155 of this circular is a notice convening the EGM to be held at Empire Room 1, M/Floor, Empire Hotel Hong Kong Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong on Wednesday, 15 July 2009 at 9:00 a.m. at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Subscription and the Whitewash Waiver.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

RECOMMENDATION

The Directors are of the view that the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable. Having considered the aforesaid factors under the paragraphs headed "Reasons for the Subscription and use of proceeds", the Board is of the view that the Subscription and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to the letter of advice from the Independent Board Committee and the letter from Altus Capital as set out on pages 14 to 15 and 16 to 26 respectively in this circular.

GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Capital Estate Limited
Chu Nin Yiu, Stephen
Executive Chairman

CAPITAL ESTATE LIMITED
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 193)

19 June 2009

To the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION — SUBSCRIPTION OF SHARES BY A CONNECTED PERSON; AND (2) WHITEWASH WAIVER

We refer to the circular dated 19 June 2009 (the "Circular") issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the Subscription Agreement, the Whitewash Waiver, the issue and allotment of the Subscription Shares, the implementation of the transactions contemplated under the Subscription Agreement, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Altus Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the Whitewash Waiver, the issue and allotment of the Subscription Shares and the implementation of the transactions contemplated under the Subscription Agreement.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 13 of this Circular and the text of a letter of advice from Altus Capital, as set out on pages 16 to 26 of this Circular, both of which provide details of the Subscription Agreement, the Whitewash Waiver, the issue and allotment of the Subscription Shares and the implementation of the transactions contemplated under the Subscription Agreement.

Having considered the terms of the Subscription Agreement, the Whitewash Waiver, the issue and allotment of the Subscription Shares and the implementation of the transactions contemplated under the Subscription Agreement, the advice of Altus Capital and the relevant information contained in the letter from the Board, we are of the opinion that the Subscription Agreement, the Whitewash Waiver, the issue and allotment of the Subscription Shares and the implementation of the transactions contemplated under the Subscription Agreement, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully,
Li Sze Kuen, Billy
Independent non-executive Director

Wong Kwong Fat
Independent non-executive Director

Leung Kam Fai
Independent non-executive Director

The following is the text of a letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.

ALTUS CAPITAL LIMITED

8/F Hong Kong Diamond Exchange Building
8 Duddell Street, Central
Hong Kong

19 June 2009

The Independent Board Committee and the Independent Shareholders
Capital Estate Limited
17th Floor, Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai, Hong Kong

Dear Sirs,

CONNECTED TRANSACTION
SUBSCRIPTION FOR SHARES BY A CONNECTED PERSON
AND WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the Whitewash Waiver. The details are set out in the letter from the Board contained in the circular of the Company dated 19 June 2009 ("**Circular**") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 16 April 2009, the Company entered into the Subscription Agreement with Fullkeen for the Subscription of 8,000,000,000 new Shares at HK$0.025 per Subscription Share, to raise net proceeds of approximately HK$198.7 million.

As at the Latest Practicable Date, Fullkeen is owned as to 70% by Mr. Sio and 30% by Mr. Si. As both Mr. Sio and Mr. Si are also directors of subsidiaries of the Company, Fullkeen is a connected person of the Company under the Listing Rules. On this basis, the Subscription constitutes a connected transaction of the Company which is subject to the approval of the Independent Shareholders at the EGM.

Ms. Liu Yan Xia (also known as "Lao Im Ha") ("**Ms. Lao**") (spouse of Mr. Sio) and Mr. Chu, who respectively own 1.8% and 25.1% of the Company, are considered as parties acting in concert with Mr. Sio and Mr. Si, constituting the Concert Group. As the Concert Group's aggregate shareholding interest in the Company will increase from approximately 26.9% to approximately 54.4% as a result of the Subscription, Fullkeen will be obliged to make a mandatory offer for all the issued Shares not already owned or agreed to be acquired by the Concert Group pursuant to Rule 26 of the Takeovers Code. Application has been made to the Executive for the Whitewash Waiver. Completion of the Subscription Agreement is subject to, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders at the EGM by poll in accordance with the Takeovers Code.

The EGM will be convened at which a resolution will be proposed to seek the Independent Shareholders' approval on the Subscription Agreement and the Whitewash Waiver. The Concert Group and their respective associates, and the Directors (including Mr. Lau) and those who are interested in or involved in the Whitewash Wavier, will abstain from voting on the resolution to approve the Subscription and the Whitewash Waiver.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai has been established to advise the Independent Shareholders on the Subscription Agreement and the Whitewash Waiver. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee for it to advise the Independent Shareholders on whether the Subscription Agreement, the Whitewash Waiver, the issue and allotment of the Subscription Shares and the implementation of the transactions contemplated under the Subscription Agreement, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, the Company and its management. We have assumed that all statements, information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular. We have no reason to doubt the truth, accuracy and completeness of the statements, information, facts, opinions and representations provided to us by the Directors, the Company and its management. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed; thus we have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular, or the reasonableness of the opinions and representations provided to us by them.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries that, to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and that there are no other facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We have relied on such information and opinions and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion on the Subscription and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

1. Background of the Subscription

On 16 April 2009, the Company entered into the Subscription Agreement with Fullkeen in relation to the Subscription of 8,000,000,000 new Shares at HK$0.025 per Subscription Share. The net proceeds from the Subscription, which will amount to approximately HK$198.7 million, are intended to be used as to approximately HK$172.1 million for full settlement of the outstanding balance payable to Mason Creation Limited, one of the Hotel Fortuna Vendors, and the remaining HK$26.6 million for general working capital purposes.

Previously on 29 February 2008, the Company had entered into a sale and purchase agreement with the Hotel Fortuna Vendors to acquire from them Hotel Fortuna (Hong Kong). The principal asset of Hotel Fortuna (Hong Kong) is its 100% ownership in Hotel Fortuna, a hotel situated at Le Cong Zhen, Shun De District, Foshan, Guangdong Province, the PRC (the "**Hotel Fortuna**"). The Hotel Fortuna Acquisition was completed on 31 December 2008 at an aggregate consideration of approximately HK$534 million, of which HK$250 million had been paid to the Hotel Fortuna Vendors and the remaining consideration of HK$284 million is payable to the Hotel Fortuna Vendors on or before 31 December 2011. An interest rate of 2% per annum is chargeable when the aforesaid amount remains outstanding.

The Hotel Fortuna Vendor comprises Mason Creation Limited, Upper Way Holdings Limited and Mr. Siu Ka Kuen with interests of 60%, 30% and 10% respectively. Mason Creation Limited is beneficially owned as to 50% by Mr. Sio, 30% by Mr. Kong Tat Choi and 20% by Mr. Si. Mr. Sio and Mr. Si are also the beneficial owners of the Subscriber with shareholding of 70% and 30% respectively. Upper Way Holdings Limited is beneficially owned as to 41.7% by Mr. Tang Fung, 41.7% by Mr. Lai Kin Hak and 16.6% by Mr. Xiao De Wei. The aggregate outstanding balance payable to the Hotel Fortuna Vendors, including the accrued interest to-date, amounts to approximately HK$286.8 million. Upon full repayment to Mason Creation Limited of approximately HK$172.1 million using net proceeds from the Subscription, the remaining amount payable to Upper Way Holdings Limited and Mr. Siu Ka Kuen will be approximately HK$114.7 million.

2. Financial Performance of the Group

The Group is principally involved in property investment and development, hotel operation, financial investment and related activities. The following are extracts from the interim financial results of the Group for the six months ended 31 January 2007, 2008 and 2009 respectively and the annual reports of the Group for the year ended 31 July 2007 and 2008 respectively.

	For the six months ended 31 January 2009	For the six months ended 31 January 2008	For the six months ended 31 January 2007	For the year ended 31 July 2008	For the year ended 31 July 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Property rental and sale and hotel operation income	7,570	284	283	898	567
Direct cost on property rental and hotel operation	(5,397)	(788)	(811)	(1,766)	(935)
Gross profit/(loss)	2,173	(504)	(528)	(868)	(368)
Other (losses)/gains	(55,218)	(142,146)	253,497	(188,836)	154,133
(Loss)/profit for the period attributable to the equity holders	(229,320)	(146,518)	206,847	(201,507)	85,140

The Hotel Fortuna Acquisition has immediately contributed to an increase in revenue and gross profit for the Group. The Group's financial results were however adversely affected by losses for its investment activities as well as impairments of its property and hotel portfolio, resulting in a loss attributable to equity holders of approximately HK$229.3 million for the six months ended 31 January 2009. There were approximately HK$56.0 million of losses due to the decrease in fair values of listed securities and financial instruments and approximately HK$145.2 million of impairment losses on goodwill, properties for development and available-for-sale investments. As shown above, property rental and hotel operation are the Group's main source of recurring revenue and Hotel Fortuna is its principal asset of this business segment. Meanwhile, return from financial investment and related activities had deteriorated with the onset of the financial crisis.

3. Financial position of the Group

The following sets out the financial positions of the Group based on the interim report of the Group as at 31 January 2008, the annual report of the Group as at 31 July 2008 and the interim report of the Group as at 31 January 2009 respectively.

	As at 31 January 2009 *HK$'000* (Unaudited)	As at 31 July 2008 *HK$'000* (Audited)	As at 31 January 2008 *HK$'000* (Unaudited)
Non-current assets	1,031,021	593,281	356,921
Current assets	318,260	452,237	792,060
Non-current liabilities:			
Consideration payable for acquisition of subsidiaries	(284,464)	—	—
Deferred tax liabilities	(71,079)	—	—
Obligation under a finance lease — due after one year	(251)	—	—
	(355,794)	—	—
Current liabilities	(216,779)	(39,902)	(88,375)
Net assets	776,708	1,005,616	1,060,606

The Group's non-current assets had increased substantially between 31 January 2008 and 31 January 2009 as the Group acquired property, plant and equipment of approximately HK$466.0 million through the Fortuna Hotel Acquisition. The other non-current assets comprise interest in associates (being 32.5% equity interest in a hotel operation in Macau which the Group is a passive investor) of approximately HK$230.3 million, premium on prepaid lease payments and prepaid lease payment (being the land where Hotel Fortuna is situated) of approximately HK$204.8 million, investment properties of HK$28.6 million, available-for-sale investments of HK$59.9 million and an aggregate of convertible bonds and derivative component in convertible bonds of approximately HK$42.3 million.

Meanwhile, the Group's current assets, which mainly comprised properties for development (being a land for development in Macau), investments held for trading, deposits, bank balances and cash, reduced by approximately 59.8% between those periods. Values of properties held for development declined from HK$301.0 million to HK$237.0 million while investments held for trading declined from HK$114.0 million to HK$38.3 million.

Aggregate deposits, bank balances and cash reduced significantly from HK$333.7 million as at 31 January 2008 to approximately HK$29.5 million as at 31 January 2009, as a substantial amount was used for the Hotel Fortuna Acquisition. Based on discussion with the management, the current internal cash resources of the Group and the cash flow to be generated from business operations will not be sufficient to meet the repayment obligations to the Hotel Fortuna Vendors when they fall due by 31 December 2011.

The Group conducted updated property valuations as at 30 April 2009. Based on these updated valuations prepared by two independent valuers, namely Savills Valuation and Professional Services Limited and Norton Appraisals Limited, the aggregate value of the Group's property portfolio has increased marginally by approximately HK$12.9 million compared to their values reported as at 31 January 2009.

The Group had an aggregate of approximately HK$355.8 million of non-current liabilities as at 31 January 2009, comprising mainly the remaining consideration repayable to the Hotel Fortuna Vendors of approximately HK$284.5 million. Of the Group's current liabilities of approximately HK$216.8 million as at 31 January 2009, loans from related parties arising from Hotel Fortuna Acquisition amounted to HK$136.5 million. This amount has since been fully repaid through a bank loan of RMB135 million (equivalent to approximately of HK$152 million) raised in February 2009 by Hotel Fortuna (Hong Kong). The hotel properties of Hotel Fortuna (Hong Kong) are pledged as security of this loan.

The net assets of the Group have deteriorated from approximately HK$1,005.62 million as at 31 July 2008 to approximately HK$776.71 million as at 31 January 2009 due to losses of its investment activities as well as impairments of its property and hotel portfolio, as discussed in the section "2. Financial performance of the Group" of this letter on page 19 of this Circular. In addition, its gearing ratio (being total liabilities/shareholders' funds before minority interests) also increased substantially from approximately 4% as at 31 July 2008 to approximately 74% as at 31 January 2009 following the Hotel Fortuna Acquisition. Coupled with the global credit crisis, the Group's ability to raise loans has been adversely hindered.

4. Reasons for and benefits of the Subscription

The purpose of the Subscription is to raise funds to substantially repay the remaining consideration payable to one of the Hotel Fortuna Vendors and for general working capital purposes. Following the onset of the credit crisis, the Directors have taken a prudent approach in evaluating the financial position of the Group. To remove the uncertainties over its financial commitments, they have been exploring various means to repay the outstanding balance payable to the Hotel Fortuna Vendors, which forms the Group's largest liabilities. In the event if the Group is not able to repay the Hotel Fortuna Vendors when the outstanding amount falls due by the end of 2011, it may be required to dispose of its assets to meet its liabilities, and it is uncertain that the Group will be able to do so at a reasonable price and within a reasonable timeframe.

As discussed in the section "3. Financial position of the Group" of this letter on page 20 to page 21 of this Circular, the Group had pledged the hotel properties of Hotel Fortuna (Hong Kong) for a term loan of approximately HK$152 million which matures in year 2014. As a result, it will be difficult for the aforesaid hotel properties be used as security for further borrowings. Based on our discussion with the management, the likelihood for pledging the land for development in Macau for further loans is low as lenders typically do not lend on vacant land. The pledge of the Group's other significant assets for loans using its interest in associate and available-for-sale investments are also difficult, especially in the current credit environment. Due to the above, we believe that the Group's ability to obtain further loans is restricted. We also believe that additional bank financing, if available, will further increase the Group's gearing ratio and the interest payments on further borrowings will adversely affect the cash flow of the Group.

In addition to debt financing, the management has been exploring equity fund raising including a possible rights issue of Shares or a placing of Shares. A rights issue of Shares entails securing underwriting commitments from underwriters and it has proven to be difficult under current uncertain market conditions. Similarly, the Company has faced difficulties in securing interests for a Share placing exercise with independent investors. Equity exercises are also limited by the large size of the issue relative to the Company's market capitalisation and possibility of prohibitively high fees.

The Subscription was agreed following arm's length negotiations with Fullkeen and allows the Group to strengthen its capital base with an improved gearing ratio. As a result of the completion of the Hotel Fortuna Acquisition, the gearing ratio of the Group was approximately 74.0% as at 31 January 2009. With the Subscription and full settlement of the outstanding consideration to Mason Creation Limited, liabilities of the Group will reduce by approximately HK$172.1 million while its shareholders' funds will increase accordingly, thereby reducing the gearing of the Group to approximately 41.4%. It is noted that there remains an outstanding balance payable to Upper Way Holdings Limited and Mr. Siu Ka Kuen of approximately HK$114.7 million after the Subscription and aforesaid repayment. We believe the Subscription enables the Group to reduce its liabilities to more manageable levels. In addition, the Group could also save on the interest that will otherwise be incurred on the principal portion of the repayment amounting to HK$170.4 million.

In view of (i) the Group's inability to obtain further loan financing; and (ii) the insufficiency of internal cash resources and expected cash flow from business operations to meet repayment obligations to the Hotel Fortuna Vendors when they fall due by 31 December 2011, we believe that in the current environment, the Subscription is an expedient way to substantially reduce the Group's liabilities in the midst of the global financial crisis which extent and impact remain unclear, and to strengthen its financial position which has been adversely impacted in the past financial year. With a larger capital base and improved gearing ratio, the Group will be in a stronger financial position to undertake its various business ventures which may require debt financing in the future. The Subscription is therefore in the interest of the Company and the Shareholders as a whole.

5. Subscription Price

The Subscription Price of HK$0.025 per new Share represents:

(i) a discount of approximately 28.57% to the closing price of HK$0.0350 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 20.38% to the average closing price per Share of approximately HK$0.0314 in the last five consecutive trading days immediately prior to and including the Last Trading Day;

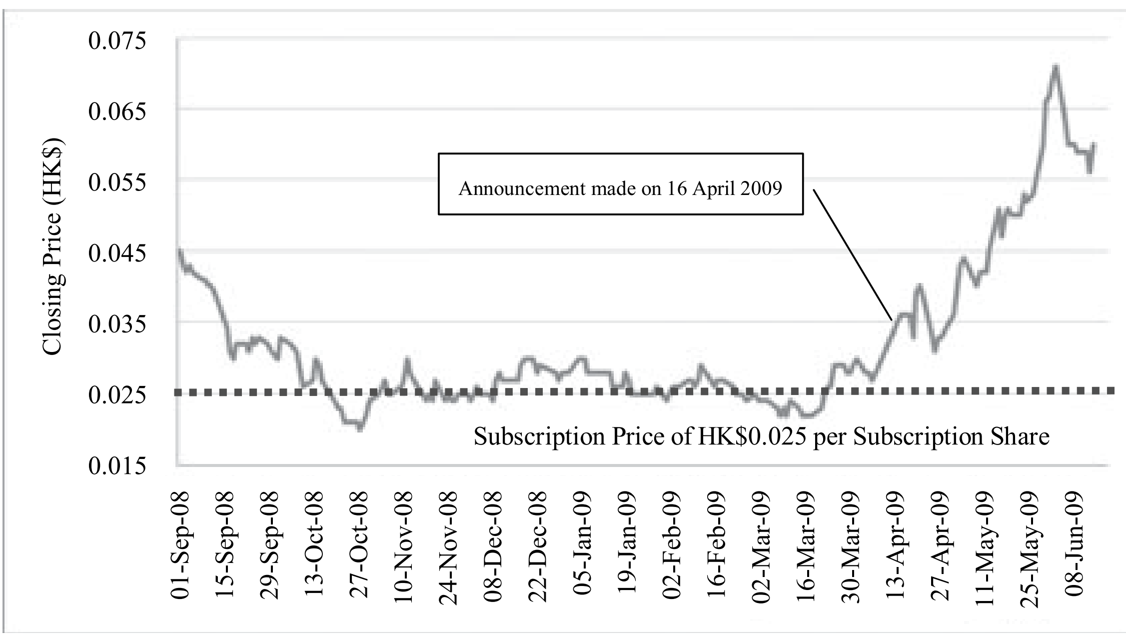
(iii) a discount of approximately 16.67% to the average closing price per Share of approximately HK$0.0300 in the last ten consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 9.75% to the average closing price per Share of approximately HK$0.0277 within the period commencing from 1 September 2008 to and including the Last Trading Day (the "**Review Period**");

(v) a discount of approximately 58.33% to the closing price of HK$0.060 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

(vi) a discount of approximately 57.26% to the Company's unaudited consolidated net assets of approximately HK$0.0585 per Share as at 31 January 2009.

In assessing the Subscription Price, we have reviewed the closing price level of the Shares traded on Stock Exchange during the Review Period. The Review Period covers the period following the onset of the financial crisis up to the day where terms of the Subscription Price were finalised. During the Review Period, overall financial market conditions had changed significantly with tighter credit conditions, decline in equity markets and lower property valuations. These events have adversely impacted the financial condition of the Group and have been taken into consideration during the negotiations of the terms of the Subscription. We therefore believe that it is appropriate to analyse the Subscription Price relative to the performance of the Shares during the Review Period.



During the Review Period, the Shares traded within the range of HK$0.020 and HK$0.045 per Share as shown above. At the start of the Review Period, the closing price of the Shares declined drastically, from a high of HK$0.045 per Share to a low of HK$0.020 per Share on 28 October 2008, its lowest closing price during the Review Period. This has been in line with the substantial corrections of benchmarks of Hong Kong stock market such as the Hang Seng Index. Closing prices remained range-bound between HK$0.021 and HK$0.030 per Share thereafter until 8 April 2009 when it commenced upward movement and rose to HK$0.035 per Share on the Last Trading Day. Since then, closing prices have increased sharply, reaching a high of HK$0.071 per Share on 5 June 2009. The closing price was HK$0.06 per Share as at the Latest Practicable Date.

It is noted that the closing prices of Shares have been trading with a band of 10% to 20% premium or discounts to the Subscription Price until the significant increase in early April 2009. The Subscription Price was at a discount of approximately 9.75% to the average closing price per Share of approximately HK$0.0277 during the Review Period. We are of the view that such level of discount is acceptable given the volatile market conditions.

We noted the substantial increase in prices that could have been due to the recent overall recovery of the market as shown in the increase of the Hang Seng Index, or due to positive market response to the Subscription or other reasons. Notwithstanding the substantial price increase, the management has informed us that there has been no change to the circumstances of the Group's difficulties in equity fund raising and debt financing. We therefore believe the price trend after the announcement of the Subscription is not relevant to our analysis.

The issuance of 8,000,000,000 new Shares at a discount of approximately 57.26% to the Company's unaudited consolidated net assets as at 31 January 2009 will dilute the net assets value from HK$0.0585 per Shares to HK$0.0458 per Share. However, we believe this is acceptable given the benefits of the Subscription as discussed in section 4 above.

6. Effects on shareholding of existing Shareholders

Upon completion of the Subscription, 8,000,000,000 Subscription Shares will be issued. The Subscription Shares represent approximately 60.2% of the existing issued share capital and approximately 37.6% of the enlarged share capital of the Company. The aggregate shareholding of the Concert Group, which currently forms the single largest shareholding group in the Company, will increase from 26.9% to 54.4% upon completion of the Subscription. The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after issuance of the Subscription Shares.

	Existing shareholding		**Immediately after completion of the Subscription**	
	Number of Shares	*Approximate percentage (%)*	*Number of Shares*	*Approximate percentage (%)*
Concert Group:				
Subscriber [1]	—	—	8,000,000,000	37.6
Ms. Lao [2]	244,910,000	1.8	244,910,000	1.1
Mr. Chu [3]	3,334,474,000	25.1	3,334,474,000	15.7
Aggregate holdings of the Concert Group	3,579,384,000	26.9	11,579,384,000	54.4
Other Shareholders	9,707,512,896	73.1	9,707,512,896	45.6
Total	13,286,896,896	100.0	21,286,896,896	100.0

Note:

1. The Subscriber is owned as to 70% by Mr. Sio and 30% by Mr. Si.
2. Ms. Lao is the spouse of Mr. Sio.
3. Mr. Chu is a director of the Company. On 19 September 2008, Mr. Chu was granted options to subscribe for 117,000,000 new Shares at the exercise price of HK$0.0348 per Share, exercisable from 19 September 2008 to 18 March 2010.

As shown above, the aggregate shareholding of the Concert Group, which currently forms the single largest shareholding group in the Company, will increase from 26.9% to 54.4% upon completion of the Subscription. The Subscription will therefore result in the Concert Group having majority control of the Company. Meanwhile, the percentage shareholding interests of existing public Shareholders will be diluted from approximately 73.1% as at the Latest Practicable Date to approximately 45.6% upon issuance of the Subscription Shares. According to the management of the Company, the issue of control premium has not been considered during the negotiation of the terms of the Subscription with the Subscriber.

Notwithstanding the dilution, after taking into account the factors discussed in section 4 above, in particular the need for the Group to improve its financial position in this uncertain environment, we are of the opinion that the extent of dilution to the Independent Shareholders is acceptable so far as the Independent Shareholders are concerned.

7. Intention of the Concert Group

It is the intention of the Concert Group that the Group will continue with its existing principal activities in property rental, financial investment, property development and sale, and hotel operations. At the moment, the Concert Group has no intention to introduce any major change to the Group's existing business, or dispose of or re-deploy fixed assets of the Group other than in its ordinary course of business and intends that the employees of Group will continue to be employed by the Group.

8. Whitewash Waiver

As at the Latest Practicable Date, the Concert Group was interested in 3,579,384,000 Shares, representing approximately 26.9% of the issued share capital of the Company. The increase in the interest of the Concert Group to approximately 54.4% of the issued share capital of the Company upon completion of the Subscription will give rise to an obligation under Rule 26 of the Takeovers Code for Fullkeen to make a mandatory offer for all the issued Shares not already owned or agreed to be acquired by the Concert Group. An application has been made to the Executive by the Fullkeen for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to the approval of the Independent Shareholders by the way of poll at the EGM. The Concert Group and their respective associates, and the Directors (including Mr. Lau) and those who are interested in or involved in the Whitewash Wavier, will be abstained from voting on the resolution approving the Whitewash Waiver at the EGM.

As stated in the Letter from the Board, the Subscription is inter-conditional and that it is one of the conditions of the Subscription Agreement that the Whitewash Waiver be obtained. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription Agreement will not become unconditional and the Subscription will not proceed.

RECOMMENDATIONS

Having considered the principal factors and reasons, in particular that,

(i) the Group inability to obtain further loan financing in the current credit environment; and that its internal cash resources and cash flow to be generated from business operations will not be able to meet the repayment obligations to the Hotel Fortuna Vendors when they fall due;

(ii) the difficulties faced by the Group and the possibility of prohibitively high fees involved in respect of equity fund raising under current market condition;

(iii) the importance of improving the Group's financial position which has deteriorated in the past year, so that it can continue to undertake its various business ventures in the future;

(iv) the price trends of the Shares during the Review Period while noting the dilutive effects on net assets value per Share following the Subscription; and

(v) the shareholding of the public Shareholders will be diluted from 73.1% to 45.6% and the Concert Group will have majority control of the Company upon completion of the Subscription,

on balance, we are of the view that (i) the Subscription (which has been entered into on normal commercial terms), and (ii) the terms of the Subscription Agreement, are fair and reasonable so far as the Independent Shareholders are concerned. We also believe they are in the interests of the Company and Shareholders as a whole, having weighed the positive and negative impacts.

We consider the Whitewash Waiver, which is a condition for the Subscription to proceed, to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to, and we recommend the Independent Shareholders to, vote in favour of the resolution to approve the Subscription Agreement and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Arnold Ip
Executive Director

SUMMARY OF FINANCIAL RESULTS

The following is a summary of the audited results of the Group for the three financial years ended 31 July 2008 as extracted from the annual reports of the Group for the respective years. The unaudited results of the Group for the six months ended 31 January 2009 are as extracted from the interim report of the Company for the respective period and set out below.

No qualified opinion was being given in the auditors' report in respect of each of the three financial years ended 31 July 2008:

	For the six months ended 31 January	**Year ended 31 July**		
	2009	**2008**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations				
Property rental and sale income	283	898	567	411
Hotel operations income	7,287	—	—	—
Gains (losses) on financial investment	(55,218)	(188,836)	154,133	72,456
(Loss) profit before taxation	(229,732)	(201,535)	110,464	40,278
Taxation	—	22	(22,770)	(11,539)
(Loss) profit for the year from continuing operations	(229,732)	(201,513)	87,694	28,739
Discontinued operation	—	—	(2,386)	243
(Loss) profit for the year	(229,732)	(201,513)	85,308	28,982
Attributable to:				
Equity holders of the Company	(229,320)	(201,507)	85,140	28,900
Minority interests	(412)	(6)	168	82
	(229,732)	(201,513)	85,308	28,982
From continuing and discontinued operations				
Basic (loss) earnings per Share *(HK cents)*	(1.726)	(1.614)	1.044	0.838
Diluted (loss) earnings per Share *(HK cents)*	N/A	N/A	1.040	0.837

During the three financial years ended 31 July 2008 and for the six months ended 31 January 2009, no dividend or interim dividend was declared by the Company.

There is no exceptional item or extraordinary item for each of the three financial years ended 31 July 2006, 2007 and 2008.

Save for the impairment loss recognised on available-for-sale investments, properties for development and goodwill amounting to approximately HK$10,040,000, HK$64,033,000 and HK$71,079,000 respectively, there is no exceptional item or extraordinary item for the six-month period ended 31 January 2009.

Consolidated Income Statement
For the Year ended 31 July 2008

	NOTES	2008 HK$'000	2007 HK$'000 (Restated)
Continuing operations			
Property rental and sale income	8	898	567
Direct costs on property rental and sale		(1,766)	(935)
Gross loss		(868)	(368)
Other (losses) gains	9	(188,836)	154,133
Other income		6,613	8,407
Increase in fair value of investment properties		5,974	3,260
Administrative expenses		(25,882)	(56,069)
Gain on disposal of a subsidiary		148	—
Share of profits of associates		2,302	1,599
Finance costs	11	(986)	(498)
(Loss) profit before taxation		(201,535)	110,464
Taxation	12	22	(22,770)
(Loss) profit for the year from continuing operations		(201,513)	87,694
Discontinued operation	13	—	(2,386)
(Loss) profit for the year	14	(201,513)	85,308
Attributable to:			
Equity holders of the Company		(201,507)	85,140
Minority interests		(6)	168
		(201,513)	85,308
(Loss) earnings per share	17		
From continuing and discontinued operations			
Basic		(1.614) HK cents	1.044 HK cents
Diluted		N/A	1.040 HK cents
From continuing operations			
Basic		(1.614) HK cents	1.075 HK cents
Diluted		N/A	1.071 HK cents

Consolidated Balance Sheet
At 31 July 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties	18	36,650	37,828
Property, plant and equipment	19	3,017	3,731
Prepaid lease payments	21	—	7,265
Interests in associates	23	233,724	392,499
Available-for-sale investments	24	69,890	56,250
Deposit paid for acquisition of a subsidiary	25	250,000	—
		593,281	497,573
Current assets			
Amount due from an associate	26	45	—
Properties for development	20	301,033	—
Properties held for sale	27	—	206
Derivative financial instruments	28	208	—
Trade and other receivables	29	928	12,987
Prepaid lease payments	21	—	908
Investments held for trading	30	103,412	266,127
Pledged bank deposits	31	641	630
Restricted bank deposits	31	6,227	—
Bank balances and cash	31	39,743	151,464
		452,237	432,322
Current liabilities			
Trade and other payables	32	4,611	6,401
Derivative financial instruments	28	1,005	775
Taxation payable		34,286	34,308
Bank borrowings — due within one year	33	—	1,039
		39,902	42,523
Net current assets		412,335	389,799
Total assets less current liabilities		1,005,616	887,372
Non-current liability			
Bank borrowings — due after one year	33	—	4,937
		1,005,616	882,435
Capital and reserves			
Share capital	35	132,869	107,598
Reserves		868,982	774,837
Equity attributable to equity holders of the Company		1,001,851	882,435
Minority interests		3,765	—
		1,005,616	882,435

Balance Sheet
At 31 July 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current asset			
Investments in subsidiaries	22	400	400
Amounts due from subsidiaries	22	797,509	630,136
Deposit paid for acquisition of a subsidiary	25	250,000	—
		1,047,909	630,536
Current assets			
Properties held for sale	27	—	206
Other receivables		150	202
Bank balances and cash	31	6,801	112,091
		6,951	112,499
Current liabilities			
Other payables		1,354	2,100
Amounts due to subsidiaries	34	40,614	31,939
		41,968	34,039
Net current (liabilities) assets		(35,017)	78,460
		1,012,892	708,996
Capital and reserves			
Share capital	35	132,869	107,598
Reserves	37	880,023	601,398
		1,012,892	708,996

Consolidated Statement of Changes in Equity

For the year ended 31 July 2008

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital reserve	Warrant reserve	Share option reserve	Capital reduction reserve	Capital redemption reserve	Revaluation reserve	Accumulated losses	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note 35)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 August 2006	338,717	52,580	157	8,000	5,961	170,583	268	—	(87,305)	488,961	1,218	490,179
Profit for the year and total recognised income for the year	—	—	—	—	—	—	—	—	85,140	85,140	168	85,308
Capital reduction *(note 35a)*	(321,781)	321,781	—	—	—	—	—	—	—	—	—	—
Issue of shares on rights issue *(note 35b)*	84,680	135,487	—	—	—	—	—	—	—	220,167	—	220,167
Exercise of warrants *(note 35c)*	4,571	35,429	—	(8,000)	—	—	—	—	—	32,000	—	32,000
Exercise of share options *(note 35d)*	1,411	15,254	—	—	(5,812)	—	—	—	—	10,853	—	10,853
Expenses incurred in connection with issue of shares	—	(5,280)	—	—	—	—	—	—	—	(5,280)	—	(5,280)
Recognition of equity-settled share-based payments	—	—	—	—	41,394	—	—	—	—	41,394	—	41,394
Acquisition of additional interest in an associate	—	—	—	—	—	—	—	9,200	—	9,200	—	9,200
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	(1,386)	(1,386)
Balance at 31 July 2007	107,598	555,251	157	—	41,543	170,583	268	9,200	(2,165)	882,435	—	882,435
Loss for the year and total recognised expense for the year	—	—	—	—	—	—	—	—	(201,507)	(201,507)	(6)	(201,513)
Issue of shares *(note 35e)*	20,550	223,260	—	—	—	—	—	—	—	243,810	—	243,810
Exercise of share options *(note 35f)*	4,721	93,744	—	—	(22,981)	—	—	—	—	75,484	—	75,484
Expenses incurred in connection with issue of shares	—	(3,351)	—	—	—	—	—	—	—	(3,351)	—	(3,351)
Recognition of equity-settled share-based payments	—	—	—	—	4,980	—	—	—	—	4,980	—	4,980
Acquisition of additional interest from minority shareholder *(note 39)*	—	—	—	—	—	—	—	—	—	—	3,771	3,771
Balance at 31 July 2008	132,869	868,904	157	—	23,542	170,583	268	9,200	(203,672)	1,001,851	3,765	1,005,616

Consolidated Cash Flow Statement
For the year ended 31 July 2008

	NOTES	**2008** *HK$'000*	2007 *HK$'000*
OPERATING ACTIVITIES			
(Loss) profit before taxation			
— continuing operations		(201,535)	110,464
— discontinued operation		—	(2,280)
		(201,535)	108,184
Adjustments for:			
Share-based payment expense		4,980	41,394
(Gain) loss on disposal of subsidiaries		(148)	2,099
Gain on disposal of property and prepaid lease payments		(1,581)	—
Impairment loss on goodwill		—	780
Depreciation		849	565
Finance costs		986	498
Release of prepaid lease payments		681	227
Interest income		(3,892)	(8,407)
Increase in fair value of investment properties		(5,974)	(3,260)
Share of profits of associates		(2,302)	(1,599)
Operating cash flows before movements in working capital		(207,936)	140,481
Decrease in properties held for sale		206	—
Increase in properties for development		(3,200)	—
Decrease (increase) in trade and other receivables		34,048	(5,738)
Decrease (increase) in investments held for trading		162,715	(164,301)
Decrease (increase) in derivative financial instruments		22	(105)
Increase (decrease) in trade and other payables		1,009	(3,080)
Cash used in operations		(13,136)	(32,743)
Hong Kong Profits Tax paid		—	(42)
NET CASH USED IN OPERATING ACTIVITIES		(13,136)	(32,785)
INVESTING ACTIVITIES			
Acquisition of an associate		(12,068)	(321,700)
Advance to an associate		(45)	—
Acquisition of a subsidiary	39	(75,795)	—
Increase in prepaid lease payments		—	(8,400)
Purchase of available-for-sale investments		(13,640)	—
Purchase of property, plant and equipment		(1,562)	(3,719)
Increase in pledged bank deposit		(11)	(16)
Increase in restricted bank deposits		(6,227)	—
Decrease in certificate of deposit		—	8,996
Deposit paid for acquisition of a subsidiary	25	(250,000)	—
Dividend received from an associate		11,700	—
Interest received		3,892	8,407
Repayment of promissory note receivables		—	4,000
Proceed from disposal of subsidiaries	40	4,500	3,039
Proceed from disposal of property, plant and equipment		10,500	—
NET CASH USED IN INVESTING ACTIVITIES		(328,756)	(309,393)

	NOTES	2008 HK$'000	2007 HK$'000
FINANCING ACTIVITIES			
Proceeds from issue of shares		165,000	220,167
Proceeds from exercise of warrants		—	32,000
Proceeds from exercise of share options		75,484	10,853
Expenses paid in connection with issue of shares		(3,351)	(5,280)
Short term loan raised		50,000	—
Repayment of bank loans		(5,976)	(834)
Repayment of short term loan		(50,000)	—
Interest paid		(986)	(498)
NET CASH FROM FINANCING ACTIVITIES		230,171	256,408
DECREASE IN CASH AND CASH EQUIVALENTS		(111,721)	(85,770)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		151,464	237,234
CASH AND CASH EQUIVALENTS CARRIED FORWARD		39,743	151,464
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		39,743	151,464

Notes to the Consolidated Financial Statements

For the year ended 31 July 2008

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company is 17/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wan Chai, Hong Kong.

The Company acts as a property and investment holding company. The activities of its principal subsidiaries and associates are set out in notes 22 and 23 respectively.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 August 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions

In addition, the Group has applied, for the first time, amendments to Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement" and Hong Kong Financial Reporting Standard 7 "Financial Instruments: Disclosures", which were issued on 15 October 2008, and effective from 1 July 2008.

The adoption of these new HKFRSs has no significant impact on the Group's results and financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 12	Service Concession Arrangements[3]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[5]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") *(Continued)*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 23 (Revised) will remove the option of immediately expensing those borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Group anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. CHANGE IN PRESENTATION OF FINANCIAL STATEMENTS

In the current year, the Group has changed its presentation of revenue and direct cost in the consolidated income statement in respect of its financial investments. In prior years, net (loss) gain on investments held for trading and derivative financial instruments and the related dividend income from such financial assets were included in the Group's revenue. In the current year, net (loss) gain on investments held for trading and derivative financial instruments and the related dividend income are included in other (losses) gains instead of revenue. The Group has determined that this change in presentation would provide more useful and relevant information to users of its financial statements. The comparative amounts in the consolidated income statement have been reclassified accordingly.

The effects of the change in presentation is set out below:

	2008	**2007**
	HK$'000	*HK$'000*
Net (loss) gain on investments held for trading (previously included in revenue, now included in other (losses) gains)	(175,546)	128,702
Net (loss) gain on derivative financial instruments (previously included in revenue, now included in other (losses) gains)	(15,704)	20,762
Dividend income from investments held for trading (previously included in revenue, now included in other (losses) gains)	2,414	4,669
	(188,836)	154,133

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 July each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of subsidiaries prior to 1 January 2005, the Group has discontinued amortisation from 1 August 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings held for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Properties for development

Properties for development represent leasehold land located in the Macau for development for future sale in the ordinary course of business. Cost comprises the costs of land use rights and other costs directly attributable to bringing the leasehold land to the condition necessary for it to be ready for development. Properties for development are stated at lower of cost and net realizable value.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes professional fees and other direct costs attributable to such properties. Net realisable value is determined by reference to estimated sales proceeds less selling expenses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Others

Sales of trading securities are recognised when the related bought and sold contract notes are executed.

Commission from estate agency services provided is recognised as revenue on the date the relevant contract is executed.

For completed properties which were acquired for resale, revenue is recognised on the execution of a binding sale agreement.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipt through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

4. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than those financial liability designated as FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Warrants issued by the Company that will be settled by a fixed amount of cash for fixed number of the Company's own equity instruments are equity. The net proceeds received from the issue of warrants are recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants. When warrants are still not exercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to retained profits.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss from fair value changes is recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policies in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Equity-settled share-based payment transactions

Share options granted to employees and others providing similar services after 1 April 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Retirement benefit scheme contributions

Payments to defined contribution scheme and the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as expenses when employees have rendered services entitling them to the contributions.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the consolidated financial statements in the next financial year are disclosed below:

Estimated impairment on available-for-sale investments

Management reviews the recoverability of the Group's available-for-sale investments with reference to current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceeds their corresponding recoverable amounts. Appropriate impairment for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In determining whether impairment on available-for-sale investments is required, the Group takes into consideration the current market environment and the present value of future cash flow expected to receive. Impairment is recognised based on the higher of estimated future cash flow and estimated market value. If the market environment/ circumstances changes significantly, resulting in a decrease in the recoverable amount of these available-for-sale investments, additional impairment loss may be required.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Income taxes

As at 31 July 2008, a deferred tax asset in relation to unused tax losses of HK$11,281,000 (2007: HK$13,114,000) has been recognised in the Group's balance sheet. No deferred tax asset has been recognised on the tax losses of HK$242,086,000 (2007: HK$40,968,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are more or less than expected, additional deferred tax assets may be recognised or a material reversal of deferred tax assets may arise, which would be recognised in the income statement for the year in which such a reversal takes places.

Properties for development

Management reviews the value of the Group's property for development by reference to current market price of land and estimates the future profits generated from the properties development. In cases where the future profits generated are less than expected, impairment loss may be required.

The management consider that the carrying amount of properties for development is stated at lower of cost and net realisable value at the year ended 31 July 2008.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowing disclosed in note 33, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, and various reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Fair value through profit or loss (FVTPL) Held for trading	103,412	266,127
Derivative financial instruments	208	—
Loans and receivables (including cash and cash equivalents)	46,823	161,746
Available-for-sale financial assets	69,890	56,250
Financial liabilities		
Amortised cost	618	10,179
Derivative financial instruments	1,005	775

7b. Financial risks management objectives and policies

The Group's major financial instruments were set out in note 7(a) above and details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group has foreign currency bank balances, available-for-sale investments and derivative financial instruments, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	Assets	
	2008	2007
	HK$'000	*HK$'000*
USD	914	16,375

Sensitivity analysis

The Group is mainly exposed to the fluctuation in USD. The foreign currency risk is not significant as HKD is linked with USD.

In addition, the Group is exposed to fluctuation in foreign exchange rates (mainly Singapore dollar/USD) in relation to its forward foreign exchange contract held as at 31 July 2008. The Group's sensitivity to a 5% increase in the forward foreign exchange rates of the relevant forward contract is that the Group's loss for the year will be decreased by approximately HK$1,131,000. For a 5% decrease in forward foreign exchange rates of the relevant forward contract, there would be an equal and opposite impact on the Group's loss for the current year.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risks management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

In 2007, the Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 33 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's profit for the year ended 31 July 2007 would decrease by HK$25,000. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(iii) Other price risk

The Group is exposed to equity price risk arising from investments held for trading, decumulator contracts and knock-out forward contracts. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on listed equity instruments quoted on the Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks assuming all other variables were held constant, at the reporting date.

If the prices of the respective equity investments had been 5% higher/lower, the Group's loss for the year ended 31 July 2008 would decrease/increase by HK$4,317,000 (2007: Group's profit would increase/decrease by HK$10,978,000) as a result of the changes in fair value of investments held for trading.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risks management objectives and policies *(Continued)*

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

The Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from

- the carrying amount of the respective recognised financial assets as stated in the balance sheet.
- the amount of contingent liabilities in relation to financial guarantee issued by the Company as disclosed in note 45.

In order to minimise the credit risk, the management of the Group and the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. For non-derivatives financial liabilities, the tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest dates on which the Group can be required to pay. For derivative financial liabilities, the table has been drawn up based on the undiscounted cashflow on those derivatives instruments. The table includes both interest and principal cash flows.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risks management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total undiscounted cash flows	Carrying amount at 31.7.2008
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008								
Non-derivative financial liabilities								
Trade and other payables	—	618	—	—	—	—	618	618
Derivative financial liabilities — net settlement								
Derivative financial instruments	—	914	91	—	—	—	1,005	1,005

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total undiscounted cash flows	Carrying amount at 31.7.2007
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007								
Non-derivative financial liabilities								
Trade and other payables	—	4,203	—	—	—	—	4,203	4,203
Bank loans — variable rate	7	73	—	1,034	4,910	374	6,391	5,976
		4,276	—	1,034	4,910	374	10,594	10,179
Derivative financial liabilities — net settlement								
Derivative financial instruments	—	775	—	—	—	—	775	775

7. FINANCIAL INSTRUMENTS *(Continued)*

7c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (including derivatives), with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively; and

- the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model.

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their respective fair values.

8. PROPERTY RENTAL AND SALE INCOME

An analysis of the Group's property rental and sale income for the year, for both continuing and discontinued operations is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Property rental	568	567
Property sale	330	—
	898	567
Discontinued operation		
Estate agency income	—	4,879
	898	5,446

9. OTHER (LOSSES) GAINS

	2008	**2007**
	HK$'000	*HK$'000*
		(restated)
Net (loss) gain on investments held for trading	(175,546)	128,702
Net (loss) gain on derivative financial instruments	(15,704)	20,762
Dividend income from investments held for trading	2,414	4,669
	(188,836)	154,133

10. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is organised into three operating divisions — property rental, financial investment and property development and sale. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property rental — leasing of properties
Financial investment — trading of listed securities and derivative financial instruments
Property development and sale — sale of properties held for sale and property under development

During the year ended 31 July 2007, the Group disposed of its subsidiary, Consecutive Profits Limited ("Consecutive Profits") which were engaged in estate agency service operations as set out in note 13.

During the year ended 31 July 2008, the Group acquired property for development through acquisition of a subsidiary as disclosed in notes 20 and 39. The Group plans to develop for sale residential houses and related facilities on the land acquired. In order to implement the development plan, the Group had submitted an application to the relevant authorities in Macau requesting an amendment of the land lease concession.

Segment information about these businesses is presented below:

	Continuing operations					Discontinued operation	
	Property rental	Financial investment	Property development and sale	Others	Sub-total	Estate agency	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
INCOME STATEMENT							
For the year ended 31 July 2008							
GROSS PROCEEDS	568	1,380,530	330	—	1,381,428	—	1,381,428
SEGMENT REVENUE	568	—	330	—	898	—	898
SEGMENT RESULT	4,936	(190,934)	(447)	—	(186,445)	—	(186,445)
Unallocated corporate income					2,546	—	2,546
Unallocated corporate expenses					(19,100)	—	(19,100)
Share of profits of associates	—	—	(198)	2,500	2,302	—	2,302
Gain on disposal of a subsidiary					148	—	148
Finance costs					(986)	—	(986)
Loss before taxation					(201,535)	—	(201,535)
Taxation					22	—	22
Loss for the year					(201,513)	—	(201,513)

10. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Property rental	Financial investment	Property development and sale	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET					
At 31 July 2008					
ASSETS					
Segment assets	36,804	109,920	301,131	—	447,855
Interests in associates	—	—	—	233,724	233,724
Unallocated corporate assets	—	—	—	363,939	363,939
Consolidated total assets					1,045,518
LIABILITIES					
Segment liabilities	2,647	1,005	19	—	3,671
Unallocated corporate liabilities	—	—	—	36,231	36,231
Consolidated total liabilities					39,902

	Continuing operations				
	Property rental	Financial investment	Property development and sale	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION					
For the year ended 31 July 2008					
Capital additions	—	—	—	1,562	1,562
Depreciation	—	—	—	849	849
Release of prepaid lease payments	—	—	—	681	681
Net loss on investments held for trading	—	175,546	—	—	175,546
Net loss on derivative financial instruments	—	15,704	—	—	15,704

10. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Continuing operations					Discontinued operation	
	Property rental	Financial investment	Property development and sale	Others	Sub-total	Estate agency	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)		(restated)	(restated)		(restated)
INCOME STATEMENT							
For the year ended 31 July 2007							
GROSS PROCEEDS	567	749,509	—	—	750,076	—	750,076
SEGMENT REVENUE	567	—	—	—	567	4,879	5,446
SEGMENT RESULT	6,029	149,596	—	—	155,625	599	156,224
Unallocated corporate income					7,645	—	7,645
Unallocated corporate expenses					(53,907)	—	(53,907)
Share of (loss) profits of associates	—	—	(57)	1,656	1,599	—	1,599
Loss on disposal of subsidiaries					—	(2,099)	(2,099)
Impairment loss on goodwill					—	(780)	(780)
Finance costs					(498)	—	(498)
Profit before taxation					110,464	(2,280)	108,184
Taxation					(22,770)	(106)	(22,876)
Profit for the year					87,694	(2,386)	85,308

10. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Property rental *HK$'000*	Financial investment *HK$'000*	Property development and sale *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
BALANCE SHEET					
At 31 July 2007					
ASSETS					
Segment assets	38,106	274,687	206	—	312,999
Interests in associates	—	—	161,643	230,856	392,499
Unallocated corporate assets	—	—	—	224,397	224,397
Consolidated total assets					929,895
LIABILITIES					
Segment liabilities	4,040	775	—	—	4,815
Unallocated corporate liabilities	—	—	—	42,645	42,645
Consolidated total liabilities					47,460

	Continuing operations					Discontinued operation	
	Property rental *HK$'000*	Financial investment *HK$'000* (restated)	Property development and sale *HK$'000*	Others *HK$'000* (restated)	Sub-total *HK$'000* (restated)	Estate agency *HK$'000*	Consolidated *HK$'000* (restated)
INCOME STATEMENT							
For the year ended 31 July 2007							
Capital additions	—	—	—	3,714	3,714	5	3,719
Increase in prepaid lease payments	—	—	—	8,400	8,400	—	8,400
Depreciation	—	—	—	148	148	417	565
Release of prepaid lease payments	—	—	—	227	227	—	227
Impairment loss on goodwill	—	—	—	—	—	780	780
Net gain on investment held for trading	—	(128,702)	—	—	(128,702)	—	(128,702)
Net gain on derivative financial instruments	—	(20,762)	—	—	(20,762)	—	(20,762)

10. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

The Group's current operations are mainly located in Hong Kong and Macau. The Group's property development and sale division are carried out in Hong Kong and Macau. Financial investment division, property rental business and estate agency division are all located and carried out in Hong Kong.

Segment information about these geographic markets is presented below:

	Property rental and sale by geographical market	
	2008	**2007**
	HK$'000	*HK$'000* (restated)
Hong Kong	898	5,446

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	146,724	312,999	1,562	3,719
Macau	301,131	—	—	—
	447,855	312,999	1,562	3,719

11. FINANCE COSTS

	Continuing operations	
	2008	**2007**
	HK$'000	*HK$'000*
Interest on:		
Borrowings wholly repayable within five years:		
Bank borrowings	185	49
Other borrowing	801	—
	986	49
Borrowings not wholly repayable within five years		
Bank borrowings	—	449
	986	498

12. INCOME TAX (CREDIT) EXPENSES

	Continuing operations		Discontinued operation		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The (credit) charge comprises:						
Hong Kong Profits tax						
Current year	—	22,770	—	173	—	22,943
Overprovision in prior years	(22)	—	—	—	(22)	—
Deferred tax *(note 38)*	—	—	—	(67)	—	(67)
	(22)	22,770	—	106	(22)	22,876

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which included the reduction in corporate profit tax rate by 1% to 16.5 % effective from the year of assessment 2008/09. The effect of such decrease has been reflected in measuring the current and deferred tax for the year ended 31 July 2008.

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable (loss) profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

The tax (credit) charge for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	2008	**2007**
	HK$'000	*HK$'000*
(Loss) profit before taxation		
Continuing operations	(201,535)	110,464
Discontinued operation	—	(2,280)
	(201,535)	108,184
Tax at the Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	(33,253)	18,932
Tax effect of share of profits of associates	(380)	(280)
Tax effect of expenses not deductible for tax purpose	2,964	8,705
Tax effect of income not taxable for tax purpose	(2,214)	(2,818)
Tax effect of tax losses not recognised	33,177	187
Overprovision in prior years	(22)	—
Utilisation of tax losses previously not recognised	(294)	(1,850)
Taxation for the year	(22)	22,876

Details of deferred taxation are set out in note 38.

13. DISCONTINUED OPERATION

On 31 July 2007, the Group entered into an agreement to dispose of its subsidiary, Consecutive Profits, which were engaged in estate agency services. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 31 July 2007, on which date control of Consecutive Profits passed to the acquirer.

The profit for the year ended 31 July 2007 from the discontinued operation is analysed as follows:

	HK$'000
Profit of estate agency services for the year	493
Impairment loss on goodwill	(780)
Loss on disposal of estate agency services operation *(see note 40)*	(2,099)
	(2,386)
Loss for the year attributable to the equity holders of the Company	(2,554)
Minority interest	168
	(2,386)

The results of the estate agency service operations for the year ended 31 July 2007, which have been included in the consolidated income statement, were as follows:

	HK$'000
Revenue	4,879
Cost of sales	(2,270)
Other income	290
Administrative expenses	(2,300)
Profit before taxation	599
Taxation	(106)
Profit for the year	493

No charge or credit arose on loss on discontinuance of the operations.

For the year ended 31 July 2007, Consecutive profits contributed HK$598,000 to the Group's net operating cash flows, paid HK$2,980,000 in respect of investing activities and paid HK$3,920,000 in respect of financing activities.

The carrying amounts of the assets and liabilities of Consecutive Profits at the date of disposal are disclosed in note 40.

14. (LOSS) PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):						
Directors' remuneration *(note 15)*	3,712	11,785	—	—	3,712	11,785
Other staff costs, excluding directors						
— Salaries and other benefits	1,762	1,262	—	2,200	1,762	3,462
— Retirement benefit scheme contributions, excluding directors	56	36	—	97	56	133
— Share-based payment expense	4,980	33,321	—	—	4,980	33,321
Total employee benefit expenses	10,510	46,404	—	2,297	10,510	48,701
Auditor's remuneration:						
Current year	1,368	1,039	—	28	1,368	1,067
Underprovision in prior years	270	310	—	—	270	310
Depreciation	849	148	—	417	849	565
Release of prepaid lease payments	681	227	—	—	681	227
Share of tax of associates (included in share of profits of associates)	356	466	—	—	356	466
Gross rental income from investment properties	568	567	—	—	568	567
Less:						
direct operating expenses from investment properties that generated rental income during the year	(308)	(313)	—	—	(308)	(313)
direct operating expenses from investment properties that did not generate rental income during the year	(1,252)	(622)	—	—	(1,252)	(622)
	(992)	(368)	—	—	(992)	(368)
Bank and other interest income	(3,892)	(8,407)	—	—	(3,892)	(8,407)
Gain on disposal of property and prepaid lease payments	(1,581)	—	—	—	(1,581)	—

15. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the six (2007: six) directors are as follows:

2008

	Mr. Chu Nin Yiu, Stephen	Mr. Chu Nin Wai, David	Mr. Lau Chi Kan, Michael	Mr. Leung Kam Fai	Mr. Wong Kwong Fat	Mr. Li Sze Kuen, Billy	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	—	—	—	150	150	150	450
Other emoluments							
— Salaries and other benefits	3,250	—	—	—	—	—	3,250
— Retirement benefit scheme contributions	12	—	—	—	—	—	12
— Share-based payment expense	—	—	—	—	—	—	—
	3,262	—	—	150	150	150	3,712

2007

	Mr. Chu Nin Yiu, Stephen	Mr. Chu Nin Wai, David	Mr. Lau Chi Kan, Michael	Mr. Leung Kam Fai	Mr. Wong Kwong Fat	Mr. Li Sze Kuen, Billy	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	—	—	—	150	150	150	450
Other emoluments							
— Salaries and other benefits	3,250	—	—	—	—	—	3,250
— Retirement benefit scheme contributions	12	—	—	—	—	—	12
— Share-based payment expense	—	3,191	3,191	—	1,691	—	8,073
	3,262	3,191	3,191	150	1,841	150	11,785

During the years ended 31 July 2008 and 2007, no directors waived any emoluments.

16. EMPLOYEES' EMOLUMENTS

Of the five highest paid individuals in the Group, one (2007: three) were directors of the Company whose emoluments was included in note 15 above. The emoluments of the remaining four (2007: two) employees were as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other benefits	1,359	10,504
Retirement benefit scheme contributions	42	15
	1,401	10,519

16. EMPLOYEES' EMOLUMENTS *(Continued)*

Their emoluments were within the following bands:

	2008	**2007**
	No. of employees	*No. of employees*
Nil to HK$1,000,000	4	—
HK$4,500,001 to HK$5,000,000	—	1
HK$5,500,001 to HK$6,000,000	—	1

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office (2007: Nil).

17. (LOSS) EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of basic and diluted (loss) earnings per share is based on the following data:

	2008	**2007**
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to equity holders of the Company for the purposes of basic and diluted (loss) earnings per share	(201,507)	85,140

	2008	**2007**
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	12,482,642,329	8,154,358,748
Effect of dilutive potential ordinary shares:		
— share options	—	35,115,778
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	12,482,642,329	8,189,474,526

In 2007, the weighted average number of ordinary shares for the purpose of calculating the basic and diluted earnings per share have been adjusted to reflect the effects of bonus element of the rights issue as set out in note 35(b). In 2008, the computation of diluted loss per share does not assume the conversion of share options since their exercise would result in a decrease in loss per share from continuing operations.

17. (LOSS) EARNINGS PER SHARE *(Continued)*

For continuing and discontinued operations *(Continued)*

From continuing operations

The calculation of basic and diluted (loss) earnings per share from continuing operations is based on the following data:

	2008	2007
	HK$'000	*HK$'000*
(Loss) earnings for the purpose of basic (loss) earnings per share:		
(Loss) profit for the year attributable to equity holders of the Company	(201,507)	85,140
Add: Loss for the year attributable to equity holders of the Company from discontinued operation	—	2,554
(Loss) earnings for the purpose of diluted (loss) earnings per share from continuing operations	(201,507)	87,694

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

From discontinued operations

The basic and diluted (loss) earnings per share from discontinued operations based on the above data are as follows:

	2008	2007
From discontinued operations		
— Basic (loss) earnings per share	N/A	(0.031) HK cents
— Diluted (loss) earnings per share	N/A	(0.031) HK cents

18. INVESTMENT PROPERTIES

	HK$'000
AT FAIR VALUE	
At 1 August 2006	34,568
Increase in fair value	3,260
At 31 July 2007	37,828
Disposal of a subsidiary	(7,152)
Increase in fair value	5,974
At 31 July 2008	36,650

The carrying value of investment properties shown above comprises:

	2008 HK$'000	**2007** HK$'000
Investment properties in Hong Kong:		
Long lease	3,150	2,520
Medium-term lease	33,500	28,710
Investment properties outside Hong Kong:		
Freehold land	—	6,598
	36,650	37,828

All of the Group's property interests in properties held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties at 31 July 2008 have been arrived at on the basis of valuation carried out on that date by Norton Appraisals Limited, independent professionally qualified valuers not connected with the Group. Norton Appraisals Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP					
COST					
At 1 August 2006	—	948	708	—	1,656
Additions	1,600	—	25	2,094	3,719
Disposal of subsidiaries	—	(875)	(510)	—	(1,385)
At 31 July 2007	1,600	73	223	2,094	3,990
Additions	—	1,314	248	—	1,562
Disposal	(1,600)	—	—	—	(1,600)
At 31 July 2008	—	1,387	471	2,094	3,952
DEPRECIATION					
At 1 August 2006	—	429	413	—	842
Provided for the year	43	325	197	—	565
Eliminated on disposal of subsidiaries	—	(681)	(467)	—	(1,148)
At 31 July 2007	43	73	143	—	259
Provided for the year	130	110	85	524	849
Disposal	(173)	—	—	—	(173)
At 31 July 2008	—	183	228	524	935
CARRYING VALUES					
At 31 July 2008	—	1,204	243	1,570	3,017
At 31 July 2007	1,557	—	80	2,094	3,731

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum.

Buildings	Over $9^1/_4$ years, representing the remaining lease terms
Leasehold improvements	Over the term of the relevant lease or $33^1/_3$%, whichever is shorter
Furniture, fixtures and equipment	20%
Motor vehicle	$33^1/_3$%

20. PROPERTIES FOR DEVELOPMENT

The amount represents land use rights and development cost of a medium-term leasehold land in Macau.

No finance cost on development cost has been capitalised.

21. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Leasehold land outside Hong Kong on short lease	—	8,173
Analysed for reporting purposes as:		
Non-current assets	—	7,265
Current assets	—	908
	—	8,173

22. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2008	**2007**
	HK$'000	*HK$'000*
Investments in subsidiaries:		
Unlisted shares, at cost, less impairment losses recognised	400	400
Amounts due from subsidiaries	797,509	630,136

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Except for an amount of approximately HK$184,589,000 (2007: HK$150,999,000) which carries interest ranging from Hong Kong Prime Rate to Hong Kong Prime Rate plus 6.5% (2007: Hong Kong Prime Rate plus 6.5%) per annum, the remaining balance is interest free. The carrying amounts of the interest free advances have been determined based on an effective interest rate of 5.5% per annum.

22. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

Details of the Company's principal subsidiaries at 31 July 2007 and 2008 are as followings:

Name of subsidiary	Place of incorporation/ operation	Issued and paid up share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Adrian Realty Limited	Hong Kong	HK$1,000,000	100	—	Property investment
Ahead Company Limited	Hong Kong	HK$2	100	—	Trading of securities and investment holding
Evergood Management Limited	Hong Kong	HK$2	100	—	Investment holding
Hegel Trading Limited	Hong Kong	HK$2	100	—	Property investment
High Cheong Developments Limited	British Virgin Islands	US$1	100	—	Investment holding
Silver Tower Limited	Hong Kong	HK$2	—	100	Property investment and trading of securities
Top Mount Limited	Hong Kong	HK$2	—	100	Investment holding
Top Universal Management Limited	Hong Kong	HK$2	100	—	Investment holding
Shiny Rising Limited	Hong Kong	HK$1	100	—	Provision of corporate treasury services
Fame Asset Limited	Hong Kong	HK$1	100	—	Provision of corporate management services
Tamulus Limited	British Virgin Islands	US$50,000	100	—	Investment holding
Silver Pro Limited	British Virgin Islands	US$1	100	—	Investment holding
Sun Fat Investment and Industry Co Limited ("Sun Fat") *(Note)*	Macau	MOP50,000,000	—	99	Property investment

22. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note: The Group acquired an additional 50% equity interest in Sun Fat during the year ended 31 July 2008. After the acquisition, the equity interest in Sun Fat increased to 99% (2007: 49%).

23. INTERESTS IN ASSOCIATES

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Cost of unlisted investments in associates	241,523	390,900
Share of post-acquisition profits, net of dividend	(7,799)	1,599
	233,724	392,499

At 31 July 2007 and 2008, the Group had interests in the following associates:

Name of entity	**Place of incorporation /principal place of operation**	**Proportion of quoted capital held by the Group**	**Principal activities**
Tin Fok Holdings Company Limited ("Tin Fok")	Macau	32.5%	Hotel operation
Singon Holding Limited ("Singon") *(Note i)*	Hong Kong/ Macau	25%	Property development
Sun Fat *(Note ii)*	Macau	0%	Property development

Notes:

(i) During the year ended 31 July 2008, the Group acquired 25% equity interest in Singon at a consideration of HK$12,068,000.

(ii) During the year ended 31 July 2008, the Group acquired an additional 50% equity interest in Sun Fat. After the acquisition, Sun Fat became a 99% owned subsidiary of the Group.

Included in the cost of investments in associates is goodwill of HK$2,362,000 arising on acquisition of Tin Fok.

23. INTERESTS IN ASSOCIATES *(Continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2008	2007
	HK$'000	*HK$'000*
Total assets	1,072,423	1,371,516
Total liabilities	(349,398)	(338,573)
Net assets	723,025	1,032,943
Group's share of net assets of associates	231,362	390,137
Revenue	165,978	38,625
Profit for the year	7,696	4,979
Group's share of profits of associates	2,302	1,599

24. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Unlisted equity securities, at cost	69,890	56,250

During the year ended 31 July 2008, the Group acquired 19.9% equity interest in T&W Redevelopment, LLC at a consideration of US$1,750,000 (equivalent to HK$13,640,000). The available-for-sale investments represent investments in unlisted equity securities issued by private entity incorporated in United States of America and Macau. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The Group's available-for-sale investments that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2008	2007
	HK$'000	*HK$'000*
USD	13,640	—

25. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

On 29 February 2008, the Company entered into an agreement with Mason Creation Limited, Upper Way Holdings Limited and Mr. Siu Ka Kuen (the "Vendors") and Mr. Sio Tak Hong and Mr. Tang Fung (the "Warrantors"), pursuant to which the Company has conditionally agreed to acquire from the Vendors the entire issued share capital of Hotel Fortuna (Hong Kong) Company Limited ("Hotel Fortuna (Hong Kong)") and all outstanding liabilities owed by Hotel Fortuna (Hong Kong) to each of the Vendors as at completion date of the agreement at an aggregate consideration of HK$550,000,000 (subject to adjustments). At 31 July 2008, an aggregate amount of HK$250,000,000 has been paid to the Vendors as deposit.

Hotel Fortuna (Hong Kong) is an investment holding company and its principal asset is its 100% equity interest in 佛山市財神酒店有限公司 Foshan Fortuna Hotel Company Limited, which is established in the PRC and owns a hotel situated at Le Cong Zhen, Shun De District, Foshan, Guangdong Province, the PRC. Details of the acquisition were set out in the announcement of the Company dated 5 March 2008.

The acquisition has not yet been completed at the date of approval for issuance of these financial statements.

26. AMOUNT DUE FROM AN ASSOCIATE

The amount is unsecured, interest free and has no fixed terms of repayment.

27. PROPERTIES HELD FOR SALE

	THE GROUP		THE COMPANY	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Properties in Hong Kong	—	206	—	206

28. DERIVATIVE FINANCIAL INSTRUMENTS

		THE GROUP			
		2008		**2007**	
		Assets	**Liabilities**	**Assets**	**Liabilities**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Options	*(i)*	—	487	—	—
Forward foreign exchange contract	*(ii)*	208	—	—	—
Decumulator contract	*(iii)*	—	90	—	—
Futures	*(iv)*	—	—	—	775
Knock-out forward contract	*(v)*	—	428	—	—
		208	1,005	—	775

28. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(i) Options

Notional amount	**Maturity**	**Strike price** *HK$*
Sell 2,000,000 call option on China Telecom Corporation Limited	13 August 2008	5.005
Sell 2,000,000 call option and put option on China Telecom Corporation Limited	28 August 2008	Call at 4.4625 Put at 4.0375

(ii) Forward foreign exchange contract

Notional amount	**Maturity**	**Forward Exchange rates** *HK$*
Sell US$3,684,055	29 October 2008	Sell US$/buy Singapore dollar at US$1.3752

(iii) Decumulator contract

Notional amount	**Maturity**	**Strike price** *HK$*
510,000 shares of Lenovo Group Limited	18 September 2008	5.3198

(iv) Futures

The major terms of the outstanding futures as at 31 July 2007 are set out below:

	Notional amount	**Maturity**
At 31 July 2007		
Nikkei 225 index futures	US$4 million	September 2007
H-Share index futures	HK$30 million	August 2007
Heng Sang index futures	HK$55 million	August 2007

(v) Knock-out forward contract

Notional amount	**Maturity**	**Strike price** *HK$*
564,000 Shares of China Telecom Corporation Limited	19 August 2008	5.05

28. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The above derivatives are measured at fair value at the balance sheet date. Their fair values except for forward foreign exchange contract and futures are determined based on the valuation provided by Greater China Appraisal Limited, independent professionally qualified valuers not connected with the Group. The fair value of forward foreign exchange contract is determined based on forward rate obtained from banks for equivalent instruments at the balance sheet date. The fair value of futures are determined based on the quoted market price in relevant stock exchanges at the balance sheet date. The valuation of options are evaluated by application of Black-Scholes Option Pricing model. The valuation of decumulator contract and knock-out forward contract are evaluated by application of Binominal Option Pricing model.

29. TRADE AND OTHER RECEIVABLES

At 31 July 2008, the balance of trade and other receivables of the Group included trade receivables of HK$87,000 (2007: HK$41,000). An aged analysis of trade receivables is as follows:

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
0 to 60 days	29	31
61 to 90 days	11	—
91 days or above	47	10
	87	41

The Group allows an average credit period of 30 days to its trade customers.

30. INVESTMENTS HELD FOR TRADING

Investments held for trading of the Group at 31 July 2008 and 2007 represent equity securities listed in Hong Kong.

31. PLEDGED BANK DEPOSIT/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposit of the Group represents deposit pledged to a bank to secure banking facilities granted to the Group. The deposit carries fixed interest rate ranging from 0.3% to 2.6% (2007: 2.65% to 4.33%) per annum. The pledged bank deposit will be released upon the release of relevant banking facilities.

Restricted bank deposits of the Group represents the margin deposits required by bank as at 31 July 2008 with interest at rates ranging from 0.15% to 2.19% per annum.

Bank balances and cash of the Group and the Company comprise bank balances and cash held and short-term bank deposits that are interest-bearing at market interest rate and are with maturity of three months or less. The Group's and the Company's bank deposits carry interest rates ranging from 0.01% to 4.375% (2007: 1.75% to 2.50%) per annum and 0.01% to 4.375% (2007: 1.75% to 2.50%) per annum, respectively.

31. PLEDGED BANK DEPOSIT/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH *(Continued)*

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008	2007
	HK$'000	*HK$'000*
USD	914	16,375

32. TRADE AND OTHER PAYABLES

At 31 July 2008, the balance of trade and other payables of the Group included trade payables of HK$302,000 (2007: HK$1,305,000). An aged analysis of trade payables is as follows:

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
0 to 60 days	302	1,159
91 days or above	—	146
	302	1,305

33. BANK BORROWINGS

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Secured bank loan	—	5,976

Bank borrowings are repayable as follows:

Within one year or upon demand	—	1,039
More than one year but not exceeding two years	—	1,028
More than two years but not exceeding three years	—	1,103
More than three years but not exceeding four years	—	1,185
More than four years but not exceeding five years	—	1,272
More than five years	—	349
	—	5,976
Less: Current portion shown under current liabilities	—	(1,039)
	—	4,937

The secured bank loan carries interest at Hong Kong Prime Rate less 1%. It was secured by investment properties held by the Group with carrying value at 31 July 2007 of HK$27,800,000.

34. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, interest bearing at Hong Kong Prime Rate plus 6.5% and have no fixed terms of repayment.

35. SHARE CAPITAL

	Number of ordinary shares	Amount *HK$'000*
Ordinary shares		
Authorised:		
At 1 August 2006 at HK$0.20 each	10,000,000,000	2,000,000
Capital Reduction *(note a)*	—	(1,900,000)
Increase during the year *(note b)*	190,000,000,000	1,900,000
At 31 July 2007 and 31 July 2008, at HK$0.01 each	200,000,000,000	2,000,000
Issued and fully paid:		
At 1 August 2006, at HK$0.20 each	1,693,587,340	338,717
Capital Reduction *(note a)*	—	(321,781)
Issue of shares on rights issue *(note b)*	8,467,936,700	84,680
Exercise of warrants *(note c)*	457,142,856	4,571
Exercise of share options *(note d)*	141,100,000	1,411
At 31 July 2007, at HK$0.01 each	10,759,766,896	107,598
Issue of shares *(note e)*	2,055,000,000	20,550
Exercise of share options *(note f)*	472,130,002	4,721
At 31 July 2008, at HK$0.01 each	13,286,896,898	132,869

Notes:

(a) Pursuant to a special resolution passed on 6 September 2006, the adjustment to the nominal value of the ordinary shares of the Company by way of capital reduction (the "Capital Reduction"), as detailed in the circular issued by the Company dated 14 August 2007, was approved. The Capital Reduction involved the reduction of the nominal value of each of the issued ordinary shares from HK$0.20 to HK$0.01 by cancelling the paid up capital to the extent of HK$0.19 on each share, and crediting of the amount of HK$321,781,000 arising from the Capital Reduction to the share premium account of the Company. Immediately after the completion of the Capital Reduction, the authorised share capital and the issued share capital of the Company were changed to HK$100,000,000 and HK$16,936,000, respectively.

35. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(b) Pursuant to a circular dated 16 February 2007, a prospectus dated 13 March 2008 and resolutions passed on 12 March 2007, the authorised share capital of the Company was increased from HK$100 million to HK$2,000 million by the creation of 190,000 million shares of HK$0.01 each (the "Capital Increase").

In addition, the Company issued 8,467,936,700 shares at a subscription price of HK$0.026 each in the capital of the Company, by way of rights issue, on the basis of five rights shares for every share held on 12 March 2007 after the Capital Increase became effective. The transaction was completed in April 2007. The net proceeds of approximately HK$215.0 million raised will be used to finance future investment opportunities. The new shares rank pari passu in all respects with the then existing issued shares.

(c) In April and May 2007, the remaining warrants issued on 19 May 2006 were all converted into 457,142,856 ordinary shares of HK$0.01 each at a subscription price adjusted from HK$0.20 per share to HK$0.07 per share in view of the rights issue completed in April 2007 as set out in note (b) above. The new shares rank pari passu in all respect with the then existing issued shares.

(d) In July 2007, the Company issued 116,100,000, 10,000,000, 15,000,000 ordinary shares of HK$0.01 each in the Company for cash at HK$0.068, 0.048 and 0.167 per share respectively, as a result of the exercise of share options granted to directors and employees. The new shares rank pari passu in all respects with the then existing issued shares.

(e) Pursuant to an announcement dated 8 October 2007, the Company issued 555,000,000 shares of HK$0.01 each as part of the consideration for the acquisition of 50% additional equity interest in Sun Fat as set out in note 39.

In addition, pursuant to an announcement dated 10 December 2007, arrangement was made for placing to not less than six placees of 1,500,000,000 new shares of the Company of HK$0.01 each at a placing price of HK$0.110 per share, representing a discount of approximately 12% to the closing price of the HK$0.125 per share on 10 December 2007. The net proceeds of approximately HK$161,649,000 will be used as general working capital and/or funding to finance the acquisition of properties, property development or other potential investment.

The 555,000,000 and 1,500,000,000 new shares were issued under the general mandate granted to the directors at the extraordinary general meeting of the Company held on 10 May 2007. The new shares rank pari passu in all respects with the then existing issued shares.

(f) In August and September 2007, the Company issued 28,000,000, 42,085,002, 292,345,000 and 109,700,000 ordinary shares of HK$0.01 each in the Company for cash at HK$0.068, HK$0.048, HK$0.167 and HK$0.207 per share, respectively, as a result of the exercise of share options granted to directors and employees. The new shares rank pari passu in all respects with the then existing issued shares.

36. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to a resolution passed on 30 December 2002, the existing share option scheme was adopted (the "Scheme") for the primary purpose of providing incentives to directors, employees and eligible participants. The Scheme will expire on 29 December 2012.

Under the Scheme, the Board of Directors of the Company (the "Board") may grant options to executive directors, employees of the Company and its subsidiaries and such eligible participants at the discretion of the Board pursuant to the terms of the Scheme, to subscribe for shares of the Company at a price per share not less than the highest of i) the closing price of a share of the Company listed on the Stock Exchange at the date of grant of the option; ii) the average of the closing price of a share of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and iii) the nominal value of a share of the Company.

The maximum number of shares in respect of which options shall be granted under the Scheme shall not exceed 10% in aggregate of the issued share capital of the Company at the date of its adoption. No director, employee or eligible participant may be granted options under the Scheme which will enable him or her if exercise in full to subscribe for exceeding 1% of the issued share capital of the Company in any 12-month period. The option period for which the options granted can be exercisable, shall be such period as notified by the Board, save that it shall not be more than 10 years from the date of grant subject to the terms of the Scheme. Nominal consideration of HK$1 is payable on acceptance of each grant and the share options granted shall be accepted within 28 days from the date of grant.

At 31 July 2008, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 430,380,000 (2007: 792,878,531), representing 3.24% (2007: 7.37%) of the shares of the Company in issue at that date. Total consideration of HK$5 (2007: HK$10) was received by the Company during the year ended 31 July 2008 on acceptance of the grants. The share options are fully vested upon issue.

The following table discloses movements in such holdings during the year:

Date of grant	Exercisable period	Exercise price	Outstanding at 1.8.2007	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.7.2008
		HK$					
17.07.2006	17.07.2006 — 29.12.2012	0.068*	28,067,286	—	(28,000,000)	(67,286)	—
13.09.2006	13.09.2006 — 29.12.2012	0.048*	42,086,245	—	(42,085,000)	(1,245)	—
15.06.2007	15.06.2007 — 14.06.2010	0.167	292,345,000	—	(292,345,000)	—	—
31.07.2007	31.07.2007 — 30.07.2010	0.255	430,380,000	—	—	—	430,380,000
08.08.2007	08.08.2007 — 07.08.2010	0.207	—	109,700,000	(109,700,000)	—	—
			792,878,531	109,700,000	(472,130,000)	(68,531)	430,380,000

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Date of grant	Exercisable period	Exercise price *HK$*	Outstanding at 1.8.2006	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.7.2007
17.07.2006	17.07.2006 — 29.12.2012	0.068*	144,167,286	—	(116,100,000)	—	28,067,286
13.09.2006	13.09.2006 — 29.12.2012	0.048*	—	52,086,245*	(10,000,000)	—	42,086,245
15.06.2007	15.06.2007 — 14.06.2010	0.167	—	307,345,000	(15,000,000)	—	292,345,000
31.07.2007	31.07.2007 — 30.07.2010	0.255	—	430,380,000	—	—	430,380,000
			144,167,286	789,811,245	(141,100,000)	—	792,878,531

Details of the options held by the directors or former directors included in the above table are as follows:

Date of grant	Exercisable period	Exercise price *HK$*	Outstanding at 1.8.2007	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.7.2008
17.7.2006	17.7.2006 — 29.12.2012	0.068*	28,067,286*	—	(28,000,000)	(67,286)	—
15.6.2007	15.6.2007 — 14.6.2010	0.167	147,060,000	—	(147,060,000)	—	—
			175,127,286	—	(175,060,000)	(67,286)	—

Date of grant	Exercisable period	Exercise price *HK$*	Outstanding at 1.8.2006	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.7.2007
17.7.2006	17.7.2006 — 29.12.2012	0.068*	144,167,286	—	(116,100,000)	—	28,067,286
15.6.2007	15.6.2007 — 14.6.2010	0.167	—	147,060,000	—	—	147,060,000
			144,167,286	147,060,000	(116,100,000)	—	175,127,286

* Exercise prices for the share options granted on 17 July 2006 and 13 September 2006 have been adjusted from HK$0.21 and HK$0.150 to HK$0.068 and HK$0.048, respectively, due to the rights issue completed in April 2007. The number of share options are also adjusted.

During the year ended 31 July 2008, 109,700,000 options were granted on 8 August 2007. The estimated fair values of the options granted on that date are HK$4,980,000.

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

During the year ended 31 July 2007, options were granted on 13 September 2006, 15 June 2007 and 31 July 2007. The estimated fair values of the options granted on those dates are HK$979,000, HK$16,873,000 and HK$23,542,000, respectively. These fair values were calculated using The Black-Scholes pricing model. The imputs into the model were as follows:

	13 September 2006	**15 June 2007**	**31 July 2007**	**8 August 2007**
Weighed average share price	HK$0.120	HK$0.160	HK$0.250	HK$0.190
Exercise price*	HK$0.150	HK$0.167	HK$0.255	HK$0.207
Expected volatility	100.00%	79.2%	78.6%	78.99%
Expected life	1.5 years	1.22 years	1.22 years	3 years
Risk-free rate	4.5%	4.5%	4.2%	4.16%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

As the services performed by the other eligible participants, including consultants, are similar to services performed by the employees of the Group, the fair value of such services is also measured with reference to the fair value of share options granted using the Black-Scholes pricing model.

The Group recognised total expenses of HK$4,980,000 (2007: HK$41,394,000) for the year in relation to the share options granted by the Company to the consultant (2007: directors, employees and consultants). For the year ended 31 July 2007, the Company recognised the total expense of HK$41,394,000 in which approximately HK$33,321,000 was related to options granted to the Group's employees and consultants and shown as staff costs as set out in note 14, and the remaining balance of approximately HK$8,073,000 was related to options granted to directors which have been included in directors' emoluments as set out in note 15.

37. SHARE PREMIUM AND RESERVES

THE COMPANY

	Share premium HK$'000	Capital reserve HK$'000	Warrant reserve HK$'000	Share option reserve HK$'000	Capital reduction reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY								
At 1 August 2007	52,580	2,127	8,000	5,961	170,583	268	(138,737)	100,782
Loss for the year and recognised expenses for the year	—	—	—	—	—	—	(29,637)	(29,637)
Capital reduction *(note 35a)*	321,781	—	—	—	—	—	—	321,781
Issue of shares on rights issue *(note 35b)*	135,487	—	—	—	—	—	—	135,487
Exercise of warrants *(note 35c)*	35,429	—	(8,000)	—	—	—	—	27,429
Exercise of share options *(note 35d)*	15,254	—	—	(5,812)	—	—	—	9,442
Expenses incurred in connection with issue of shares	(5,280)	—	—	—	—	—	—	(5,280)
Recognition of equity-settled share-based payments	—	—	—	41,394	—	—	—	41,394
At 31 July 2007	555,251	2,127	—	41,543	170,583	268	(168,374)	601,398
Loss for the year and recognised expenses for the year	—	—	—	—	—	—	(17,027)	(17,027)
Issue of shares *(note 35e)*	223,260	—	—	—	—	—	—	223,260
Exercise of share options *(note 35f)*	93,744	—	—	(22,981)	—	—	—	70,763
Expenses incurred in connection with issue of shares	(3,351)	—	—	—	—	—	—	(3,351)
Recognition of equity-settled share-based payments	—	—	—	4,980	—	—	—	4,980
At 31 July 2008	868,904	2,127	—	23,542	170,583	268	(185,401)	880,023

Under the capital reduction exercise carried out in October 2002, the Company undertook to maintain a capital reduction reserve account. This account would not be treated as realised profits and should be treated as reserve of the Company, which should not be distributable until or unless the creditors of the Company as at the date of the sanction of the reduction of capital (the "Creditors") were fully settled, provided for by the Company or the remaining Creditors and each of them did consent by which time the account would be cancelled and provided that prior to the cancellation of the account, the Company might apply it in paying up unissued shares of the Company to be issued to members as fully paid bonus shares.

38. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
THE GROUP			
At 1 August 2006	1,467	(1,516)	(49)
Charge (credit) to income statement	712	(779)	(67)
Disposal of subsidiaries	116	—	116
At 31 July 2007	2,295	(2,295)	—
Charge (credit) to income statement	(304)	304	—
Effect of change in tax rate	(130)	130	—
At 31 July 2008	1,861	(1,861)	—

At 31 July 2008, the Group and the Company had unused tax losses of HK$253,367,000 (2007: HK$54,082,000) and HK$7,497,000 (2007: HK$7,042,000), respectively, available to offset against future profits and deductible temporary differences of HK$11,281,000 (2007: HK$13,114,000) and zero (2007: HK$9,000), respectively, in respect of depreciation allowance. A deferred tax asset of the Group has been recognised in respect of HK$11,281,000 (2007: HK$13,114,000) of such tax losses. No deferred tax assets of the Group and the Company have been recognised in respect of the remaining unused tax losses of HK$242,086,000 (2007: HK$40,968,000) and HK$7,497,000 (2007: HK$7,042,000), respectively, and the deductible temporary differences due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

39. ACQUISITION OF A SUBSIDIARY

During the year ended 31 July 2008, the Group acquired 50% additional equity interest in Sun Fat at a consideration of HK$158,300,000. After the completion of the acquisition, Sun Fat has become a 99% owned subsidiary of the Company.

The net assets acquired in the transaction are as follow:

	HK$'000
Net assets acquired:	
Properties for development	297,833
Amounts due from former shareholders	21,989
Bank balances and cash	3,695
Other payables	(1)
	323,516
Minority interests	(3,771)
	319,745
Total consideration satisfied by:	
Cash	79,490
Shares issued *(Note)*	78,810
	158,300
Interest in an associate	161,445
	319,745
Net cash outflow arising on acquisition:	
Cash consideration paid	(79,490)
Bank balances and cash acquired	3,695
	(75,795)

Note: As part of the consideration for the acquisition of Sun Fat, 555,000,000 ordinary shares of the Company of HK$0.01 each were issued as set out in note 35(e). The carrying value of the ordinary shares of the Company, determined based on the estimated fair value of the net assets acquired at the date of the acquisition, amounted to HK$78,810,000. The estimated fair value of the properties held for development is determined after deducting the estimated land premium required for conversion of the land use to residential purposes.

The newly acquired subsidiaries during the period did not have any significant impact on the Group's revenue and result for the year.

40. DISPOSAL OF SUBSIDIARIES

THE GROUP

During the year ended 31 July 2008, the Group disposed of its 100% interest in Chadbury International Limited.

As explained in note 13, on 31 July 2007, the Group discontinued its estate agency operation at the time of disposal of its 80% equity interest in Consecutive Profits.

The total net assets of Chadbury International Limited and Consecutive Profits at the date of disposals were as follows:

	2008	**2007**
	HK$'000	*HK$'000*
NET ASSETS DISPOSED OF		
Investment properties	7,152	—
Property, plant and equipment	—	237
Deferred tax assets	—	116
Trade and other receivables	—	6,206
Bank balances and cash	—	936
Trade and other payables	(2,800)	(3,322)
Tax payable	—	(113)
Bank borrowings	—	(13)
	4,352	4,047
Minority interests	—	(1,386)
Release of goodwill	—	3,413
	4,352	6,074
Gain (loss) on disposal	148	(2,099)
Net consideration	4,500	3,975
Satisfied by:		
Cash	4,500	3,975
Legal and professional fees	—	25
	4,500	4,000
Net cash inflow arising on disposal:		
Cash consideration	4,500	3,975
Bank balances and cash disposed of	—	(936)
	4,500	3,039

41. GOODWILL

	THE GROUP *HK$'000*
COST	
At 1 August 2006	4,193
Disposal of subsidiaries	(4,193)
At 31 July 2007 and 31 July 2008	—
AMORTISATION AND IMPAIRMENT	
At 1 August 2006	—
Impairment loss recognised	780
Eliminated on disposal of subsidiaries	(780)
At 31 July 2007 and 31 July 2008	—
CARRYING VALUES	
At 31 July 2007 and 31 July 2008	—

As explained in note 10, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to one cash generating unit ("CGU") which is estate agency segment.

During the year ended 31 July 2007, the management had recognised an impairment loss of HK$780,000 on goodwill.

During the year ended 31 July 2007, the CGU was disposed as set out in note 40.

42. PLEDGE OF ASSETS

At 31 July 2008, bank deposits of HK$641,000 (2007: bank deposit of HK$630,000 and investment properties of HK$27,800,000) of the Group were pledged to banks to secure credit facilities to the extent of HK$600,000 (2007: HK$10,600,000) granted to the Group, of which HK$37,000 (2007: HK$5,976,000) was utilised by the Group. In 2008, since the Group has fully settled the outstanding bank mortgage loan, the pledge of investment properties was released during the year.

43. RETIREMENT BENEFIT SCHEME

Prior to 1 December 2000, the Group operated defined contribution retirement benefit schemes ("Defined Contribution Schemes") for its qualifying employees in Hong Kong. The assets of the schemes were held separately from those of the Group in funds under the control of independent trustees. Where there are employees who leave the Defined Contribution Schemes prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group. Since the Defined Contribution Schemes were terminated on 1 December 2000, forfeited contributions in respect of unvested benefits of employees leaving the Group under the Defined Contribution Schemes cannot be used to reduce ongoing contributions. The Group did not have forfeited contributions for both years.

43. RETIREMENT BENEFIT SCHEME *(Continued)*

Effective on 1 December 2000, the Group has joined the MPF Scheme for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. For the year ended 31 July 2008, contributions of the Group under the MPF Scheme amounted to HK$68,000 (2007: HK$145,000).

44. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases for premises during the year was HK$1,735,000 (2007: HK$1,358,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Within one year	2,657	1,580
In the second to fifth year inclusive	1,413	522
	4,070	2,102

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and rentals are fixed for an average term of two years.

The Group as lessor

Property rental income earned by the Group during the year was HK$568,000 (2007: HK$567,000). Certain of the Group's properties are held for rental purposes and are expected to generate rental yields of 2% (2007: 2%) for the year, on an ongoing basis. The properties of the Group held for rental purposes have committed tenants for an average term of two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Within one year	144	164

The Company did not have any significant commitments and arrangement either as a lessor or a lessee at the balance sheet date.

45. CONTINGENT LIABILITIES

At 31 July 2008, the Company had no outstanding guarantees issued in favour of banks in respect of banking facilities made available to subsidiaries (2007: guarantees to banks with amount utilised of HK$5,903,000).

46. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Short-term benefits	3,712	3,712
Share-based payments	—	8,073
	3,712	11,785

The remuneration of directors and key executives is determined by the board of directors after recommendation from the Remuneration Committee, having regard to the performance of individuals and market trends.

Set out below is the unaudited interim results of the Group for the six months ended 31 January 2009 as extracted from pages 5 to 26 of the interim financial report of the Group.

Condensed Consolidated Income Statement
For the six months ended 31 January 2009

		Six months ended 31 January	
		2009	**2008**
	NOTES	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Property rental and hotel operations income	*3*	7,570	284
Direct cost on property rental and hotel operations		(5,397)	(788)
Gross profit (loss)		2,173	(504)
Other income		1,780	3,571
Other losses	*4*	(55,218)	(142,146)
(Decrease) increase in fair value of investment properties		(8,040)	5,794
Administrative expenses		(19,677)	(14,965)
Distribution expenses		(150)	—
Share of (loss) profit of associates		(3,392)	1,830
Finance costs		(2,056)	(103)
Impairment loss recognised on available-for-sale investments		(10,040)	—
Impairment loss recognised on properties for development		(64,033)	—
Impairment loss recognised on goodwill		(71,079)	—
Loss before taxation and for the period	*6*	(229,732)	(146,523)
Attributable to:			
Equity holders of the Company		(229,320)	(146,518)
Minority interests		(412)	(5)
		(229,732)	(146,523)
LOSS PER SHARE	*7*		
— Basic (HK cents)		(1.726)	(1.239)

Condensed Consolidated Balance Sheet
At 31 January 2009

	NOTES	31 January 2009 HK$'000 (unaudited)	31 July 2008 HK$'000 (audited)
Non-current Assets			
Investment properties	8	28,610	36,650
Property, plant and equipment	9	465,061	3,017
Prepaid lease payments		13,209	—
Premium on prepaid lease payments		191,624	—
Interests in associates	10	230,332	233,724
Available-for-sale investments	11	59,850	69,890
Convertible bonds	12	40,864	—
Derivative component in convertible bonds	12	1,471	—
Deposit paid for acquisition of subsidiaries	13	—	250,000
		1,031,021	593,281
Current Assets			
Amount due from an associate		45	45
Properties for development	14	237,000	301,033
Inventories		3,146	—
Derivative financial instruments	15	—	208
Trade and other receivables	16	9,878	928
Prepaid lease payments		401	—
Investments held for trading	17	38,293	103,412
Pledged bank deposits		641	641
Restricted bank deposits		1,889	6,227
Bank balances and cash		26,967	39,743
		318,260	452,237
Current Liabilities			
Trade and other payables	18	28,618	4,611
Derivative financial instruments	15	1,578	1,005
Taxation payable		33,408	34,286
Loans from related parties	19	137,136	—
Other borrowings		15,937	—
Obligation under a finance lease — due within one year		102	—
		216,779	39,902
Net current assets		101,481	412,335
Total assets less current liabilities		1,132,502	1,005,616

	NOTES	31 January 2009 HK$'000 (unaudited)	31 July 2008 HK$'000 (audited)
Non-current Liabilities			
Consideration payable for acquisition of subsidiaries	13	284,464	—
Deferred tax liabilities		71,079	—
Obligation under a finance lease — due after one year		251	—
		355,794	—
		776,708	1,005,616
Capital and Reserves			
Share capital	20	132,869	132,869
Share premium and reserves		640,386	868,982
Equity attributable to equity holders of the Company		773,255	1,001,851
Minority interests		3,453	3,765
		776,708	1,005,616

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2009

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital reserve	Share options reserve	Capital reduction reserve	Translation reserve	Capital redemption reserve	Revaluation reserve	Accumulated losses	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st August, 2007 (audited)	107,598	555,251	157	41,543	170,583	—	268	9,200	(2,165)	882,435	—	882,435
Loss for the period and total recognised expense for the period	—	—	—	—	—	—	—	—	(146,518)	(146,518)	(5)	(146,523)
Issue of shares	20,550	223,260	—	—	—	—	—	—	—	243,810	—	243,810
Exercise of share options	4,721	93,744	—	(22,981)	—	—	—	—	—	75,484	—	75,484
Expenses incurred in connection with issue of shares	—	(3,351)	—	—	—	—	—	—	—	(3,351)	—	(3,351)
Recognition of equity-settled share based payments	—	—	—	4,980	—	—	—	—	—	4,980	—	4,980
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	3,771	3,771
Balance at 31st January, 2008 (unaudited)	132,869	868,904	157	23,542	170,583	—	268	9,200	(148,683)	1,056,840	3,766	1,060,606
Loss for the period and total recognised expense for the period	—	—	—	—	—	—	—	—	(54,989)	(54,989)	(1)	(54,990)
Balance at 31st July, 2008 (audited)	132,869	868,904	157	23,542	170,583	—	268	9,200	(203,672)	1,001,851	3,765	1,005,616
Exchange differences arising on translation of foreign operation and expense recognised directly in equity	—	—	—	—	—	(1,226)	—	—	—	(1,226)	—	(1,226)
Loss for the period	—	—	—	—	—	—	—	—	(229,320)	(229,320)	(412)	(229,732)
Total recognised expense for the period	—	—	—	—	—	(1,226)	—	—	(229,320)	(230,546)	(412)	(230,958)
Recognition of equity-settled share based payments	—	—	—	1,950	—	—	—	—	—	1,950	—	1,950
Contribution from minority shareholder	—	—	—	—	—	—	—	—	—	—	100	100
Balance at 31st January, 2009 (unaudited)	132,869	868,904	157	25,492	170,583	(1,226)	268	9,200	(432,992)	773,255	3,453	776,708

Condensed Consolidated Cash Flow Statement

For the six months ended 31st January, 2009

		Six months ended 31st January,	
		2009	2008
	NOTE	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Net cash (used in) from operating activities		(1,867)	46,382
Tax paid		(878)	—
		(2,745)	46,382
Net cash used in investing activities:			
Subscription of convertible bonds		(43,780)	—
Purchase of property, plant and equipment		(125)	—
Acquisition of a subsidiary	22	13,398	(75,795)
Decrease (increase) in restricted bank deposits		4,338	(102,733)
Other investing cash flows		946	—
Acquisition of an associate		—	(12,068)
Acquisition of available-for-sale investments		—	(13,640)
Increase in pledged bank deposits		—	(8)
		(25,223)	(204,244)
Net cash (used in) from financing activities:			
Interest paid		(894)	(103)
Proceeds from other borrowings		23,780	—
Repayment of other borrowings		(7,843)	—
Other financing cash flows		91	22
Proceeds from issue of shares		—	165,000
Proceeds from exercise of share options		—	75,484
Repayment of bank loans		—	(5,903)
Expenses incurred in connection with issue of shares		—	(3,351)
		15,134	231,149
Net (decrease) increase in cash and cash equivalents		(12,834)	73,287
Effect of foreign exchange rate change		58	—
Cash and cash equivalents at beginning of the period		39,743	151,464
Cash and cash equivalents at end of the period		26,967	224,751
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		26,967	224,751

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 January 2009

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st July, 2008 except as described below.

Revenue recognition

Hotel operation income

Revenue from room rental, food and beverage sales and other ancillary services in the hotel are recognised when the relevant services have been rendered.

Prepaid lease payments

The up-front payments to acquire leasehold interest in land are accounted for as operating leases and are stated at cost and amortised over the lease term on a straight line basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Convertible bonds

Convertible bonds that contain both the loans and receivables and conversion option components are classified separately into respective items on initial recognition. Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) — Int 18	Transfers of Assets from Customers[6]

[1] Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009
[2] Effective for annual periods beginning on or after 1st January, 2009
[3] Effective for annual periods beginning on or after 1st July, 2009
[4] Effective for annual periods ending on or after 30th June, 2009
[5] Effective for annual periods beginning on or after 1st October, 2008
[6] Effective for transfers on or after 1st July, 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st August, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Business Segments

During the period ended 31st January, 2009, the Group commenced the hotel operation through acquisition of subsidiaries as disclosed in note 22.

For management purposes, the Group is organised into four operating divisions — property rental, financial investment, property development and sale and hotel operations. These divisions are the basis on which the Group reported its primary segment information.

3. **SEGMENT INFORMATION** *(Continued)*

Business Segments *(Continued)*

Principal activities are as follows:

Property rental	—	leasing of properties
Financial investment	—	trading of listing securities and derivative financial instruments
Property development and sale	—	sale of properties held for sale and property under development
Hotel operations	—	hotel business and its related services

Segment information about these businesses is presented below:

Six months ended 31st January, 2009

	Property rental	Financial investment	Property development and sale	Hotel operations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
GROSS PROCEEDS	283	54,228	—	7,287	61,798
SEGMENT REVENUE	283	—	—	7,287	7,570
SEGMENT RESULT	(8,417)	(53,640)	(64,062)	(3,178)	(129,297)
Unallocated corporate income					11
Unallocated corporate expenses					(94,998)
Share of loss of associates					(3,392)
Finance costs					(2,056)
Loss before taxation and for the period					(229,732)

3. SEGMENT INFORMATION *(Continued)*

Business Segments *(Continued)*

Six months ended 31st January, 2008

	Property rental	Financial investment	Property development and sale	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
GROSS PROCEEDS	284	905,522	—	905,806
SEGMENT REVENUE	284	—	—	284
SEGMENT RESULT	5,276	(142,949)	(490)	(138,163)
Unallocated corporate income				2,406
Unallocated corporate expenses				(12,493)
Share of profits of associates				1,830
Finance costs				(103)
Loss before taxation and for the period				(146,523)

4. OTHER LOSSES

	Six months ended 31st January, 2009	2008
	HK$'000	*HK$'000*
Decrease in fair value of investments held for trading	**(48,484)**	(119,059)
Decrease in fair value of derivative component in convertible bonds	**(2,325)**	—
Decrease in fair value of derivative financial instruments	**(5,212)**	(25,568)
Increase in fair value of financial liabilities designated as fair value through profit or loss	**—**	1,313
Dividend income from investments held for trading	**803**	1,168
	(55,218)	(142,146)

5. TAXATION

No provision for Hong Kong Profits Tax and tax in PRC subsidiaries have been made for both periods as the Group has no assessable profit for both periods.

6. LOSS BEFORE TAXATION AND FOR THE PERIOD

	Six months ended 31st January,	
	2009	2008
	HK$'000	*HK$'000*
Loss before taxation and for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**3,199**	385
Amortisation of prepaid lease payments and premium on prepaid lease payments	**513**	—
Share-based payment expense	**1,950**	4,980
Bank interest income	**(18)**	(2,421)

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	Six months ended 31st January,	
	2009	2008
	HK$'000	*HK$'000*
Loss for the period attributable to equity holders of the Company for the purpose of basic loss per share	**(229,320)**	(146,518)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic loss per share	**13,286,896,896**	11,822,629,070

No diluted loss per share had been presented for both periods because the exercise of the share options would result in a decrease in loss per share.

8. INVESTMENT PROPERTIES

All of the Group's property interests in properties held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties at 31st January, 2009 have been arrived at on the basis of a valuation carried out on that date by Norton Appraisals Limited, independent professional qualified valuers not connected with the Group. Norton Appraisals Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK$466,156,000 (for the six months ended 31st January, 2008: nil), in which, approximately HK$466,031,000 are resulted from acquisition of subsidiaries as disclosed in note 22.

10. INTERESTS IN ASSOCIATES

	31st January, 2009	31st July, 2008
	HK$'000	*HK$'000*
Cost of unlisted investments in associates	**241,523**	241,523
Share of post-acquisition results, net of dividend	**(11,191)**	(7,799)
	230,332	233,724

11. AVAILABLE-FOR-SALE INVESTMENTS

	31st January, 2009	31st July, 2008
	HK$'000	*HK$'000*
Unlisted equity securities, at cost	**69,890**	69,890
Impairment loss recognised	**(10,040)**	—
	59,850	69,890

The available-for-sale investments represent investments in unlisted equity securities issued by private entities incorporated in Macau and United States of America. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

12. CONVERTIBLE BONDS/DERIVATIVE COMPONENT IN CONVERTIBLE BONDS

During the six months ended 31st January, 2009, the Group subscribed convertible bonds with principal amount of HK$44,000,000 carries interest at 4% per annum payable semi-annually in arrears with maturity on 18th August, 2010 at redemption amount of 100% of the principal amount. The fair value at initial recognition of the receivable component and derivative component which amounting to HK$39,984,000 and HK$3,796,000 respectively, are determined based on the valuation provided by Greater China Appraisal Limited, independent professionally qualified valuers not connected with the Group. Subsequent to initial recognition, the receivable component is carried at amortised cost using the effective interest method.

The convertible bonds were recognised as follows:

	Receivable component *HK$'000*	**Derivative component** *HK$'000*
At date of subscription	39,984	3,796
Accretion interest	880	—
Fair value loss charged to income statement	—	(2,325)
At 31st January, 2009	40,864	1,471

The methods and assumptions applied for the valuation of the convertible bonds are as follows:

(i) Valuation of receivable component

The fair value of receivable component was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit rating of the convertible bonds issuer and remaining time to maturity. The effective interest rate of the receivable component as at 31st January, 2009 is 5.02%.

(ii) Valuation of derivative component

Derivative component is measured at fair value using the Binomial Option Pricing model, at initial recognition and at the balance sheet date. The inputs into the model as at date of subscription and at 31st January, 2009, was as follows:

	(Date of subscription) 18th August, 2008	**31st January, 2009**
Stock price	HK$1.00	HK$0.65
Conversion price	HK$1.30	HK$1.30
Volatility	39.60%	59.34%
Dividend yield	3.75%	5.77%
Option life	2 years	1.55 years
Risk free rate	2.119%	0.498%

13. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES/CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES

On 29th February, 2008, the Company entered into an agreement with Mason Creation Limited, Upper Way Holdings Limited and Mr. Siu Ka Kuen (the "Vendors") and Mr. Sio Tak Hong and Mr. Tang Fung (the "Warrantors"), pursuant to which, the Company has conditionally agreed to acquire from the Vendors the entire issued share capital of Hotel Fortuna (Hong Kong) Company Limited ("Hotel Fortuna (Hong Kong)") and all outstanding liabilities owed by Hotel Fortuna (Hong Kong) to each of the Vendors as at completion date of the agreement at an aggregate consideration of approximately HK$550,000,000 (subject to adjustments).

Hotel Fortuna (Hong Kong) is an investment holding company and its principal asset is its 100% equity interest in 佛山市財神酒店有限公司 Foshan Fortuna Hotel Company Limited, which is established in the PRC and owns a hotel situated at Le Cong Zhen, Shun De District, Foshan, Guangdong Province, the PRC. Details of the acquisition were set out in the announcement of the Company dated 5th March, 2008.

At 31st July, 2008, an aggregate amount of HK$250,000,000 has been paid to the Vendors as deposit. The acquisition was completed on 31st December, 2008 at an adjusted consideration of approximately HK$533,982,000. The remaining consideration (after deducting the deposit) of approximately HK$283,982,000 is repayable to the Vendors on or before 31st December, 2011 and carries interest at the rate of 2% per annum.

As at 31st January, 2009, interest expense of approximately HK$482,000 has been accrued and included in the consideration payable.

Details of the acquisition are set out in note 22.

14. PROPERTIES FOR DEVELOPMENT

Properties for development represent leasehold land located in the Macau for development for future sale in the ordinary course of business. Cost comprises the costs of land use rights and other costs directly attributable to bringing the leasehold land to the condition necessary for it to be ready for development. Properties for development are stated at lower of cost and net realizable value. No finance cost on development has been capitalised.

15. DERIVATIVE FINANCIAL INSTRUMENTS

		31st January, 2009		31st July, 2008	
		Assets	**Liabilities**	Assets	Liabilities
		HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Options	(i)	**—**	**197**	—	487
Forward foreign exchange contract	(ii)	**—**	**—**	208	—
Decumulator contracts	(iii)	**—**	**1,381**	—	90
Knock-out forward contract	(iv)	**—**	**—**	—	428
		—	**1,578**	208	1,005

15. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(i) Options

The major terms of the outstanding option as at 31st January, 2009 are set out below:

Notional amount	Maturity	Strike price *HK$*
Sell 800,000 call option on CNOOC Limited	16th April, 2009	7.540

The major terms of the outstanding options as at 31st July, 2008 are set out below:

Notional amount	Maturity	Strike price *HK$*
Sell 2,000,000 call option on China Telecom Corporation Limited	13th August, 2008	5.005
Sell 2,000,000 call option and put option on China Telecom Corporation Limited	28th August, 2008	Call at 4.4625 Put at 4.0375

(ii) Forward foreign exchange contract

The major terms of the outstanding forward foreign exchange contract as at 31st July, 2008 are set out below:

Notional amount	Maturity	Forward exchange rates
Sell US$3,684,055	29th October, 2008	Sell US$/buy Singapore dollar at US$1.3752

(iii) Decumulator contracts

The major terms of the outstanding decumulator contracts as at 31st January, 2009 are set out below:

Notional amount	Maturity	Strike price *HK$*
3,800,000 shares of China Telecom Corporation Limited	28th October, 2009	HK$3.1857
650,000 shares of CNOOC Limited	30th April, 2009	HK$6.9866

15. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(iii) Decumulator contracts *(Continued)*

The major terms of the outstanding decumulator contract as at 31st July, 2008 are set out below:

Notional amount	**Maturity**	**Strike price**
		HK$
510,000 shares of Lenovo Group Limited	18th September, 2008	5.3198

(iv) Knock-out forward contract

The major terms of the outstanding knock-out forward contract as at 31st July, 2008 are set out below:

Notional amount	**Maturity**	**Strike price**
		HK$
564,000 shares of China Telecom Corporation Limited	19th August, 2008	5.05

The above derivatives are measured at fair value at the balance sheet date. Their fair values except for forward foreign exchange contract are determined based on the valuation provided by Greater China Appraisal Limited, independent professionally qualified valuers not connected with the Group. The fair value of forward foreign exchange contract is determined based on forward rate obtained from banks for equivalent instruments at the balance sheet date. The fair value of options are evaluated by application of Black-Scholes Option Pricing model. The fair value of decumulator contract and knock-out forward contract are evaluated by application of Binominal Option Pricing model.

16. TRADE AND OTHER RECEIVABLES

At 31st January, 2009, the balance of trade and other receivables included trade receivables of HK$3,352,000 (31st July, 2008: HK$87,000). An aged analysis of trade receivables at the balance sheet date is as follows:

	31st January, 2009	31st July, 2008
	HK$'000	*HK$'000*
0 to 60 days	**1,972**	29
61 to 90 days	**358**	11
91 days or above	**1,022**	47
	3,352	87

17. INVESTMENTS HELD FOR TRADING

Investments held for trading of the Group at 31st January, 2009 and 31st July, 2008 represent equity securities listed in Hong Kong.

18. TRADE AND OTHER PAYABLES

At 31st January, 2009, the balance of trade and other payables included trade payables of HK$6,356,000 (31st July, 2008: HK$302,000). An aged analysis of trade payables at the balance sheet date is as follows:

	31st January, 2009	31st July, 2008
	HK$'000	*HK$'000*
0 to 60 days	**4,550**	302
61 to 90 days	**575**	—
91 days or above	**1,231**	—
	6,356	302

19. LOANS FROM RELATED PARTIES

During the period, the Group recorded other borrowings from related parties for a sum of HK$136,456,000 arising from the acquisition of Hotel Fortuna (Hong Kong) and its subsidiaries as disclosed in note 22. The amounts are unsecured and repayable on 31st December, 2009. Except for an amount of HK$122,961,000 which carries interest at Macau Prime Rate plus 1.5%, the remaining balance is interest-free. The borrowings were obtained by Hotel Fortuna (Hong Kong) and its subsidiaries prior to the acquisition in note 22 for repayment of bank borrowings and finance the daily operation. The amount has been fully repaid after the period end.

20. SHARE CAPITAL

	Number of ordinary shares	**Amount**
		HK$'000
Ordinary shares		
Authorised:		
At 1st August, 2008 and 31st January, 2009, at HK$0.01 each	200,000,000,000	2,000,000
Issued and fully paid:		
At 1st August, 2008 and 31st January, 2009, at HK$0.01 each	13,286,896,896	132,869

21. SHARE BASED PAYMENTS

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at the beginning of the period	430,380,000
Granted during the period	197,000,000
Cancelled during the period	(430,380,000)
Outstanding at the end of the period	197,000,000

In the current period, share options were granted on 19th September, 2008. The closing price of the Company's shares immediately before 19th September, 2008, the date of grant of the options, was HK$0.03. The fair value of the options determined at the dates of grant using the Binomial Option Pricing Model is approximately HK$1,950,000.

The following assumptions were used to calculate the fair value of share options:

Grant date	19th September, 2008
Vesting date	19th September, 2008
Grant date share price	HK$0.0320
Exercise price	HK$0.0348
Expected life	18 months
Expected volatility	113.656%
Risk-free interest rate	1.573%

The Binomial Option Pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

22. ACQUISITION OF SUBSIDIARIES

During the six months ended 31st January, 2009, the Company acquired the entire issued share capital of Hotel Fortuna (Hong Kong) and its subsidiaries at a consideration of approximately HK$533,982,000. After the completion of the acquisition, Hotel Fortuna (Hong Kong) has become a wholly owned subsidiary of the Company.

During the six months ended 31st January, 2008, the Company acquired 50% additional equity interest in Sun Fat Investment and Industry Limited ("Sun Fat") at a consideration of HK$158,300,000. After the completion of the acquisition, Sun Fat has become a 99% owned subsidiary of the Company.

22. ACQUISITION OF SUBSIDIARIES *(Continued)*

The net (liabilities) assets acquired in the transactions are as follows:

	Note	Hotel Fortuna (Hong Kong)'s carrying amount	Provisionable fair value adjustments	Hotel Fortuna (Hong Kong)'s Fair value	Sun Fat 2008
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net (liabilities) assets acquired:					
Properties for development		—	—	—	297,833
Property, plant and equipment		374,185	91,846	466,031	—
Prepaid lease payments		13,671	—	13,671	—
Premium on prepaid lease payments		—	192,468	192,468	—
Inventory		2,845	—	2,845	—
Trade and other receivables		4,799	—	4,799	—
Amounts due from former shareholders		—	—	—	21,989
Bank balances and cash		13,398	—	13,398	3,695
Trade and other payables		(22,412)	—	(22,412)	(1)
Loans from related parties		(136,456)	—	(136,456)	—
Loans from ex-shareholders		(424,014)	—	(424,014)	—
Deferred tax liabilities		—	(71,079)	(71,079)	—
Obligation under a finance lease		(362)	—	(362)	—
		(174,346)	213,235	38,889	323,516
Minority interests		—	—	—	(3,771)
		(174,346)	213,235	38,889	319,745
Goodwill arising on acquisition				71,079	—
				109,968	319,745
Total consideration satisfied by:					
Cash				250,000	79,490
Consideration payable for acquisition of subsidiaries	*13*			283,982	—
Shares issued *(Note)*				—	78,810
				533,982	158,300
Repayment of loans from ex-shareholders				(424,014)	—
Interest in an associate				—	161,445
				109,968	319,745
Net cash outflow arising on acquisition:					
Cash consideration paid				(250,000)	(79,490)
Deposit paid for acquisition of subsidiaries				250,000	—
Bank balances and cash acquired				13,398	3,695
				13,398	(75,795)

22. ACQUISITION OF SUBSIDIARIES *(Continued)*

Note: As part of the consideration for the acquisition of Sun Fat, 555,000,000 ordinary shares of the Company of HK$0.01 each were issued. The carrying value of the ordinary shares of the Company, determined based on the estimated fair value of the net assets acquired at the date of the acquisition, amounted to HK$78,810,000. The estimated fair value of the properties held for development is determined after deducting the estimated land premium required for conversion of the land use to residential purposes.

The newly acquired subsidiaries during the periods did not make any significant impact on the Group's result for the both periods. Goodwill of approximately HK$71,079,000 has been recognised upon the completion of the acquisition of Hotel Fortuna (Hong Kong). The amount has been fully impaired and recognised in the consolidated income statement with reference to the discounted cash flow of the cash generating unit.

23. POST BALANCE SHEET EVENT

On 17th February, 2009, Foshan Fortuna Hotel Company Limited has raised a bank loan of RMB135 million (equivalent to approximately of HK$152 million) for the purpose of repaying loans from related parties and finance the daily operation. The bank loan is secured by the hotel properties of Foshan Fortuna Hotel Company Limited and repayable by progressive quarterly installments starting from 20th March, 2009 and a final payment of RMB68.2 million (equivalent to approximately of HK$76.6 million) in the year 2014.

INDEBTEDNESS

At the close of business on 31 March 2009, the Group had outstanding bank borrowing of approximately HK$152 million which was secured by the Group's hotel properties with a net book value of HK$263 million. In addition, the Group had other unsecured borrowing of approximately HK$15 million and consideration payable for acquisition of subsidiaries of approximately HK$285 million.

At the close of business on 31 March 2009, the Group had no material contingent liabilities.

Foreign currency amounts have been translated at the approximate exchange rates prevailing at the close of business on 31 March 2009.

Save as aforesaid, and apart from intra-group liabilities, the group did not have outstanding at the close of business on 31 March 2009 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Material change

As at the Latest Practicable Date, save for the unaudited loss attributable to equity holders of the Company of approximately HK$229.3 million for the six months ended 31 January 2009 as disclosed in the Company's latest published interim report, the Directors confirmed that there was no material change in the financial or trading position or outlook of the Group since 31 July 2008, being the date at which the latest published audited financial statements of the Group were made up.

The following is the text of a letter, summary of values and valuation certificates, prepared for inclusion in this circular, received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with their valuations as of 30 April 2009 of the properties held by Capital Estate Limited.

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T: (852) 2801 6100
F: (852) 2530 0756

EA LICENCE: C-023750
savills.com

The Directors
Capital Estate Limited
17th Floor
Asia Orient Tower, Town Place
33 Lockhart Road
Wan Chai
Hong Kong

19 June 2009

Dear Sirs,

RE: VALUATION OF VARIOUS PROPERTIES IN HONG KONG, MACAU AND THE PEOPLE'S REPUBLIC OF CHINA

In accordance with your instruction for us to value the property interests of Capital Estate Limited (referred to as the "Company"), its subsidiaries and associate over which the Company holds a direct or indirect interest of 30% or more of the voting rights (hereinafter together referred to as the "Group") located in Hong Kong, Macau and the People's Republic of China (the "PRC"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of values of the property interests as at 30 April 2009 (the "Valuation Date") for the incorporation in a public circular.

BASIS OF VALUATION

Our valuations of the property interests are our opinion of the market values of each of the concerned properties 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."

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, and the relevant provisions in the Companies Ordinance and the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (Main Board) and all requirements contained in Rule 11 of the Code on Takeovers and Mergers.

PROPERTY CATEGORIZATION

The property interest in Group I is held by the Group under acquisition in Macau. We have valued the property interest in Group I by reference to sales evidence as available in the market.

Property interest in Group II is held for future development in Macau. The property interests are valued on an open market basis assuming sale with the benefit of immediate vacant possession.

In the course of our valuation of the properties in the PRC, unless otherwise stated, we have assumed that transferable land use rights of the properties for their specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. In valuing the property, unless otherwise stated, we have also assumed that the owners of the properties have enforceable titles to the properties, and have free and uninterrupted right to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

The property interests in Group III are properties operated and held by the Group in PRC. We valued the property by using direct comparison approach by making reference to the comparable sales transactions as available in the relevant markets.

Property interest in Group IV is held by the Group for future development in PRC. We have valued it on the basis that it will be developed and completed in accordance with the Company's latest development proposal provided to us. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposal have been obtained without onerous conditions or delays. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to the comparable sales transactions as available in the relevant market.

The property interests in Groups V, VI and VII are properties rented by the Group in Hong Kong, Macau and PRC respectively. They have no commercial values mainly due to their short term nature, the prohibitions against assignment or sub-letting in the tenancies or otherwise due to lack of substantial profit rents.

VALUATION METHODOLOGY

We have valued the properties on a market basis assuming sale with the benefit of vacant possession by adopting comparison method of valuation. Comparisons based on prices realized on actual sales and/or offerings of comparable properties have been made. Comparable properties with similar sizes, character, location and so are analyzed and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at fair comparison of values.

TITLE INVESTIGATION

We have caused searches to be made at the Land Registry for the property in Hong Kong and at Conservatoria do Registo Predial of Macau for the properties in Macau. However, we have not searched the original documents to verify ownership or to verify any lease amendments which may not appear on the copies handed to us.

We have been provided with extracts of documents in relation to the titles to the properties in PRC. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Group and the legal opinion dated 4 June 2009 provided by its legal adviser Hills & Co. on PRC laws, regarding the titles to the properties.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the property interests are sold in the open market in their existing states without the effect of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interest, and no allowance is made for the properties to be sold to a single party and/or as a portfolio or portfolios.

In valuing the property interests, we have assumed that the owners have enforceable titles to the property interests, and have free and uninterrupted rights to use and assign the properties during the whole of the respective unexpired terms granted subject to payment of nominal annual government rent.

Other special assumptions of each of the properties, if any, have been stated in the footnotes of the valuation certificate for the respective properties.

VALUATION CONSIDERATION

Having examined all relevant documentation, we have relied to a considerable extent on the information given by the Group and have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, development proposals, site and floor areas and all relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on the information provided to us and are therefore only approximations. No on-site measurements have been taken.

Except otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group, and are therefore approximate. We have no reason to doubt the truth and accuracy of the information provided to us. We have been advised by the Group that no material facts have been omitted from the information provided and have no reason to suspect that any material information has been withheld.

We have inspected the exterior and, where possible the interior of the properties. However, no structural survey has been made but in the course of our inspection, we did not note any serious defects. We are therefore unable to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxations 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.

We have assumed that all consents, approvals and licenses from the relevant government authorities have been or will be granted without onerous conditions or delay for the properties.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the property interests include:

(a) profits tax on the profit from the sale of the property interest at rates of 12.0% for properties in Macau and 25% for properties in the PRC; and

(b) land value appreciation tax on properties in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation in property value in the range from not more than 50% to more than 200%.

As at the time of this circular, the Company has confirmed that it has no intention to sell any of the properties which are held for investment and for development. Hence, the likelihood of any potential tax liability of these properties being crystallized is remote.

REMARKS

Unless otherwise stated, all property values are denominated in Hong Kong Dollars. The exchange rates used in our valuation are HK$1 to MOP1.03 and HK$1 to RMB0.8806 which are prevailing as at the Valuation Date.

Our summary of values and valuation certificates are attached.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

Note: Charles C K Chan has been a qualified valuer since 1987 and has about 24 years' experience in the valuation of properties in Hong Kong and has about 19 years' experience in the valuation of properties in the PRC and Macau.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 30 April 2009	Interest Attributable to the Group (%)	Market Value attributable to the Group as at 30 April 2009
GROUP I	**— PROPERTY INTEREST HELD BY THE GROUP UNDER ACQUISITION IN MACAU**			
1.	Em Macau, Praca de D. Afonso Henriques N˚S 76-90, Hotel Fortuna (Excluding Car Parking Spaces on the 1st to 4th Floor)	HK$980,200,000	32.5%	HK$318,565,000
	Sub-total:	HK$980,200,000		HK$318,565,000
GROUP II	**— PROPERTY INTEREST HELD BY THE GROUP FOR FUTURE DEVELOPMENT IN MACAU**			
2.	Residential Development Site Situated in Terreno Junto à Estrada de Nossa Senhora de Ka Ho, S. Francisco Xavier, Coloane, Macau	HK$247,000,000	99%	HK$244,530,000
	Sub-total:	HK$247,000,000		HK$244,530,000

No.	Property	Market Value in existing state as at 30 April 2009	Interest Attributable to the Group (%)	Market Value attributable to the Group as at 30 April 2009
GROUP III	**— PROPERTY INTERESTS OPERATED AND HELD BY THE GROUP IN PRC**			
3.	Hotel Fortuna, No. B82 Lecong Main Road East, Le Cong Residential Committee, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	HK$500,000,000	100%	HK$500,000,000
4.	Levels 1 to 4, No. No. B89 Zhenhua Road, Le Cong Residential Committee, East District, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	HK$5,420,000	100%	HK$5,420,000
	Sub-total:	HK$505,420,000		HK$505,420,000
GROUP IV	**— PROPERTY INTEREST HELD BY THE GROUP FOR FUTURE DEVELOPMENT IN PRC**			
5.	Undeveloped Portion of Hotel Fortuna, No. B82 Lecong Main Road East, Le Cong Residential Committee, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	HK$119,000,000	100%	HK$119,000,000
	Sub-total:	HK$119,000,000		HK$119,000,000

No.	Property	Market Value in existing state as at 30 April 2009	Interest Attributable to the Group *(%)*	Market Value attributable to the Group as at 30 April 2009
GROUP V — PROPERTY INTEREST RENTED BY THE GROUP IN HONG KONG				
6.	Unit 3129 on 3rd Floor, Shun Tak Centre (Podium), Nos. 168 — 200 Connaught Road, Central, Hong Kong	No Commercial Value		No Commercial Value
	Sub-total:	No Commercial Value		No Commercial Value
GROUP VI — PROPERTY INTERESTS RENTED BY THE GROUP IN MACAU				
7.	Em Macau, Avenida da Amizade N° 201, San Kin Yip Com. Center, G14, H14, L14 and M14	No Commercial Value		No Commercial Value
8.	Em Macau, Alameda Heong San N° 173 — G, Nam Seng 11° Andar C	No Commercial Value		No Commercial Value
	Sub-total:	No Commercial Value		No Commercial Value
GROUP VII — PROPERTY INTERESTS RENTED BY THE GROUP IN PRC				
9,	Levels 2 and 3, Hexing Building, No. 12 Zhenhua Road, East District, Le Cong Zhen Shunde District, Foshan, Guangdong Province, PRC	No Commercial Value		No Commercial Value
10.	Various Units, Haocheng Building, No. B92 Jianshe Road, East District, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	No Commercial Value		No Commercial Value

No.	Property	Market Value in existing state as at 30 April 2009	Interest Attributable to the Group (%)	Market Value attributable to the Group as at 30 April 2009
11.	Room No. 601, Fujing Building, No. A37 Jianshe Road, East District, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	No Commercial Value		No Commercial Value
12.	Room No. 603, Fujing Building, No. A37 Jianshe Road, East District, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	No Commercial Value		No Commercial Value
13.	Room No. 607, Fujing Building, No. A37 Jianshe Road, East District, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	No Commercial Value		No Commercial Value
14.	Nos. C33, C33A, C35 and C36, Level 1, Xiande Ju, No. B122 Zhenan Road, Le Cong Residence Committee, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	No Commercial Value		No Commercial Value
	Sub-total:	No Commercial Value	**Sub-total:**	No Commercial Value
	Total:	**HK$1,851,620,000**	**Total:**	**HK$1,187,515,000**

VALUATION CERTIFICATE

GROUP I — PROPERTY INTEREST HELD BY THE GROUP UNDER ACQUISITION IN MACAU

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 April 2009
1.	Em Macau, Praca de D. Afonso Henriques N°S 76-90, Hotel Fortuna (Excluding Car Parking Spaces on the 1st to 4th Floor)	The property, known as Hotel Fortuna, is a 19-storey 3-star hotel development (plus a basement and two mezzanine floors). It comprises a 3-star hotel development but excluding car park on the 1st to 4th Floor. It is of reinforced concrete construction completed in or about 1992 and was renovated in April 2005. The total gross floor area of the property is approximately 22,143.00 sq.m. (238,346 sq.ft.) and provides 342 guest rooms with casino, sauna, night club and restaurants. The property is held under Concessao Por Arrendamento (政府租賃批地) for a term of 25 years commencing on 18 May 1990 and is renewable for further terms until 19 December 2049.	The property is currently operated as a hotel under the trade name of "Hotel Fortuna". Portion of the property is leased to various groups as casino, sauna, night club etc. Please see Note 3 for details.	HK$980,200,000 32.5% interest attributable to the Group: HK$318,565,000

Notes:

1. At the time of our recent title search, the registered owner of the Property is Gestão de Empresas Tin Fok, SARL, a 32.5% owned associate of the Company.

2. At the time of our recent title searches, the Property was subject to a Hipoteca Voluntaria (意定抵押) in favour of Banco Seng Heng, S.A. (誠興銀行股份有限公司) vide Memorial No. 66090C dated 26 December 2005.

3. Portion of the Property is leased to various groups which details is as follows:—

   (i) Portion of the basement, lobby and mezzanine floor of the Property is leased to Gestao de Participacoes Kou Seng Limitada as a casino under a trade name "財神娛樂場" for a term commencing on 1 November 2004 and expiring on 31 March 2020 at a monthly rent of HK$980,000 and is automatically renewable for further periods of 1 year each, unless any of the parties communicate to the other its intension not to renew until 3 months prior to expiry date (exclusive of all charges of water, electricity, hot water, refuse, maintenance fees, operating charges and insurances) subject to an adjustment of 3% to 8% every year thereafter.

   (ii) Portion of the 6th floor of the Property is leased to Gestao de Participacoes Kou Seng Limitada and Louvre Entretenimento Limitada as a casino under a trade name "財神娛樂坊" for a term commencing on 25 September 2006 and expiring on 31 March 2020 at a monthly rent of HK$480,000 (exclusive of all charges of water, electricity, hot water, refuse, maintenance fees, operating charges and insurances) subject to an adjustment of 5% to 10% every year thereafter.

   (iii) Portion of the 5th floor of the property is leased to Pak Mei Enterprises Co. LTD. as a night club under a trade name "天河夜總會" for a term of 4 years commencing on 1 January 2009 at a monthly rent of HK$407,767 (MOP420,000) (exclusive of all charges of water, electricity, hot water, refuse fees, operating expenses, staff pay, fuel charges, promotion, maintenance, government taxes and insurances) subject to an adjustment of 5% to 10% in the 3rd year and 5% to 8% in the 4th year.

   (iv) Zone A of the 6th floor of the Property is leased to Iat Hin Enterprises Co. LTD as a sauna under a trade name "至尊桑拿" for a term of 6 years commencing on 1 January 2006 at a current monthly rent of HK$238,835 (MOP246,000) (exclusive of all charges of water, electricity, air-conditioning, hot water, refuse fees, operating expenses, staff pay, fuel charges, promotion, maintenance, government taxes and insurances) subject to an adjustment of 5% to 7.5% every year thereafter.

   (v) Portion of the Ground Floor of the Property is leased to Xiao De Wei as a jewelry and pawn shop under a trade name "財富押" for a term of 10 years commencing on 20 January 2006 at a monthly rent of HK$60,000 (inclusive of all charges of electricity and air-conditioning fees).

   (vi) Portion of the Ground Floor of the Property is leased to Casa de Cambio Soi Cheong, Limitada as a money exchange shop under a trade name "瑞昌銀號" under a tenancy agreement for a term of 3 years commencing on 1 September 2007 at a monthly rent of HK$4,500 (inclusive of all charges of electricity and air-conditioning fees) subject to an adjustment of 5% to 15% every year thereafter.

(vii) Portion of the Ground Floor of the Property is leased to Industrial and Commercial Bank of China Limited, Macau Branch for installation of a auto-teller machine for a term of 1 year commencing on 12 December 2007 at a monthly rent of HK$10,000 (inclusive of all charges of electricity and air-conditioning fees) and is automatically renewable for further periods of 1 year each, unless any of the parties command to the other its intension not to renew until 3 months prior to expiry date.

(viii) portion of the ground floor of the property is leased to Seng Heng Bank LTD. for installation of a auto-teller machine for a term of 1 year commencing on 20 October 2005 and is automatically renewed for further terms at a current monthly rent of HK$6,000 (inclusive of all charges of electricity and air-conditioning fees) and is automatically renewable for further periods of 1 year each, unless any of the parties command to the other its intension not to renew until 3 months prior to expiry date.

(ix) portion of the ground floor of the property is leased to Banco Comercial de Macau, S.A. for installation of a auto-teller machine for a term of 1 year commencing on 1 October 2006 and is automatically renewed for further terms at a current monthly rent of HK$6,000 (inclusive of all charges of electricity and air-conditioning fees) and is automatically renewable for further periods of 1 year each, unless any of the parties command to the other its intension not to renew until 3 months prior to expiry date.

4. According to an agreement dated 15 November 2004, Gestão de Empresas Tin Fok, S.A.R.L., a 32.5% owned associate of the Company had obtained a permenant exclusive rights to use, occupy, management and the right to charge any fee in relation to 62 car parking spaces on the 4th Floor of the Property.

VALUATION CERTIFICATE

GROUP II — PROPERTY INTEREST HELD BY THE GROUP FOR FUTURE DEVELOPMENT IN MACAU

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 April 2009
2.	Residential Development Site Situated in Terreno Junto a Estrada de Nossa Senhora de Ka Ho, S. Francisco Xavier, Coloane, Macau	The property is a residential site of roughly trapezium in shape with a site area of approximately 10,154.00 sq.m. (109,298 sq.ft.). It is situated on southern side of Estrada de Nossa Senhora de Ka Ho near its junction with Caminho da Povoacao de Ka Ho at S. Francisco Xavier in Coloane of Macau. The property is held under Concessao Por Arrendamento (政府租賃批地) for a term of 25 years commencing on 3 March 1989 and is renewable for further terms until 19 December 2049.	Upon our recent inspection, the property was vacant.	HK$247,000,000 99% interesst atributable to the Group: HK$244,530,000

Notes:

1. At the time of our recent title search, the registered owner of the Property is Sociedade de Investimento e Indústria Sun Fat, Limitada, a 99% owned subsidiary of the Company.

2. According to the recent title search, no material encumbrance was registered against the Property.

3. The land grant of the Property is not available to us. We are unable to report and comment on the development conditions approved by the government. However, according to the recent land search, the extract of the development conditions has been stated. The Property is permitted for the construction of a steel manufacturing plant. It can be provided for office, industrial and its ancillary, car parking and godown uses.

4. According to a Building Alignment Plan issued by DSSOPT (土地工務運輸局) dated 14 September 2006, the Property is permitted for garden houses development with a maximum building height of not more than 35.6 m NMM (including the roof top structure). The validity period of the Building Alignment Plan has been expired on 13 September 2007. In our valuation, we have assumed that the development conditions stated therein is still valid in the course of our valuation.

5. According to the development proposal provided to us, the property shall be developed into a house type development comprises 48 4-storey (including a basement) garden houses, a 3-storey clubhouse (including a basement), a carparking podium and a garden. Upon completion, the proposed house type development shall have a developable site area of 9,553.00 sq.m. (102,828 sq.ft.) and a total gross floor area of 19,394.00 sq.m. (208,757 sq.ft.). Apart from a car parking space provided in each garden house, a public car parking podium accommodating a total of 113 car parking spaces and 42 motorcycle parking spaces will be provided.

6. In our valuation, we have assumed that the above development parameters and uses under the development proposal are permissible in all aspects under relevant regulations, town planning and lease conditions and disregarded any substantial administrative fee and the like, if any. Besides, in accordance with our instructions, we have assumed that the land premium (if any) have been fully paid and settled by the owner.

VALUATION CERTIFICATE

GROUP III — PROPERTY INTERESTS OPERATED AND HELD BY THE GROUP IN PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 April 2009
3.	Hotel Fortuna, No. B82 Lecong Main Road East, Le Cong Residential Committee, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	The property comprises an 17-storey (including basement) hotel building and a 3-storey annex building erected on a parcel of land with a site area of approximately 25,966.55 sq.m. (279,504 sq.ft.) completed in 2006. The hotel accommodates 406 guest rooms from Levels 5 to 17; food and beverages, lounge, restaurants, retail shops, multi-function rooms and games rooms from Levels 1 to 4; and back of house in the basement. The annex building accommodates a sauna and a night club. The total gross floor area of the property is approximately 50,647.27 sq.m. (545,167 sq.ft.). The land use rights of the property were granted for a term expiring on 24 July 2072 and 24 July 2042 for residential and commercial uses respectively.	The property is operated as a hotel. Portion of the annex building with gross floor area of approximately 3,841.00 sq.m. is subject to a tenancy for a term of 10 years from 1 August 2008 to 31 July 2018 for a monthly rent of RMB20,000 (HK$22,712).	HK$500,000,000 100% interest attributable to the Group: HK$500,000,000

Notes:

1. Pursuant to State-owned Land Use Certificate No. Fo Fu Shun Guo Yong (2008) Di 0500701 issued by Foshan Land Resources Bureau dated 2 December 2008, the land use rights of a parcel of land with a site area of 25,966.55 sq.m. were granted to Foshan Fortuna Hotel Company Limited ("Foshan Fortuna Hotel"), a 100% owned subsidiary of the Company, for a term of 70 years for residential use and 40 years for commercial use expiring on 24 July 2072 and 24 July 2042 respectively.

2. Pursuant to Real Estate Title Certificate No. Yue Fang Di Zheng Zi C6786413 issued by People's Government of Foshan dated 2 December 2008, the ownership of building with a gross floor area of approximately 50,647.27 sq.m. is vested in Foshan Fortuna Hotel for a term of 70 years for residential use and 40 years for commercial use expiring on 24 July 2072 and 24 July 2042 respectively.

3. Pursuant to a Contract of Mortgage No. Fo Di Zi Di 1 dated 17 February 2009, the property under the Real Estate Title Certificate No. Yue Fang Di Chan Zi Di C6786413 was subject to a Mortgage in favor of Industrial and Commercial Bank of China, Foshan Branch for a lending period from 19 February 2009 to 14 February 2014 for an amount of RMB135,000,000.

4. We have been provided with a legal opinion dated 4 June 2009 on the title to the property issued by the Company's PRC legal adviser, Hills & Co., which contains, inter-alia, the following information:

   (i) Foshan Fortuna Hotel possesses the granted state-owned land-use rights of the property and is entitled to use the property;

   (ii) the land grant fee was fully settled;

   (iii) the tenancy agreement had not been registered. However, the lease contract is legal and effective under the PRC law;

   (iv) the property is subject to a Contract of Mortgage that mentioned in Note 3. Prior written consent of the mortgagee is required for the lease, mortgage and transfer of the property; and

   (v) apart from the Contract of Mortgage stated above, the property is free from other encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 April 2009
4.	Levels 1 to 4, No. B89 Zhenhua Road, Le Cong Residential Committee, East District, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	The property comprises a 4-storey composite building completed in about 2000. The total gross floor area of the property is approximately 2,512.80 sq.m. (27,048 sq.ft.). The land use rights of the property were granted for a term expiring on 7 July 2069 for residential and commercial uses.	The property is occupied as staff's dormitory.	HK$5,420,000 100% interest attributable to the Group: HK$5,420,000

Notes:

1. Pursuant to Real Estate Title Certificate No. Yue Fang Di Zheng Zi C4967582 issued by the People's Government of Foshan, the building ownership of the property is vested in Foshan Fortuna Hotel Company Limited ("Foshan Fortuna Hotel"), a 100% owned subsidiary of the Company, for a term expiring on 7 July 2069 for residential and commercial uses.

2. The property was acquired by Foshan Fortuna Hotel on 13 November 2006 at a consideration of RMB4,350,000.

3. We have been provided with a legal opinion dated 4 June 2009 on the title to the property issued by the Company's PRC legal adviser, Hills & Co., which contains, inter-alia, the following information:

   (i) Foshan Fortuna Hotel possesses the granted state-owned land-use rights of the property and is entitled to transfer, lease and use the property in accordance with the land use that stipulated in the Real Estate Title Certificate; and

   (ii) the property is free from encumbrances.

VALUATION CERTIFICATE

GROUP IV — PROPERTY INTEREST HELD BY THE GROUP FOR FUTURE DEVELOPMENT IN PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 April 2009
5.	Undeveloped Portion of Hotel Fortuna, No. B82 Lecong Main Road East, Le Cong Residential Committee, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	The property comprises and the undeveloped portion of Hotel Fortuna. Site area of the property, together with Property No. 4, is approximately 25,966.55 sq.m. (279,504 sq.ft.) . The permissible gross floor area of the property is approximately 53,218.89 sq.m. (572,848 sq.ft.). *(see Note 2)*. The land use rights of the property were granted for a term expiring on 24 July 2072 and 24 July 2042 for residential and commercial uses respectively.	The property is vacant and pending for development.	HK$119,000,000 100% interest attributable to the Group: HK$119,000,000

Notes:

1. Pursuant to State-owned Land Use Certificate No. Fo Fu Shun Guo Yong (2008) Di 0500701 issued by Foshan Land Resources Bureau dated 2 December 2008, the land use rights of a parcel of land with a site area of 25,966.55 sq.m. were granted to Foshan Fortuna Hotel Company Limited ("Foshan Fortuna Hotel"), a 100% owned subsidiary of the Company, for a term of 70 years for residential use and 40 years for commercial use expiring on 24 July 2072 and 24 July 2042 respectively.

2. Pursuant to Condition of Planning of Construction Land of Shun De Foshan No. Shun Jian Yao Dian (2008) 397 ("Planning Conditions 2008") issued by Foshan Planning Bureau Shun De Branch, the property is subject to the following conditions:—

Site area (sq.m.):	25,966.54
Usage:	Commercial and Residential
Plot Ratio:	< 4.0
Height Restriction (m):	< 90

According to the abovementioned conditions, the total permissible gross floor area of Foshan Fortuna Hotel is approximately 103,866.16 sq.m.. The existing gross floor area of the hotel and annex building is about 50,647.27 sq.m. which is lower than the permissible gross floor area. As informed, the remaining gross floor area of this parcel of land will be developed as a residential development. In the course of our valuation, we taken into account such arrangement assuming that it will be approved by all relevant government authorizes.

3. We have been provided with a legal opinion dated 4 June 2009 on the title to the property issued by the Company's PRC legal adviser, Hills & Co., which contains, inter-alia, the following information:

   (i) Foshan Fortuna Hotel possesses the granted state-owned land-use rights of the property and is entitled to use the property;

   (ii) the land grant fee was fully settled; and

   (iii) the property is free from encumbrances.

VALUATION CERTIFICATE

GROUP V — PROPERTY INTEREST RENTED BY THE GROUP IN HONG KONG

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 April 2009
6.	Unit 3129 on 3rd Floor, Shun Tak Centre (Podium), Nos. 168 — 200 Connaught Road, Central, Hong Kong	Shun Tak Centre is an office/ commercial development comprising two 30-storey office buildings over a 12-storey commercial podium (including a shopping arcade on 2nd to 4th Floors and car park on 5th to 6th Floors). The development was completed in 1985. The property comprises a shop unit on the 3rd Floor of the commercial podium with a gross floor area of approximately 23.04 sq.m. (248 sq.ft.). The property is leased from an independent third party for a term of 24 months expiring on 15 May 2010 at a monthly rent of HK$7,000, exclusive of rates and management fee.	The property is occupied as office.	No Commercial Value

Notes:

1. The lessee of the property, Tin Fok Holding Company Limited — Hotel Fortuna, is a 32.5% owned associate of the Company.

2. The property is subject to a Charge in favour of Po Sang Bank Limited.

VALUATION CERTIFICATE

GROUP VI — PROPERTY INTERESTS RENTED BY THE GROUP IN MACAU

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 April 2009
7.	Em Macau, Avenida da Amizade No 201, San Kin Yip Com. Center, G14, H14, L14 and M14	The property comprises 4 office units on the 14th floor in a 21-storey (plus 4 levels of basement) commercial building known as San Kin Yip Com. Center. It is of reinforced concrete construction completed in or about 1997. The total registered saleable area of the property is approximately 361.53 sq.m. (3,892 sq.ft.) The property is held under Concessao Por Arrendamento (政府租賃批地) for a term of 10 years commencing on 16 May 2008 and is renewable for further terms until 19 December 2049.	The property is currently occupied as office. The property is leased by the Group, please see the details on Note 3.	No Commercial Value

Notes:

1. At the time of our recent title searches, the registered owner of the Property is Great Grand Services Limited.

2. At the time of our recent title searches, no material encumbrance was against the Property.

3. The Property is leased by the Group for a term of 5 years commencing on 1 October 2006 at a current monthly rent of HK$68,250 (exclusive of all charges of electricity, air-conditioning fees and insurances, inclusive of management fee and water charges) subject to an adjustment of 3% to 10% every year thereafter.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 April 2009
8.	Em Macau, Alameda Heong San No 173 — G, Nam Seng 11° Andar C	The property comprises a residential unit on the 11th floor in a 29-storey (plus a basement) residential building. It is of reinforced concrete construction completed in or about 1990. The registered saleable area of the property is approximately 90.8 sq.m. (977 sq.ft.). The property is held under Concessao Por Arrendamento (政府租賃批地) for a term of 25 years commencing on 29 July 1988 and is renewable for further terms until 19 December 2049.	The property is currently occupied as a staff quarter. The property is leased by the Group under a tenancy agreement for a term of 1 year commencing on 25 July 2008 at a monthly rent HK$6,500 (exclusive of all charges of water, telephone and electricity fees, inclusive management fee, government land tax and property tax).	No Commercial Value

Notes:

1. At the time of our recent title search, the registered owner of the Property is Companhia de Comercio Geral, Importacao e Exportacao Kin Heng Long (Macau), LDA.

2. At the time of our recent title searches, no material encumbrance was against the Property.

VALUATION CERTIFICATE

GROUP VII — PROPERTY INTERESTS RENTED BY THE GROUP IN PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 April 2009
9.	Levels 2 and 3, Hexing Building, No. 12 Zhenhua Road, East District, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	The property comprises various residential units on the Levels 2 and 3 of a 6-storey composite building completed in the 2000s. The total gross floor area of the property is approximately 2,000.00 sq.m. (21,528 sq.ft.). The property is leased from Mai Shu Gan and Liu Jin Hong, an independent third party, for a term expiring on 31 March 2017. Details of the tenancy are as follows:—	The property is currently occupied as staff's dormitory.	No Commercial Value

Lease Term	Monthly Rent *(RMB)*
01/04/2006 — 31/03/2008	16,000
01/04/2008 — 31/03/2011	18,000
01/04/2011 — 31/03/2013	20,000
01/04/2013 — 31/03/2015	22,000
01/04/2015 — 31/03/2017	24,000

Notes:

1. The lessee, Foshan Fortuna Hotel Company Limited ("Foshan Fortuna Hotel"), is a 100% owned subsidiary of the Company,.

2. We have been provided with a legal opinion dated 4 June 2009 on the title to the property issued by the Company's PRC legal adviser, Hills & Co., which contains, inter-alia, the following information:

   (i) the tenancy agreement is still legally binding and valid; and

   (ii) the tenancy agreement had not been registered. However, it does not affect the validity of the tenancy agreement on the right of the lessee to use the property during the term of tenancy. The lease contract is legal and effective. Foshan Fortuna Hotel will not suffer any penalty or fine or be responsible for any legal liability.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 April 2009
10.	Various Units, Haocheng Building, No. B92 Jianshe Road, East District, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	The property comprises various residential units on Levels 2 and 3 of a 6-storey composite building completed in the 2000s. The total gross floor area of the property is approximately 715.00 sq.m. (7,696 sq.ft.). The property is leased from Lu Guo Hao, an independent third party, at a total monthly rent of RMB9,055. *(see Note 2)*	The property is currently occupied as staff's dormitory.	No Commercial Value

Notes:

1. The lessee, Foshan Fortuna Hotel Company Limited ("Foshan Fortuna Hotel"), is a 100% owned subsidiary of the Company.

2. The property was rented under various tenancies, the details of which are as follow:—

Unit	**Lease Term**			**Monthly Rent** *(RMB)*
A301	1 December 2007	—	31 December 2009	700
A303	1 December 2007	—	31 December 2009	700
D301	1 December 2007	—	31 December 2009	700
D302	1 December 2007	—	31 December 2009	700
A302	1 February 2009	—	31 December 2009	700
A203	2 March 2006	—	1 December 2009	700
A103	1 April 2006	—	31 December 2009	700
A202	1 April 2008	—	31 December 2009	700
B102	1 May 2008	—	31 December 2009	700
F205, F206	1 November 2008	—	31 December 2009	1,335
C303	1 August 2008	—	31 July 2009	720
A201	1 September 2006	—	31 August 2009	700

3. We have been provided with a legal opinion dated 4 June 2009 on the title to the property issued by the Company's PRC legal adviser, Hills & Co., which contains, inter-alia, the following information:

   (i) the building ownerships of the units are uncertain;

   (ii) if the lesser, Lu Guo Hao, does not possess the building ownerships of the property, the lessee maybe forced to move out from the property without any compensation; and

   (iii) the tenancy agreements had not been registered. However , it does not affect the validity of the tenancy agreements on the right of the lessee to use the property during the term of tenancies. The lease contracts are legal and effective. Foshan Fortuna Hotel will not suffer any penalty or fine or be responsible for any legal liability.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 April 2009
11.	Room No. 601, Fujing Building, No. A37 Jianshe Road, East District, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	The property comprises a residential unit on Level 6 of a 6-storey composite building completed in the 2000s. The gross floor area of the property is approximately 60.00 sq.m. (646 sq.ft.). The property is leased from Ye Hui Qin, an independent third party, for a term of 1 year expiring on 31 December 2009 at a monthly rental of RMB750.	The property is currently occupied as staff's dormitory.	No Commercial Value

Notes:

1. The lessee, Foshan Fortuna Hotel Company Limited ("Foshan Fortuna Hotel"), is a 100% owned subsidiary of the Company.

2. We have been provided with a legal opinion dated 4 June 2009 on the title to the property issued by the Company's PRC legal adviser, Hills & Co., which contains, inter-alia, the following information:

   (i) the building ownership of the unit is uncertain;

   (ii) if the lesser, Ye Hui Qin, does not possess the building ownership of the property, the lessee maybe forced to move out from the property without any compensation; and

   (iii) the tenancy agreement had not been registered. However, it does not affect the validity of the tenancy agreement on the right of the lessee to use the property during the term of tenancy. The lease contract is legal and effective. Foshan Fortuna Hotel will not suffer any penalty or fine or be responsible for any legal liability.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 April 2009
12.	Room No. 603, Fujing Building, No. A37 Jianshe Road, East District, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	The property comprises a residential unit on Level 6 of a 6-storey composite building completed in the 2000s. The gross floor area of the property is approximately 60.00 sq.m. (646 sq.ft.). The property is leased from Chen Xiu Ming, an independent third party, for a term of 1 year expiring on 31 December 2009 at a monthly rental of RMB750.	The property is currently occupied as staff's dormitory.	No Commercial Value

Notes:

1. The lessee, Foshan Fortuna Hotel Company Limited ("Foshan Fortuna Hotel"), is a 100% owned subsidiary of the Company.

2. We have been provided with a legal opinion dated 4 June 2009 on the title to the property issued by the Company's PRC legal adviser, Hills & Co., which contains, inter-alia, the following information:

   (i) the building ownership of the unit is uncertain;

   (ii) if the lesser, Chen Xiu Ming, does not possess the building ownership of the property, the lessee maybe forced to move out from the property without any compensation; and

   (iii) the tenancy agreement had not been registered. However, it does not affect the validity of the tenancy agreement on the right of the lessee to use the property during the term of tenancy. The lease contract is legal and effective. Foshan Fortuna Hotel will not suffer any penalty or fine or be responsible for any legal liability.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 April 2009
13.	Room No. 607, Fujing Building, No. A37 Jianshe Road, East District, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	The property comprises a residential unit on Level 6 of a 6-storey composite building completed in the 2000s. The gross floor area of the property is approximately 60.00 sq.m. (646 sq.ft.). The property is leased from Wu Mei Yao, an independent third party, for a term of 1 year expiring on 31 December 2009 at a monthly rental of RMB750.	The property is currently occupied as staff's dormitory.	No Commercial Value

Notes:

1. The lessee, Foshan Fortuna Hotel Company Limited ("Foshan Fortuna Hotel"), is a 100% owned subsidiary of the Company.

2. We have been provided with a legal opinion dated 4 June 2009 on the title to the property issued by the Company's PRC legal adviser, Hills & Co., which contains, inter-alia, the following information:

   (i) the building ownership of the unit is uncertain;

   (ii) if the lesser, Wu Mei Yao, does not possess the building ownership of the property, the lessee maybe forced to move out from the property without any compensation; and

   (iii) the tenancy agreement had not been registered. However, it does not affect the validity of the tenancy agreement on the right of the lessee to use the property during the term of tenancy. The lease contract is legal and effective. Foshan Fortuna Hotel will not suffer any penalty or fine or be responsible for any legal liability.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 April 2009
14.	Nos. C33, C33A, C35 and C36, Level 1, Xiande Ju, No. B122 Zhenan Road, Le Cong Residence Committee, Le Cong Zhen, Shunde District, Foshan, Guangdong Province, PRC	The property comprises four units on Level 1 of the building completed in 2000s. The total gross floor area of the property is approximately 128.00 sq.m. (1,378 sq.ft.). The property is leased from Chen Chang Gen, an independent third party, for a term expiring on 31 May 2010 at a monthly rental of RMB2,432.	The property is currently occupied as warehouse.	No Commercial Value

Notes:

1. The lessee, Foshan Fortuna Hotel Company Limited ("Foshan Fortuna Hotel"), is a 100% owned subsidiary of the Company.

2. We have been provided with a legal opinion dated 4 June 2009 on the title to the property issued by the Company's PRC legal adviser, Hills & Co., which contains, inter-alia, the following information:

   (i) the building ownerships of the units are uncertain;

   (ii) if the lesser, Chen Chang Gen, does not possess the building ownerships of the property, the lessee maybe forced to move out from the property without any compensation; and

   (iii) the tenancy agreements had not been registered. However, it does not affect the validity of the tenancy agreements on the right of the lessee to use the property during the term of tenancies. The lease contracts are legal and effective. Foshan Fortuna Hotel will not suffer any penalty or fine or be responsible for any legal liability.

The following is the text of a property valuation report, prepared for the purpose of incorporation in this circular received from Norton Appraisals Limited, an independent valuer, in connection with their valuations as at 30 April 2009 of the properties held by Capital Estate Limited.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

Room 3830-32, Sun Hung Kai Centre
30 Harbour Road
Wanchai Hong Kong
Tel: (852) 2810 7337 Fax: (852) 2810 6337

19 June, 2009

The Directors
Capital Estate Limited
17th Floor
Asia Orient Tower, Town Place
33 Lockhart Road
Wan Chai
Hong Kong

Our Ref: NAL/PW/R09136

Dear Sirs,

In accordance with the instructions from Capital Estate Limited (hereinafter referred to as the "Company"), its subsidiaries and associated companies (hereinafter together referred to as the "Group") for us to value the property interests (as more particularly described in the attached Summary of Values) held by the Group in Hong Kong Special Administrative Region (hereinafter referred to as "Hong Kong"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of the property interests in their existing states as at 30th April, 2009 (hereinafter referred to as the "date of valuation") for public documentation purpose.

BASIS OF VALUATION

Our valuation is our opinion of 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".

In valuing the property interests, we have assumed that the Group has valid and enforceable title to the property interests which are freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired lease granted subject to payment of annual Government rent and all requisite land premium/purchase consideration payable have been fully settled.

We have valued the properties on the basis that each of them is considered individually. We have not allowed for any discount for the properties to be sold to a single party nor taken into account any effect on the values if the properties are to be offered for sale at the same time as portfolio.

VALUATION METHODOLOGIES

In valuing the property interests under Group I which are held for investment purpose by the Group in Hong Kong, we have adopted the Investment Approach by taking into account the current passing rents and the reversionary income potential of the tenancies.

In valuing the property interest in Group II which is rented by the Group in Hong Kong, we are of the opinion that it has no commercial value mainly due to the short term nature of the property interest, the prohibition against assignment or sub-letting in the agreement as advised by the Group or otherwise, due to the lack of substantial profit rent.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the Group sells the properties on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the values of the property interests and no forced sale situation in any manner in considered in our valuations. In addition, we have been advised by the Group that all properties have no option or right of pre-emption which would concern or affect the sales of the properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties 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 an onerous nature which could affect their values.

TITLE INVESTIGATION

For those properties located in Hong Kong, we have, as agreed with the Group, caused sampling title searches at the relevant Land Registries. We have not searched the original documents to verify the ownership or to determine the existence of any lease amendments which do not appear on the copies handed to us.

LIMITING CONDITIONS

We have inspected the exterior, and whenever possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural survey has been made. We are not able to report whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out on-site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached valuation certificates are based on information contained in the documents provided to us and are, therefore, only approximations.

We have relied to a considerable extent on the information provided by the Group and have accepted advice on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, lettings, floor areas, identification of the properties 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. We have been also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Our valuations have been prepared in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors and all the requirements contained in the Chapter 5 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and the Codes on Takeovers and Mergers and Share Repurchases issued by The Securities and Futures Commission.

REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation certificates are in Hong Kong dollars.

Our Summary of Values and Valuation Certificates are enclosed herewith.

Yours faithfully,
For and on behalf of
Norton Appraisals Limited
Paul M. K. Wong
MRICS, MHKIS, RPS (G.P.)
Director

Note: Mr. Paul M. K. Wong is a Registered Professional Surveyor who has more than 16 years' experience in valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUES

	Property	Capital Value in existing state as at 30th April, 2009 *HK$*	Interest attributable to the Group	Capital Value attributable to the Group as at 30th April, 2009 *HK$*
GROUP I — PROPERTY INTERESTS HELD FOR INVESTMENT BY THE GROUP IN HONG KONG				
1.	Car Park Nos. 14 & 22-29 on Ground Floor, Cherry Court, Nos. 10-12 Consort Rise, Pok Fu Lam, Hong Kong	3,400,000	100%	3,400,000
2.	Car Parking Space Nos. 18-19 and 22-26, Berkeley Bay Villa, Lot No. 836 in Demarcation District 214, Hebe Haven, Sai Kung, New Territories	1,120,000	100%	1,120,000
3.	Shops 76, 76A, 78, 80, 82 and 82A on Ground Floor, Shops 1-10 on Lower Ground Floor, Shops 1-8, 10-11 on Upper Ground Floor, Shops 101-106, 108-110, 112-113, 115-117, 119-124, 125 (including the flat roof thereof), 126-131 on 1st Floor, Shops 201, 203-205, 208-211, 214-218, 220, 222, 224, 225, 227, 229, 230 and 232 on 2nd Floor, Shops 303, 310, 314, 316, 317, 320, 327, 329, 330-332 on 3rd Floor of Golden League Building, Nos. 76-82 Castle Peak Road, Sham Shui Po, Kowloon	27,000,000	100%	27,000,000
	Sub-total:	31,520,000		31,520,000
Group II — Property interest rented by the Group in Hong Kong				
4.	17th Floor, Asia Orient Tower, Town Place, No. 33 Lockhart Road, Wan Chai, Hong Kong	No Commercial Value	100%	No Commercial Value
	Sub-total:	No Commercial Value		No Commercial Value
	GRAND TOTAL:	**31,520,000**		**31,520,000**

VALUATION CERTIFICATE

GROUP I — PROPERTY INTERESTS HELD FOR INVESTMENT BY THE GROUP IN HONG KONG

	Property	Description and tenure	Particulars of occupancy	Capital value inexisting state as at 30th April, 2009
1	Car Park Nos. 14 & 22-29 on Ground Floor, Cherry Court, Nos. 10-12 Consort Rise, Pok Fu Lam, Hong Kong Certain parts or shares of and in the Remaining Portion of Inland Lot No. 623 (the "Lot")	Cherry Court is a 4-storey residential development completed in about 1978. The property comprises 9 car parking spaces on Ground Floor of the development. The Lot is held under a Government lease for a term of 999 years commencing from 16th April, 1860. The annual Government rent payable for the Lot is HK$1.27.	The property is currently vacant.	HK$3,400,000 (100% interest attributable to the Group: HK$3,400,000)

Notes:

1. The registered owner of the property is Adrian Realty Limited, a wholly-owned subsidiary of the Company, vide Memorial No. UB7350924 dated 31st October, 1997.

2. As advised by the Group, there is no potential tax payable by the Group for the disposal of the property at the amount of the valuation as at 30th April, 2009.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value inexisting state as at 30th April, 2009
2	Car Parking Space Nos. 18-19 and 22-26, Berkeley Bay Villa, Lot No. 836 in Demarcation District 214, Hebe Haven, Sai Kung, New Territories Certain parts or shares of and in Lot No. 836 in Demarcation District 214, Hebe Haven, Sai Kung, New Territories (the "Lot")	Berkeley Bay Villa is a low-rise residential development completed in about 1979. The property comprises 7 car parking spaces on Ground Floor of the development. The Lot is held under New Grant No. 5803 for a term of 99 years commencing from 1st July, 1898 less the last three days thereof and is statutorily extended to 30th June, 2047. The annual Government rent payable for the Lot is an amount equivalent to 3 per cent of the rateable value for the time being of the Lot.	The property is currently vacant.	HK$1,120,000 (100% interest attributable to the Group: HK$1,120,000)

Notes:

1. The registered owner of the property is Adrian Realty Limited, a wholly-owned subsidiary of the Company, vide Memorial No. SK298730 dated 31st October, 1997.

2. As advised by the Group, there is no potential tax payable by the Group for the disposal of the property at the amount of the valuation as at 30th April, 2009.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value inexisting state as at 30th April, 2009
3	Shops 76, 76A, 78, 80, 82 and 82A on Ground Floor, Shops 1-10 on Lower Ground Floor, Shops 1-8, 10-11 on Upper Ground Floor, Shops 101-106, 108-110, 112-113, 115-117, 119-124, 125 (including the flat roof thereof), 126-131 on 1st Floor, Shops 201, 203-205, 208-211, 214-218, 220, 222, 224, 225, 227, 229, 230 and 232 on 2nd Floor, Shops 303, 310, 314, 316, 317, 320, 327, 329, 330-332 on 3rd Floor of Golden League Building, Nos. 76-82 Castle Peak Road, Sham Shui Po, Kowloon Certain parts or shares of and in Sections B, C, D and the Remaining Portion of New Kowloon Inland Lot No. 2715 (the "Lot")	Golden League Building is a commercial/residential composite development including a 8-storey residential block erected over a 6-storey commercial accommodation (known as "Time Plaza") completed in about 1982. The property comprises 85 shop units on Ground Floor, Lower Ground Floor, Upper Ground Floor, 1st Floor, 2nd Floor and 3rd Floor of the development having a total gross floor area of approximately 1,740.71 sq.m. (18,737 sq.ft.). The gross floor area breakdown are listed as follows:	9 shop units are currently under various tenancies and licences, yielding a total monthly rental income of HK$47,300 whilst the remaining 76 shopping units are vacant.	HK$27,000,000 (100% interest attributable to the Group: HK$27,000,000)

	Approximate Gross Floor Area	
	sq.m.	*sq.ft.*
G/F	256.59	2,762
LG/F	247.68	2,666
UG/F	163.14	1,756
1/F	468.32	5,041
2/F	364.46	3,923
3/F	240.52	2,589
Total	1,740.71	18,737

The Lot is held under Conditions of Sale No. 3973 for a term of 99 years commencing from 1st July, 1898 less the last three days thereof and is statutorily extended to 30th June, 2047.

The annual Government rent payable for the Lot is an amount equivalent to 3 per cent of the rateable value for the time being of the Lot.

Notes:

1. The registered owner of the property is Hegel Trading Limited, a wholly-owned subsidiary of the Company, vide Memorial Nos. UB5257303 dated 26th March, 1992 and UB5244500 (for shop 76 on the Ground Floor of the property) dated 16th March, 1992.

2. As advised by the Group, there is no potential tax payable by the Group for the disposal of the property at the amount of the valuation as at 30th April, 2009.

VALUATION CERTIFICATE

GROUP II — PROPERTY INTEREST RENTED BY THE GROUP IN HONG KONG

	Property	Description and tenure	Particulars of occupancy	Capital value inexisting state as at 30th April, 2009
4	17th Floor, Asia Orient Tower, Town Place, No. 33 Lockhart Road, Wan Chai, Hong Kong Certain parts or shares of and in IL2821sAss1RP, IL2821sAss2RP, IL2821sAss3sA, IL2821sAss4RP and IL2821sARP (the "Lots")	Asia Orient Tower is a 29-storey development completed in about 1993. The property comprises whole of the 17th floor of Asia Orient Tower with a gross floor area of approximately 444.82 sq.m. (4,788 sq.ft.). The Lots are held under Government lease for a common term of 99 years from 25th May, 1929, renewable for a further term of 99 years.	The property is rented by the Group at a monthly rent of HK$152,480, exclusive of Government rents, rates and management fees, for a term commencing on 20th April, 2008 and expiring on 19th April, 2010.	No Commercial Value (100% interest attributable to the Group: No Commercial Value)

Note:

The tenant of the property is Fame Asset Limited which is a wholly-owned subsidiary of the Company.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules 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 (other than information in relation to Fullkeen) 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.

The directors of Fullkeen and its ultimate beneficial owners, Mr. Sio and Mr. Si, jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group) 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

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

Ordinary Shares

Authorised:		*HK$*
200,000,000,000	Shares of HK$0.01 each	2,000,000,000
Issued:		
13,286,896,896	Shares of HK$0.01 each	132,868,968.96

All the issued Shares are fully paid and rank pari passu in all respects including the rights as to voting, dividends and return of capital.

The Company had no debt securities in issue as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company has outstanding options to subscribe for 197,000,000 Shares exercisable at any time during the 18-months period from 19 September 2008 at the exercise price of HK$0.0348 per Share.

Since 31 July 2008, the date of which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, no Shares have been allotted and issued by the Company upon the exercise of subscription rights attaching to the options granted under the share option scheme of the Company. The Company has not issued any Shares since 31 July 2008.

Save for a total of 197,000,000 options, the Company did not have any other options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group was under option, or agreed to conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company and their respective associates in the Shares, underlying shares and debentures of the Company or any of its associated corporations (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), the Model Code for Securities Transactions by Directors of Listed Issuers and which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

Long position in the Shares

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of existing issued share capital of the Company
Chu Nin Yiu, Stephen	Held by controlled corporation *(Note)*	3,334,474,000	25.1
Lau Chi Kan, Michael	Beneficial Owner	75,000	0.0

Note:

Mr. Chu Nin Yiu, Stephen, the executive chairman of the Company, is deemed to be interested in 3,334,474,000 Shares which are beneficially owned by Supervalue Holdings Limited, a company incorporated in the British Virgin Islands with limited liability.

Shares option

Name of Director	Capacity	Number of option held	Number of Underlying Shares
Chu Nin Yiu, Stephen	Beneficial Owner	117,000,000	117,000,000
Li Sze Kuen, Billy	Beneficial Owner	20,000,000	20,000,000
Wong Kwong Fat	Beneficial Owner	20,000,000	20,000,000
Leung Kam Fai	Beneficial Owner	20,000,000	20,000,000

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company and their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any associated corporation (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), the Model Code for Securities Transactions by Directors of Listed Issuers and which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors or the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register maintained by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long position in the Shares

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of existing issued share capital of the Company
Supervalue Holdings Limited *(Note)*	Beneficial Owner	3,334,474,000	25.1
Chu Nin Yiu, Stephen	Held by controlled corporation *(Note)*	3,334,474,000	25.1

Note:

Supervalue Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Chu Nin Yiu, Stephen, the executive chairman of the Company.

Save as disclosed above, the Directors or the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

4. MARKET PRICE

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last day on which trading took place in each calendar month during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
31 October 2008	0.024
28 November 2008	0.025
31 December 2008	0.028
30 January 2009	0.026
27 February 2009	0.024
31 March 2009	0.028
Last Trading Day	0.035
30 April 2009	0.033
29 May 2009	0.053
Latest Practicable Date	0.060

The highest and lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period were HK$0.071 on 5 June 2009, and HK$0.02 on 28 October 2008, respectively.

5. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

None of the Directors has a service contract with the Company or any of its subsidiaries or associated companies which:

(a) (including continuous and fixed term contracts) was entered into or amended within six months before the date of the Announcement;

(b) is a continuous contract with a notice period of 12 months or more; or

(c) is a fixed term contract with more than 12 months to run irrespective of the notice period.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. LITIGATION

None of the members of the Group was engaged in any litigation or arbitration or claims of material importance and no such litigation arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group, as at the Latest Practicable Date.

8. OTHER INTERESTS

As at the Latest Practicable Date,

1. none of the Directors had any direct or indirect interest in any assets which have, since 31 July 2008, being the date of the latest published audited accounts of the Group, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and

2. none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting as at the date of this circular and which is significant in relation to the business of the Group taken as a whole.

9. QUALIFICATIONS OF EXPERTS

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

Name	Qualification
Altus Capital Limited	a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Savills Valuation and Professional Services Limited	independent property valuer
Norton Appraisals Limited	independent property valuer

As at the Latest Practicable Date, Altus Capital, Savills Valuation and Professional Services Limited and Norton Appraisals Limited were not beneficially interested in the share capital of any member of the Group nor had 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 nor did it have any interest, either direct or indirect, in any assets which had been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. CONSENTS OF EXPERTS

As at the date of this circular, each of Altus Capital, Savills Valuation and Professional Services Limited and Norton Appraisals Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinion and letter and/ or references to its name, opinion or letter in the form and context in which they respectively appear.

11. ADDITIONAL DISCLOSURE OF SHAREHOLDING AND DEALINGS PURSUANT TO THE TAKEOVERS CODE

(a) As at the Latest Practicable Date, save for the Subscription Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between Fullkeen or any of its parties acting in concert and any Director, recent Director, shareholder or recent shareholder of the Company which had any connection with or dependence upon the Subscription or the Whitewash Waiver.

(b) As at the Latest Practicable Date, the Company had no shareholding interest in Fullkeen nor had the Company dealt for value in any shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in Fullkeen during the Relevant Period.

(c) As at the Latest Practicable Date, none of the Directors was interested in any securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or Fullkeen nor had the Directors dealt for value in any shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or Fullkeen during the Relevant Period, save for the Subscription Shares.

(d) As at the Latest Practicable Date, there was no agreement or arrangement for any benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Subscription or the Whitewash Waiver.

(e) As at the Latest Practicable Date, save for the Subscription Agreement, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription, the Whitewash Waiver or otherwise connected with the Subscription and the Whitewash Waiver.

(f) As at the Latest Practicable Date, save for the Subscription Agreement, there was no material contract entered into by Fullkeen or parties acting in concert with it in which any Director has a material personal interest.

(g) No Shares acquired by Fullkeen or parties acting in concert with it in pursuance of the Subscription will be transferred, charged or pledged to any other persons.

(h) Save as disclosed in the paragraph headed "Disclosure of interests" in this appendix or in the paragraph headed "Shareholding structure" in the Letter from the Board in this circular, as at the Latest Practicable Date, none of the directors of Fullkeen was interested in any securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company nor had the directors of Fullkeen dealt for value in any shares or other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period, save for the Subscription Shares.

(i) Save as set out in the paragraphs headed "Disclosure of interests" and "Interests of substantial Shareholders" in this appendix or in the paragraph headed "Shareholding structure" in the Letter from the Board in this circular, neither Fullkeen nor its parties acting in concert owned or controlled any Shares or other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company nor had Fullkeen or parties acting in concert with it dealt for value in any shares or other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period, save for the Subscription Shares.

(j) Save for the entering into of the Subscription Agreement, neither Fullkeen nor parties acting in concert with it has acquired any Shares or had any dealings in relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code) during the Relevant Period.

(k) As at the Latest Practicable Date, there was no Shares or other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which Fullkeen or parties acting in concert with it has borrowed or lent during the Relevant Period.

(l) As at the Latest Practicable Date, there was no shareholdings in the Company which the Company or the Directors has/have borrowed or lent, during the Relevant Period.

(m) As at the Latest Practicable Date, there was no shareholding in the Company owned or controlled by any persons who, prior to the posting of this circular, had irrevocably committed to vote for or against the Subscription or the Whitewash Waiver.

(n) As at the Latest Practicable Date, neither Fullkeen nor parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person.

(o) As at the Latest Practicable Date, no shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or by the Independent Financial Adviser and none of the advisers to the Company as specified in class (2) of the definition of associate in the Takeovers Code owned or had any interests in any Shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

(p) As at the Latest Practicable Date, no person had any arrangement of the kind as described in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(q) As at the Latest Practicable Date, no shareholding in the Company was managed on a discretionary basis by fund managers connected with the Company.

(r) As at the Latest Practicable Date, save for Mr. Lau, none of the Directors had any beneficial shareholdings in the Shares which would entitle them to vote in respect of the ordinary resolution for the Whitewash Waiver.

12. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group within two years immediately preceding the date of the Announcement and are, or may be material:

(a) an agreement dated 10 May 2007 entered into between Global Master Management Limited as vendor, Top Universal Management Limited (a wholly-owned subsidiary of the Company) as purchaser, and Mr. Sio as warrantor in relation to the acquisition of a 22.5% equity interest in Tin Fok Holding Company Limited for a consideration of HK$160 million;

(b) an agreement dated 13 June 2007 entered into between Kong Kei Construction Limited as vendor, Tamulus Limited (a wholly-owned subsidiary of the Company) as purchaser, and Messrs. Wong Tak Chong and Chen Yanping as warrantors in relation to the acquisition of a 49% of the issued quota capital of Sun Fat Investment and Industry Company Limited for a consideration of HK$161.70 million;

(c) an agreement dated 5 October 2007 entered into between Kong Kei Construction Limited as vendor, Silver Pro Limited (a wholly-owned subsidiary of the Company) as purchaser, and Messrs. Wong Tak Chong and Chen Yanping as warrantors in relation to the acquisition of a 50% of the issued quota capital of Sun Fat Investment and Industry Company Limited for a consideration of HK$158.3 million, payable as to approximately HK$79.5 million in cash and as to approximately HK$78.8 million by the issue of Shares at the issue price of HK$0.142 each;

(d) the placing agreement dated 10 December 2007 entered into between the Company and Get Nice Investment Limited as placing agent in relation to the placing of 1,500,000,000 Shares at a price of HK$0.11 per Share;

(e) the joint venture agreement dated 26 February 2008 entered into between the Company, 潘瑞安 (Mr. Pan Ruian*) and 黃其俊 (Mr. Huang Qijun*), 趙劍輝 (Mr. Zhao Jianhui*) in relation to the formation of various joint ventures entities to engage in the investment in environmental and/or property related projects in the PRC;

(f) the sale and purchase agreement, dated 29 February 2008 entered into between the Company, Mason Creation Limited and the warrantors, Mr. Sio and Mr. Tang Fung in relation to the acquisition of the entire interest in Hotel Fortuna (Hong Kong) for a consideration of HK$550.0 million, subject to adjustments, and the acquisition was subsequently completed on 31 December 2008 at the adjusted consideration of approximately HK$534.0 million; and

(g) the Subscription Agreement.

Save as disclosed herein, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

13. GENERAL

(a) The registered office of the Company is situated at 17th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

(b) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The secretary and qualified accountant of the Company is Mr. Hung Yat Ming, CPA, CA.

(d) The English text of this document shall prevail over their Chinese text in case of inconsistencies.

(e) Application has been made by the Company to the Listing Committee for the listing of and permission to deal in, the Subscription Shares.

14. MISCELLANEOUS

The registered address of Fullkeen is at P.O. Box 957, Offshore incorporations Centre, Road Town, Tortola, British Virgin Islands and the correspondence address of Fullkeeen is at Rua de Xangai 175, Edificio da Associacao Comercial de Macau, 10 Andar-B-D, Macau. The board of directors of Fullkeen comprises of Mr. Sio and Mr. Si and the address of the principal members of Fullkeen, Mr. Sio and Mr. Si, is at Rua de Xangai 175, Edificio da Associacao Comercial de Macau, 10 Andar-B-D, Macau and Rua de Foshan No. 51, Edificio Centro Comercial San Kin Yip, 14 Andar L-M, Macau, respectively.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 26 of this circular;

(b) the property valuation reports by Savills Valuation and Professional Services Limited and Norton Appraisals Limited, the text of which is set out in Appendix II to this circular;

(c) the consent letters from the Independent Financial Adviser, Savills Valuation and Professional Services Limited and Norton Appraisals Limited referred to in paragraph headed "Consents of experts" in this appendix;

(d) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;

(e) the copies of material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(f) the memorandum of association and articles of association of the Company;

(g) the audited reports of the Company for the financial years ended 31 July 2007 and 31 July 2008; and

(h) the interim report of the Company for the six months ended 31 January 2009.

The above documents will be available at the website of the Securities and Futures Commission at www.sfc.hk and the Company's website at www.capitalestate.com.hk from the date of this circular up to (and including) the date of the EGM in accordance with Note 1 to Rule 8 of the Takeovers Code.

CAPITAL ESTATE LIMITED
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 193)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting (the "Meeting") of Capital Estate Limited (the "Company") will be held at Empire Room 1, M/Floor, Empire Hotel Hong Kong Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong on Wednesday, 15 July 2009 at 9:00 a.m. to consider, and if thought fit pass, the following resolution which will be proposed with or without amendments as an ordinary resolution:—

ORDINARY RESOLUTION

"THAT:—

(A) (i) the terms of the subscription agreement (the "Agreement") dated 16 April 2009, a copy of which has been produced to this Meeting marked "A" and initialled by the chairman of the Meeting for the purpose of identification, entered into between the Company and Fullkeen Holdings Limited ("Fullkeen") pursuant to which, subject to the fulfilment of the conditions set out therein, the Company agreed to issue and Fullkeen agreed to subscribe in cash 8,000,000,000 new shares of HK$0.01 each in the capital of the Company at the price of HK$0.025 per share ("Subscription"); and

(ii) the waiver (the "Whitewash Waiver") granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers waiving any obligation on the part of Fullkeen and parties acting in concert with it to make a general offer for all the securities of the Company not already owned or agreed to be acquired by them as a result of the Subscription and the transactions contemplated therein;

be and are hereby approved; and

(B) the directors of the Company be and are hereby authorised to exercise all the powers of the Company and take all steps as might in their opinion be necessary or desirable in connection with the Agreement and the performance thereof, the Whitewash Waiver including, without limitation :—

(i) the execution, amendment, supplement, delivery, submission and implementation of any further documents or agreements;

(ii) the amendment of the terms of the Agreement; and

(iii) the taking of other actions necessary to implement the issue of the relevant shares."

By Order of the Board
Capital Estate Limited
Chu Nin Yiu, Stephen
Executive Chairman

Hong Kong, 19 June 2009

Registered office:
17th Floor
Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him.

2. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited to the Company's share registrar in Hong Kong, Computershare Investor Hong Kong Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stand first on the register in respect of such share shall alone be entitled to vote in respect thereof.

6. A form of proxy for use at the EGM is enclosed herewith.

At the date of this circular, the Board comprises Mr. Chu Nin Yiu, Stephen, Mr. Chu Nin Wai, David, Mr. Lau Chi Kan, Michael as executive Directors and Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai as independent non-executive Directors.