CAPITAL ESTATE LIMITED

冠 中 地 產 有 限 公 司

(Incorporated in Hong Kong with limited liability)

Stock Code: 193

2008 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Chu Nin Yiu, Stephen *(Executive Chairman)*
Chu Nin Wai, David *(Deputy Chairman)*
Lau Chi Kan, Michael

Independent Non-Executive Directors

Li Sze Kuen, Billy
Wong Kwong Fat
Leung Kam Fai

COMPANY SECRETARY

Hung Yat Ming

AUTHORISED REPRESENTATIVES

Chu Nin Yiu, Stephen
Hung Yat Ming

AUDIT COMMITTEE

Li Sze Kuen, Billy
Wong Kwong Fat
Leung Kam Fai

REMUNERATION COMMITTEE

Chu Nin Yiu, Stephen
Li Sze Kuen, Billy
Wong Kwong Fat
Leung Kam Fai

LEGAL ADVISER

Richards Butler

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

REGISTERED OFFICE

17th Floor
Asia Orient Tower, Town Place
33 Lockhart Road
Wan Chai, Hong Kong

STOCK CODE

193

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Capital Estate Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st July, 2008.

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK$1,381.4 million for the year ended 31st July, 2008, which comprised mainly gross proceeds from sales of securities, as compared to HK$750.1 million for the last year.

Net loss after tax attributable to equity holder of the Company for the year ended 31st July, 2008 was HK$201.5 million, as compared to the net profit of HK$85.1 million for last year. The loss was mainly due to decline of the fair value of investments held for trading of approximately HK$173.8 million, which included the reversal of unrealized holding gain of approximately HK$116.3 million on certain marketable securities held at 31 July, 2007 upon their subsequent disposals during the year.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2008.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st July, 2008, the Group had cash of HK$39.7 million (2007: HK$151.5 million), mainly in Hong Kong dollars and marketable securities totalling HK$103.4 million (2007: HK$266.1 million). Following the early repayment of a bank loan of approximately HK$5.9 million during the year, the Group has no outstanding bank borrowings (other than corporate credit card payable classified as "other payable") at 31st July, 2008 (2007: HK$6.0 million). The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' fund, was 4.0% at 31st July, 2008 (2007: 5.4%).

EXCHANGE RATE EXPOSURE

Most assets, liabilities and transactions of the Group are denominated in Hong Kong dollars, except for certain foreign currency bank balances and derivatives held for trading. The fluctuations of foreign currencies did not have a significant impact on the performance of the Group.

BUSINESS REVIEW

For the year ended 31st July 2008, the principal activities of the Group are property investment and development, financial investment and related activities.

According to the official statistics from the Macau government, the gaming industry continues to be the backbone and catalyst of Macau's economy with gaming proceeds amounted to US$106 billion in 2007. Prosperous growth of the industry has drummed up the demand for housing and hotel accommodations and attracted many visitors and investors. In view of the positive economic environment, the Group has expanded its presence in Macau's property and hotel sectors through active investments and acquisitions during the year.

The Group had acquired a total of 99% controlling interests in Sun Fat Investment and Industry Company Limited ("Sun Fat") in Macau with two acquisitions in June and November 2007. The principal asset of Sun Fat is its 100% ownership in a piece of vacant land located in Coloane, Macau, which consists of an area of approximately 10,154 square meters with a valuation of HK$304 million before deducting the land premium required for conversion of the land use to residential purpose. The subsidiary is awaiting the approval of the commencement of the development of 48 luxury residential houses and related facilities with a total gross floor area of approximately 19,934 square meters over the site.

Tin Fok Holding Company Limited ("Tin Fok"), the associated company owned as to 32.5% by the Group, continued to operate the 100% owned Hotel Fortuna, Macau. The hotel achieved a high occupancy rate of approximately 94% and recorded a turnover of approximately HK$185.1 million in 2007, up 6% from HK$174.2 million in 2006.

The Group has a 5% interest in Sociedade de Investmento Imboiliaro Pun Keng Van, SARL ("Pun Keng Van"), which owns the site at Avenida Commercial de Macau for the development of a 57-storey luxurious residential building on the waterfront at Nam Van Lake. Successful government approval of the building plans and construction permit have been obtained. The progress of the development will be monitored closely.

In December 2007, the Group successfully raised approximately HK$161.7 million after expenses by the placing of 1,500,000,000 new shares under general mandate. The placing has strengthened the Group's general working capital and financial capabilities for future development and acquisition of investments.

PROSPECTS

The Wall Street's financial turmoil and credit risk faced by banks has eroded the underpinnings of the global economy and worsened the operating environment. The Group has been exercising greater caution in its securities trading and investment activities. On the other hand, the Group will continue to seek sound investments in the neighbouring Guangdong Province and Macau for its long term growth.

The Group has entered into a joint venture arrangement on 26th February, 2008 with other parties, pursuant to which a joint venture company, New Fortune Environmental Protection Limited ("New Fortune"), has been formed in Hong Kong and owned as to 89.9% by the Group and 10.1% by other parties. New Fortune intends to establish five subsidiaries in the PRC with proposed aggregate registered capital of RMB200 million, each of which would be owned as to 99% by New Fortune. The initial investment of New Fortune in the five subsidiaries is therefore expected to be RMB198 million, of which the Group would contribute approximately RMB178.0 million in proportion to its beneficial interest in New Fortune. These subsidiaries in the PRC are expected to be engaged in the environmental or property related projects in the PRC.

On 29th February, 2008, the Company has entered into a sale and purchase agreement with certain vendors pursuant to which the Company has conditionally agreed to acquire the entire equity interest in Hotel Fortuna (Hong Kong) Limited ("Hotel Fortuna (Hong Kong)") and all outstanding liabilities owned by Hotel Fortuna (Hong Kong) to the vendors for a consideration of HK$550 million (subject to adjustments). Hotel Fortuna (Hong Kong) owns and operates a hotel with 408 rooms at Le Cong Zhen, Shun De District, Foshan, the PRC (the "Hotel") through its wholly owned subsidiary in the PRC. The Hotel was built over a parcel of land of approximately 22,671 square meters, which offers further development potential of approximately 44,861 square meters of permissible gross floor area for residential and commercial uses. The acquisition, duly approved by shareholders at a general meeting held on 14th April 2008, has not yet been completed . The long stop date for completion was 29 August 2008, but has been extended to 28th February 2009 in order to allow additional time required for obtaining necessary governmental approval in respect of an adjacent land, including the real estate ownership licence. Details of the acquisition were set out in the circular of the Company dated 28th March, 2008. With the thriving tourism in Foshan, the acquisition, when completed, will further enrich the Group's portfolio of property interests and generate stable income.

Although the tightening of tourism policy by the Guangdong provincial government since May 2008 appears to have subdued market sentiment, Macau has managed to retain its lustre. With the opening of more large-scale entertainment complexes and world-class casinos, Macau has achieved a GDP growth of 26.1% in the first half of year 2008. The Group is confident that the economic outlook of Macau is still favourable and will continue to explore business opportunities in Macau as to maximize the return for shareholders.

ACKNOWLEDGEMENTS

I would like to thank my fellow directors and staff for their contribution and commitment during the year.

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

10th November, 2008

Directors' Profiles

EXECUTIVE DIRECTORS

Chu Nin Yiu, Stephen, aged 51, is an executive Director, Chairman of the Company. He was appointed to the Board in May 2005. He has over 25 years business and management experience in the electronics industry in Hong Kong, and was a director and shareholder of a company listed overseas principally engaged in the manufacture and distribution of electronic products. Mr. Stephen Chu was a 1994 Awardee Member of Hong Kong Young Industrialists Council Limited, and a director of Tung Wah Group of Hospitals for the year 2001/02.

Chu Nin Wai, David, aged 54, is an executive Director, Deputy Chairman of the Company. He was appointed to the Board in May 2005. He has over 20 years' extensive experience in the electronic industry in Hong Kong an overseas, and also has experience in property development and investment. He is the elder brother of the Executive Chairman and the substantial shareholder of the Company, Mr. Chu Nin Yiu, Stephen.

Lau Chi Kan, Michael, aged 51, graduated from Simon Frasier University, Vancouver, Canada in 1980 with a Bachelor of Arts degree in Economics. Mr. Lau joined the Board in May 2005 and has over 20 years' business and management experience in the clothing industry. He owns and manages a garment merchandising and trading company in Hong Kong and an apparel importing company in the U.S.. Mr. Lau is also the major shareholder of a number of companies in Hong Kong and overseas, which are engaged in garment manufacturing, importing, warehousing, apparel design or merchandizing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Sze Kuen, Billy, aged 61, was appointed to the Board in May 2005. He has extensive professional experience in audit and accounting, and is currently a director of a CPA firm in Hong Kong. Mr. Li is a member of the Canadian Institute of Chartered Accountants, and the Hong Kong Institute of Certified Public Accountants. He graduated from the University of Manitoba, Canada, with a Bachelor of Arts degree.

Wong Kwong Fat, aged 52, was appointed to the Board in June 2005. He is a seasoned manager of an insurance broking company in Hong Kong. He is responsible for staff management and training, the provision of individual financial advice to clients and the marketing of a wide range of products including life and general insurance, package fund and mandatory provident fund. Mr. Wong has over 20 years' specialized knowledge and experience in the insurance industry, and is a Fellow Chartered Financial Practitioner of the Life Underwriter Association of Hong Kong.

Leung Kam Fai, aged 47, was appointed to the Board in June 2005. He is a solicitor of the High Court of Hong Kong. Mr. Leung currently is a partner solicitor in civil and criminal practice with Messrs. Patrick Wong & Co., Solicitors, and has extensive experience in litigation, conveyancing, commercial and probate matters. Mr. Leung graduated from the University of Hong Kong with a Bachelor of Laws degree, and was awarded the Sir Man Kam Lo/Jardine Scholarship and Downey Book Prize in 1989. He also holds a Bachelor of Arts degree in Economics & Political Science from the University of Washington in the U.S.A. and a postgraduate certificate in laws from the University of Hong Kong.

CORPORATE GOVERNANCE PRACTICES

In order to attain a high standard of corporate governance, the Company is committed to continuously adopting and improving effective measures and practices to achieve a high level of transparency and accountability in the interests of its shareholders.

During the year ended 31st July, 2008, the Company complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, except for the following deviations:

1. Under Code A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

   The Chairman of the Board, Mr. Chu Nin Yiu, Stephen, provides overall leadership for the Board and takes the lead to ensure the Board acts in the best interest of the Company. The Company does not have a chief executive officer and the day-to-day management of the Company's business is shared among the executive directors. The Company will endeavour to ensure that there is a clear division of these responsibilities at the board level to maintain a balance of power and authority.

2. Under Code A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

   The independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation at annual general meetings in accordance with Article 103(A) of the Company's Articles of Association.

BOARD OF DIRECTORS

The board of directors (the "Board") of the Company consists of three executive directors and three independent non-executive directors. One of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules.

Providing overall direction and control of the Group, the Board is mainly responsible for the formulation and development of business strategies and policies, and approval of budgets, results, significant investments and material transactions. The daily administration and operations, and the execution of plans and policies, are delegated to the management under the leadership of the Board.

During the year, the Board held 4 meetings. The members of the Board and the attendance of each member are as follows:

Name of Directors	Meetings held/attended
Executive Directors:	
Chu Nin Yiu, Stephen *(Chairman)*	4/4
Chu Nin Wai, David *(Deputy Chairman)*	4/4
Lau Chi Kan, Michael	3/4
Independent Non-Executive Directors:	
Li Sze Kuen, Billy	4/4
Wong Kwong Fat	4/4
Leung Kam Fai	3/4

The biographies of the Board members are set out on page 6 of this annual report under the subject "Directors' Profile". The directors have no financial, business, family or other material/relevant relationships with each other except that Mr. Chu Nin Yiu, Stephen is the brother of Mr. Chu Nin Wai, David.

The Company has received annual confirmations of independence from all independent non-executive directors, and consider them independent in accordance with the Listing Rules.

All directors have full access to board minutes, papers and relevant information of the Group. They are also entitled to obtain independent professional advice where deemed necessary in order to enable them to make informed decisions and discharge their responsibilities and duties accordingly.

Appropriate directors' and officers' liability insurance has been arranged for the directors and officers of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chu Nin Yiu, Stephen is currently the Chairman. The Company does not have the position of Chief Executive Officer. This is a deviation from Code A.2.1, which has been explained in the above section headed "Corporate Governance Practices".

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to the Company's Articles of Association, two of the directors shall retire from office at each annual general meeting by rotation and shall be eligible for re-election. Any directors appointed by the Board either to fill a casual vacancy or as an addition shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation at annual general meetings in accordance with the Company's Articles of Association.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises the Executive Chairman, Mr. Chu Nin Yiu, Stephen, and the three independent non-executive directors, Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai.

The primary responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management, determine the specific remuneration packages of all executive directors and senior management including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors.

During the year, the Remuneration Committee held one meeting which was attended by all the members.

NOMINATION OF DIRECTORS

The Company has not established a nomination committee. Nomination of new director is subject to the assessment and approval by the Board based on the nominee's qualification and experience, integrity, commitment and potential contributions to the Company. During the year, no new director has been appointed.

AUDITORS' REMUNERATION

For the year ended 31st July, 2008, remuneration of approximately HK$1,380,000 was payable to the Auditors for audit service and approximately HK$315,000 for non-audit services mainly in relation to the interim review during the year.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with the Code. The Audit Committee comprises Mr. Li Sze Kuen, Billy (Chairman), Mr. Wong Kwong Fat and Mr Leung Kam Fai, all of whom are independent non-executive directors.

The principal functions of the Audit Committee include the review and supervision of the Group's reporting process and internal controls.

During the year, the Audit Committee held three meetings which were attended by all the members and performed the following duties:

1. reviewed and commented on the Company's draft annual and interim financial reports;

2. reviewed and commented on the Group's internal controls; and

3. met with the external auditors and participate in the re-appointment and assessment of the performance of the external auditors.

The Audit Committee has reviewed the audited results of the Group for the year ended 31st July, 2008.

FINANCIAL REPORTING

The directors acknowledge the responsibilities of preparing the financial statements of the Group which give a true and fair view. The statement of the Auditors about their reporting responsibilities is set out in the Independent Auditor's Report on page 16.

INTERNAL CONTROL

The Board recognizes its overall responsibilities for the Group's internal controls, and is committed to the ongoing development of an effective internal control system to safeguard the Group's assets, and to enhance risk management and compliance with applicable legislation and regulations.

The Board has conducted a review of the effectiveness of the system of internal control of the Group. The Company will continue to conduct annual reviews of its internal control system through the Audit Committee, identifying control weaknesses and risk areas, if any, and taking effective measures to improve the system.

MODEL CODES FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard as set out in the Model Code for the year.

COMMUNICATION WITH SHAREHOLDERS

In order to keep shareholders well informed of the business activities and direction of the Group, extensive information has been provided to the shareholders through annual and interim reports, circulars, announcements and press interviews. The Company has established its own corporate website www.capitalestate.com.hk to facilitate effective communication with its shareholders and the public.

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31st July, 2008.

PRINCIPAL ACTIVITIES

The Company acts as a property and investment holding company. The activities of the principal subsidiaries and associates are set out in notes 22 and 23 to the consolidated financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers during the year were less than 30% of the Group's total turnover.

The aggregate purchases attributables to the Group's five largest suppliers during the year were less than 30% of the Group's total purchases.

RESULTS

The results of the Group for the year ended 31st July, 2008 are set out in the consolidated income statement on page 17.

INVESTMENT PROPERTIES

The Group revalued its investment properties at the year end date and the increase in fair value of the investment properties amounting to HK$5,974,000 has been credited directly to the consolidated income statement.

Details of the movements during the year in the investment properties of the Group are set out in note 18 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

MAJOR PROPERTIES

Particulars of the major properties of the Group as at 31st July, 2008 are set out on page 76.

SHARE CAPITAL

Details of issue of shares and exercise of share options during the year are set out in note 35 to the consolidated financial statements.

SHARE OPTIONS

Pursuant to a resolution passed on 30th December, 2002, the existing share option scheme was adopted (the "Scheme").

Particulars of the Company's share option scheme are set out in note 36 to the consolidated financial statements.

The following table discloses movements in the share options issued under the Scheme of the Company during the year:

	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
Category 1: Directors								
Chu Nin Yiu, Stephen (note)	17.07.2006	17.07.2006 – 29.12.2012	0.068*	5,762*	–	–	(5,762)	–
Chu Nin Wai, David	17.07.2006	17.07.2006 – 29.12.2012	0.068*	5,762*	–	–	(5,762)	–
	15.06.2007	15.06.2007 – 14.06.2010	0.167	58,130,000	–	(58,130,000)	–	–
Lau Chi Kan, Michael	17.07.2006	17.07.2006 – 29.12.2012	0.068*	28,055,762*	–	(28,000,000)	(55,762)	–
	15.06.2007	15.06.2007 – 14.06.2010	0.167	58,130,000	–	(58,130,000)	–	–
Wong Kwong Fat	15.06.2007	15.06.2007 – 14.06.2010	0.167	30,800,000	–	(30,800,000)	–	–
				175,127,286	–	(175,060,000)	(67,286)	–
Category 2: Employees								
Employees	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	145,285,000	–	(145,285,000)	–	–
	31.07.2007	31.07.2007 – 30.07.2010	0.255	215,190,000	–	–	–	215,190,000
				402,561,245	–	(187,370,000)	(1,245)	215,190,000
Category 3: Consultant								
Consultant	31.07.2007	31.07.2007 – 30.07.2010	0.255	215,190,000	–	–	–	215,190,000
	08.08.2007	08.08.2007 – 07.08.2010	0.207	–	109,700,000	(109,700,000)	–	–
				215,190,000	109,700,000	(109,700,000)	–	215,190,000
Total all categories				792,878,531	109,700,000	(472,130,000)	(68,531)	430,380,000

* The number and exercise price of the share options have been adjusted in the above table to reflect the one-to-five rights issue completed in April 2007 as set out in note 35(b).

Note: Mr. Chu Nin Yiu, Stephen is also a substantial shareholder of the Company.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31st July, 2008 and 2007, the Company had no reserve available for distribution to shareholders.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Chairman:
Chu Nin Yiu, Stephen

Executive Directors:
Chu Nin Wai, David *(Deputy Chairman)*
Lau Chi Kan, Michael

Independent Non-Executive Directors:
Leung Kam Fai
Wong Kwong Fat
Li Sze Kuen, Billy

In accordance with Article 103(A) of the Company's Articles of Association, Chu Nin Yiu, Stephen and Leung Kam Fai retire by rotation and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

No directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The Company considers all the independent non-executive directors are independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31st July, 2008, the interests of the directors and the chief executive and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

Ordinary shares of HK$0.01 each of the Company

Name of director	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Chu Nin Yiu, Stephen ("Mr. Chu")	Held by controlled corporation (Note)	3,334,474,000	25.1%
Lau Chi Kan, Michael	Beneficial owner	75,000	0.0%

Note: The 3,334,474,000 shares were held by Supervalue Holdings Limited ("Supervalue"), which is in turn wholly owned by Mr. Chu. Mr. Chu is therefore deemed to be interested in 3,334,474,000 shares of the Company.

Other than as disclosed above, none of the directors, chief executive nor their associates had any interests or short position in any shares or underlying shares of the Company or any of its associated corporations as at 31st July, 2008.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section of "Share options", at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the heading "Related Party Disclosures" as set out in note 46 to the consolidated financial statements, there were no contracts of significance to which the Company, or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2008, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Supervalue	Beneficial owner	3,334,474,000	25.1%
Mr. Chu	Held by controlled corporation (Note)	3,334,474,000	25.1%

Note: The 3,334,474,000 shares were held by Supervalue, which was in turn wholly owned by Mr. Chu. Mr. Chu was therefore deemed to be interested in 3,334,474,000 shares of the Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st July, 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Pursuant to Appendix 23 of the Listing Rules, details of corporate governance report are set out on pages 7 to 9 of the Annual Report.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the board of directors on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the board of directors after recommendation from the Remuneration Committee, having regard to the time commitment and responsibilities of the directors, the Company's operating results, individual performance and comparable market statistics.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st July, 2008.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Chu Nin Yiu, Stephen
Executive Chairman
10th November, 2008

Deloitte.
德勤

TO THE MEMBERS OF CAPITAL ESTATE LIMITED
冠中地產有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Capital Estate Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 17 to 74, which comprise the consolidated and Company balance sheets as at 31st July, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st July, 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

10th November, 2008

Consolidated Income Statement

For the Year ended 31st 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 31st 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

Consolidated Balance Sheet

At 31st July, 2008

	NOTES	**2008 HK$'000**	2007 HK$'000
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

The consolidated financial statements on pages 17 to 74 were approved and authorised for issue by the Board of Directors on 10th November, 2008 and are signed on its behalf by:

Chu Nin Yiu, Stephen
DIRECTOR

Chu Nin Wai, David
DIRECTOR

Balance Sheet

At 31st 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

Chu Nin Yiu, Stephen
DIRECTOR

Chu Nin Wai, David
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st July, 2008

	Attributable to equity holders of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Warrant reserve HK$'000	Share option reserve HK$'000	Capital reduction reserve HK$'000 (note 35)	Capital redemption reserve HK$'000	Revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Balance at 1st 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 31st 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 31st 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 31st 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)

Consolidated Cash Flow Statement

For the year ended 31st July, 2008

	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

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 1st 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 15th October, 2008, and effective from 1st 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 1st January, 2009
[2] Effective for annual periods beginning on or after 1st July, 2009
[3] Effective for annual periods beginning on or after 1st January, 2008
[4] Effective for annual periods beginning on or after 1st July, 2008
[5] Effective for annual periods beginning on or after 1st 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 1st 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 **HK$'000**	2007 HK$'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 31st 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 1st January, 2005, the Group has discontinued amortisation from 1st 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

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 1st 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 31st 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 31st 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 HK$'000	2007 HK$'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 HK$'000	2007 HK$'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 31st 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 31st 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 31st 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 HK$'000	2007 HK$'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 HK$'000	2007 HK$'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 31st 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 31st 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 31st 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 HK$'000	Financial investment HK$'000	Property development and sale HK$'000	Unallocated HK$'000	Consolidated HK$'000
BALANCE SHEET					
At 31st 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 HK$'000	Financial investment HK$'000	Property development and sale HK$'000	Unallocated HK$'000	Consolidated HK$'000
OTHER INFORMATION					
For the year ended 31st 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 (restated)	HK$'000	HK$'000 (restated)	HK$'000 (restated)	HK$'000	HK$'000 (restated)
INCOME STATEMENT							
For the year ended 31st 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 31st 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 31st 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 26th 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 31st 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 31st 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 31st July, 2007, on which date control of Consecutive Profits passed to the acquirer.

The profit for the year ended 31st 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 31st 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 31st 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 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'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 HK$'000	Mr. Chu Nin Wai, David HK$'000	Mr. Lau Chi Kan, Michael HK$'000	Mr. Leung Kam Fai HK$'000	Mr. Wong Kwong Fat HK$'000	Mr. Li Sze Kuen, Billy HK$'000	Total 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 HK$'000	Mr. Chu Nin Wai, David HK$'000	Mr. Lau Chi Kan, Michael HK$'000	Mr. Leung Kam Fai HK$'000	Mr. Wong Kwong Fat HK$'000	Mr. Li Sze Kuen, Billy HK$'000	Total 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 31st 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 HK$'000	2007 HK$'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 No. of employees	2007 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 HK$'000	2007 HK$'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 **HK$'000**	2007 HK$'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 1st August, 2006	34,568
Increase in fair value	3,260
At 31st July, 2007	37,828
Disposal of a subsidiary	(7,152)
Increase in fair value	5,974
At 31st 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 31st 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 HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
THE GROUP					
COST					
At 1st August, 2006	—	948	708	—	1,656
Additions	1,600	—	25	2,094	3,719
Disposal of subsidiaries	—	(875)	(510)	—	(1,385)
At 31st July, 2007	1,600	73	223	2,094	3,990
Additions	—	1,314	248	—	1,562
Disposal	(1,600)	—	—	—	(1,600)
At 31st July, 2008	—	1,387	471	2,094	3,952
DEPRECIATION					
At 1st August, 2006	—	429	413	—	842
Provided for the year	43	325	197	—	565
Eliminated on disposal of subsidiaries	—	(681)	(467)	—	(1,148)
At 31st July, 2007	43	73	143	—	259
Provided for the year	130	110	85	524	849
Disposal	(173)	—	—	—	(173)
At 31st July, 2008	—	183	228	524	935
CARRYING VALUES					
At 31st July, 2008	—	1,204	243	1,570	3,017
At 31st 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 9¼ years, representing the remaining lease terms
Leasehold improvements	Over the term of the relevant lease or 33⅓%, whichever is shorter
Furniture, fixtures and equipment	20%
Motor vehicle	33⅓%

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 31st 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 Directly %	Indirectly %	Principal activities
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 31st July, 2008. After the acquisition, the equity interest in Sun Fat increased to 99% (2007: 49%).

23. INTERESTS IN ASSOCIATES

	THE GROUP	
	2008 HK$'000	2007 HK$'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 31st 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 31st July, 2008, the Group acquired 25% equity interest in Singon at a consideration of HK$12,068,000.

(ii) During the year ended 31st 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 HK$'000	2007 HK$'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 HK$'000	2007 HK$'000
Unlisted equity securities, at cost	**69,890**	56,250

During the year ended 31st 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 HK$'000	2007 HK$'000
USD	**13,640**	—

25. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

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 HK$550,000,000 (subject to adjustments). At 31st 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 5th 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 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Properties in Hong Kong	**–**	206	**–**	206

28. DERIVATIVE FINANCIAL INSTRUMENTS

		THE GROUP			
		2008		2007	
		Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'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	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

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

(iii) Decumulator contract

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

(iv) Futures

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

	Notional amount	**Maturity**
At 31st 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	19th 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 31st 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 31st 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 31st 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 HK$'000	2007 HK$'000
USD	914	16,375

32. TRADE AND OTHER PAYABLES

At 31st 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 HK$'000	2007 HK$'000
0 to 60 days	302	1,159
91 days or above	–	146
	302	1,305

33. BANK BORROWINGS

	THE GROUP	
	2008 HK$'000	2007 HK$'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 31st 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 1st 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 31st July, 2007 and 31st July, 2008, at HK$0.01 each	200,000,000,000	2,000,000
Issued and fully paid:		
At 1st 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 31st 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 31st July, 2008, at HK$0.01 each	13,286,896,898	132,869

Notes:

(a) Pursuant to a special resolution passed on 6th 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 14th 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 16th February, 2007, a prospectus dated 13th March, 2008 and resolutions passed on 12th 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 12th 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 19th 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 8th 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 10th 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 10th 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 10th 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 30th 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 29th 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 31st 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 31st 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 HK$	Outstanding at 1.8.2007	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.7.2008
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 17th July, 2006 and 13th 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 31st July, 2008, 109,700,000 options were granted on 8th 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 31st July, 2007, options were granted on 13th September, 2006, 15th June, 2007 and 31st 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:

	13th September, 2006	15th June, 2007	31st July, 2007	8th 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 31st 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 1st 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 31st 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 31st 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 HK$'000	Tax losses HK$'000	Total HK$'000
THE GROUP			
At 1st August, 2006	1,467	(1,516)	(49)
Charge (credit) to income statement	712	(779)	(67)
Disposal of subsidiaries	116	—	116
At 31st July, 2007	2,295	(2,295)	—
Charge (credit) to income statement	(304)	304	—
Effect of change in tax rate	(130)	130	—
At 31st July, 2008	1,861	(1,861)	—

At 31st 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 31st 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 31st July, 2008, the Group disposed of its 100% interest in Chadbury International Limited.

As explained in note 13, on 31st 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 HK$'000	2007 HK$'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 1st August, 2006	4,193
Disposal of subsidiaries	(4,193)
At 31st July, 2007 and 31st July, 2008	—
AMORTISATION AND IMPAIRMENT	
At 1st August, 2006	—
Impairment loss recognised	780
Eliminated on disposal of subsidiaries	(780)
At 31st July, 2007 and 31st July, 2008	—
CARRYING VALUES	
At 31st July, 2007 and 31st 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 31st July, 2007, the management had recognised an impairment loss of HK$780,000 on goodwill.

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

42. PLEDGE OF ASSETS

At 31st 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 1st 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 1st 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 1st 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 31st 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 31st 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 **HK$'000**	2007 HK$'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.

RESULTS

	Year ended 31st July,				
	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Continuing operations					
Property rental and sale income	**898**	567	411	10,522	5,147
Gains (losses) on financial investment	**(188,836)**	154,133	72,456	10,251	7,645
Estate agency income	**—**	—	—	4,940	1,981
	(187,938)	154,700	72,867	25,713	14,773
(Loss) profit before taxation	**(201,535)**	110,464	40,278	6,849	(2,361)
Taxation	**22**	(22,770)	(11,539)	(210)	(2)
	(201,513)	87,694	28,739	6,639	(2,363)
Discontinued operation					
(Loss) profit for the year from discontinued operations	**—**	(2,386)	243	—	(498)
(Loss) profit for the year	**(201,513)**	85,308	28,982	6,639	(2,861)
Attributable to:					
Equity holders of the Company	**(201,507)**	85,140	28,900	6,398	(2,840)
Minority interests	**(6)**	168	82	241	(21)
	(201,513)	85,308	28,982	6,639	(2,861)

ASSETS AND LIABILITIES

	At 31st July,				
	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Total assets	**1,045,518**	929,895	522,647	182,993	120,842
Total liabilities	**(39,902)**	(47,460)	(32,468)	(22,562)	(19,482)
	1,005,616	882,435	490,179	160,431	101,360
Equity attributable to equity holders of the Company	**1,001,851**	882,435	488,961	159,305	100,475
Minority interests	**3,765**	—	1,218	1,126	885
	1,005,616	882,435	490,179	160,431	101,360

Major Properties

Particulars of major properties held by the Group at 31st July, 2008 are as follows:

(a) Investment properties:

Location	Use	Term of the lease
Car parks no. 14 and 22 — 29 on ground floor Cherry Court, 10-12 Consort Rise Hong Kong	Carparking spaces	Long lease
Car parks no. 18, 19 and 22 — 26 on ground floor Berkeley Bay Villa Lot No. 836 in DD214 Sai Kung, New Territories	Carparking spaces	Medium-term lease
Shops no. 303, 310, 314, 316, 317, 320, 327 and 329 — 332 on third floor Shops no. 201, 203 — 205, 208 — 211, 214 — 218, 220, 222, 224, 225, 227, 229, 230 and 232 on second floor Shops no. 101 — 106, 108 — 110, 112, 113, 115 — 117 and 119 — 131 on first floor Shops no. 1 — 8, 10 — 11 on upper ground floor Shops no. 76, 76A, 78, 80, 82 and 82A on ground floor Shops no. 1 — 10 on lower ground floor Time Plaza, 76 — 82 Castle Peak Road Shamshuipo, Kowloon	Shops	Medium-term lease

(b) Properties for development:

Location	Use	Stage of completion	Expected date of completion	Site/Floor Area (approx.) sq. ft.	Group interest
Terreno Junto'a Estrada de Nossa Senhora de Ka' Ho' S. Francisco Xavier, Coloare, Macau	Vacant land	Not applicable	Not applicable	109,298	99%