CAPITAL ESTATE LIMITED
冠 中 地 產 有 限 公 司
(Incorporated in Hong Kong with limited liability)

2007 Annual Report

Stock Code: 193

Contents

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

Unit 1901, 19th Floor
Asia Orient Tower, Town Place
33 Lockhart Road
Wan Chai, Hong Kong

STOCK CODE

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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, 2007.

Review of the Results

The Group's turnover for the year ended 31st July, 2007 was HK$154.7 million (2006: HK$72.9 million). Net profit after tax attributable to equity holders of the Company for the year ended 31st July, 2007 amounted to HK$85.1 million (2006: HK$28.9 million).

The improvement in results was mainly attributable to the increase in gains from the trading of marketable securities and derivatives financial instruments.

Dividend

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2007.

Liquidity and Financial Resources

The Group continued to maintain a very liquid position. At 31st July, 2007, the Group had cash of HK$151.5 million (2006: HK$237.3 million) and marketable securities totalling HK$266.1 million (2006: HK$101.8 million). Total bank borrowings were HK$6.0 million at 31st July, 2007 (2006: HK$6.8 million), of which HK$1.0 million (2006: HK$0.9 million) were repayable within one year, HK$4.6 million (2006: HK$4.3 million) within two to five years and HK$0.4 million (2006: HK$1.6 million) over 5 years. The bank borrowings were all denominated in Hong Kong dollars and were mainly on a floating rate basis at Hong Kong best lending rates. In August 2007, the bank borrowings were early repaid to the extent of HK$5.9 million.

Exchange Rate Exposure

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

Business Review

During the year ended 31st July, 2007, the principal activities of the Group remained to be property investment and development, provision of estate agency services, financial investment and related activities.

In Macau, according to the statistics published by Macau's Census and Statistics Department, the number of visitor arrivals has escalated to over 17 million in the first eight months of 2007, up by 21.8% over the same period of last year. Focusing on Macau's robust economy and blooming tourism, the Group has seized various opportunities and increased its presence in the property and hotel sectors through active investment and acquisitions.

In May 2007, the Group increased its equity interest in Tin Fok Holding Company Limited ("Tin Fok") in Macau from 10% to 32.50% by acquiring a further 22.50% interest for a consideration of HK$160 million. Tin Fok, now an associated company of the Group, continues to operate and own 100% interest in Hotel Fortuna, Macau, the popular three-star hotel within close proximity to business and shopping in the San Hau Ngor district. According to its audited accounts for the year ended 31st December, 2006, Tin Fok achieved a turnover of approximately HK$174.2 million in 2006, up 51.3% from HK$115.1 million in 2005, and its hotel occupancy rate was approximately 83.9%. Tin Fok continued to perform satisfactorily. For the ensuing period ended 31st July, 2007, Tin Fok's turnover was in excess of HK$130 million and its hotel occupancy rate was above 90%.

On 29th June, 2007, the Group acquired 49% of the issued quota capital of Sun Fat Investment and Industry Company Limited for a consideration of HK$161.7 million. On 5th November, 2007, the Group acquired a further 50% interest in Sun Fat for HK$158.3 million, thereby increasing its total shareholdings in Sun Fat to 99%. The principle asset of this subsidiary is its 100% ownership of a piece of land in Coloane, Macau, which consists of a site area of approximately 10,154 square meters with a valuation of HK$330 million as at 8th June, 2007. The land is currently vacant pending the approval of a development plan to develop 48 residential houses and related facilities with a total gross floor area of approximately 19,394 square meters.

The Group continues to hold a 5% interest in Sociedade de Investimento Imboiliaro Pun Keng Wan, SARL in Macau, which owns the piece of land located at Avenida Commercial de Macau - Baia de Praia Grande, Zona A "Lote 9". The Macau company is awaiting the approval of the building plans to commence the development of the 57-storey luxurious residential building on the site.

In July 2007, the Group disposed of its indirect interest in Century 21 Hong Kong Limited, the subsidiary which operates in estate agency franchising, for a consideration of HK$4 million. The disposal allows the Group to focus on its strategy to expand its property portfolio.

Meanwhile, the Group has successfully raised approximately HK$215.0 million after expenses by way of rights issue in April 2007. The rights issue has provided the Group with long term equity funding, and strengthened the Group's financial capabilities for future investment activities.

Prospects

With the opening of more world-class casinos and convention centres, and the establishments of large-scale entertainment complexes and resorts, the outlook of Macau's economy remains positive. The Group is confident that its investments in the property and hospitality sectors in Macau will be fruitful and rewarding, and will realize satisfactory return to both the Group and its shareholders in the foreseeable future.

Looking ahead, the Group will continue to identify and secure suitable investment projects in Macau in order to capitalize on its rapid economic growth. The Group will also explore actively opportunities in Mainland China, especially the neighbouring Guangdong Province.

Reward for Employees

The Group offers its employees competitive remuneration packages which commensurate with their performance, experience and job nature.

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

22nd November, 2007

EXECUTIVE DIRECTORS

Chu Nin Yiu, Stephen, aged 50, 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 53, 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 50, graduated from Simon Frasier University, Vancouver, Canada in 1980 with a Bachelor of Arts degree in Economics. Mr. Lau jointed 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 60, 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 51, 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 46, 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, 2007, 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 5 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)*	5/5
Chu Nin Wai, David *(Deputy Chairman)*	5/5
Lau Chi Kan, Michael	3/5
Independent Non-Executive Directors:	
Li Sze Kuen, Billy	4/5
Wong Kwong Fat	5/5
Leung Kam Fai	5/5

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 two meetings and the attendance of each member is as follows:

Name of Members	**Meetings held/attended**
Chu Nin Yiu, Stephen	2/2
Li Sze Kuen, Billy	1/2
Wong Kwong Fat	2/2
Leung Kam Fai	2/2

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, 2007, remuneration of approximately HK$1,377,000 was payable to the Auditors for audit service and approximately HK$749,000 for non-audit services mainly in relation to the interim review and the rights issue 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 two 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, 2007.

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 Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on pages 18 and 19.

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 asset protection, 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, 2007.

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 20 and 21 to the consolidated financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st July, 2007, the aggregate amount of turnover attributable to the Group's five largest customers were less than 30% of the Group's total turnover.

The aggregate amount of the purchase attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

RESULTS

The results of the Group for the year ended 31st July, 2007 are set out in the consolidated income statement on page 20.

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$3,260,000 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 16 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 17 to the consolidated financial statements.

MAJOR PROPERTIES

Particulars of the major properties of the Group as at 31st July, 2007 are set out on page 80.

SHARE CAPITAL AND WARRANTS

During the year, the Company made rights issue of shares. Details of these and other movements in the share capital are set out in note 33 to the consolidated financial statements.

All the warrants were converted to ordinary shares during the year.

SHARE OPTIONS

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

Particulars of the Scheme are set out in note 34 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 1.8.2006	Granted during the year	Exercised during the year	Outstanding at 31.7.2007
Category 1: Directors							
Chu Nin Yiu, Stephen (note)	17.07.2006	17.07.2006 - 29.12.2012	0.068*	48,055,762*	—	(48,050,000)	5,762
Chu Nin Wai, David	17.07.2006	17.07.2006 - 29.12.2012	0.068*	48,055,762*	—	(48,050,000)	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*	48,055,762*	—	(20,000,000)	28,055,762
	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
				144,167,286	147,060,000	(116,100,000)	175,127,286
Category 2: Employees							
Employees	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	—	160,285,000	(15,000,000)	145,285,000
	31.07.2007	31.07.2007 - 30.07.2010	0.255	—	215,190,000	—	215,190,000
				—	427,561,245	(25,000,000)	402,561,245
Category 3: Consultants							
Consultants	31.07.2007	31.07.2007 - 30.07.2010	0.255	—	215,190,000	—	215,190,000
Total all categories				144,167,286	789,811,245	(141,100,000)	792,878,531

* 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 33(g).

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

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31st July, 2007 and 2006, 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, Lau Chi Kan, Michael and Li Sze Kuen, Billy 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, 2007, 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, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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

(a) 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)	2,288,379,000	21.27%

Note: The 2,288,379,000 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 2,288,379,000 shares of the Company.

(b) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Mr. Chu	Beneficial owner	5,762	5,762
Chu Nin Wai, David	Beneficial owner	58,135,762	58,135,762
Lau Chi Kan, Michael	Beneficial owner	86,185,762	86,185,762
Wong Kwong Fat	Beneficial owner	30,800,000	30,800,000
		175,127,286	175,127,286

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, 2007.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section "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 42 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, 2007, 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

(a) 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	2,288,379,000	21.27%
Mr. Chu	Held by controlled corporation (Note)	2,288,379,000	21.27%

Note: The 2,288,379,000 shares were held by Supervalue, which was in turn wholly owned by Mr. Chu. Mr. Chu was therefore deemed to be interested in 2,288,379,000 shares of the Company.

(b) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Mr. Chu	Beneficial owner	5,762	5,762

Other than 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, 2007.

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 11 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 maintained a sufficient public float throughout the year ended 31st July, 2007.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event are set out in note 43 to the consolidated financial statements.

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

22nd November, 2007

Deloitte.
德勤

TO THE SHAREHOLDERS 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 20 to 78, which comprise the consolidated and Company balance sheets as at 31st July, 2007, 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, 2007 and of the Group's profit 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

22nd November, 2007

Consolidated Income Statement

For the year ended 31st July, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Continuing operations			
Revenue	7	**154,700**	72,867
Direct costs on property rental		**(935)**	(1,680)
Gross profit		**153,765**	71,187
Other income		**8,407**	5,650
Increase (decrease) in fair value of investment properties		**3,260**	(19,768)
Administrative expenses		**(56,069)**	(16,223)
Share of profit of associates		**1,599**	—
Finance costs	9	**(498)**	(568)
Profit before taxation		**110,464**	40,278
Taxation	10	**(22,770)**	(11,539)
Profit for the year from continuing operations		**87,694**	28,739
Discontinued operation			
Profit for the year from discontinued operation	11	**493**	243
Impairment loss on goodwill	11	**(780)**	—
Loss on disposal of subsidiaries constituting the discontinued operation	37	**(2,099)**	—
		(2,386)	243
Profit for the year	12	**85,308**	28,982
Attributable to:			
Equity holders of the Company		**85,140**	28,900
Minority interests		**168**	82
		85,308	28,982
Earnings per share	15		
From continuing and discontinued operations			
Basic		**1.044 HK cents**	0.838 HK cents
Diluted		**1.040 HK cents**	0.837 HK cents
From continuing operations			
Basic		**1.075 HK cents**	0.833 HK cents
Diluted		**1.071 HK cents**	0.832 HK cents

Consolidated Balance Sheet

At 31st July, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment properties	16	**37,828**	34,568
Property, plant and equipment	17	**3,731**	814
Prepaid lease payments	18	**7,265**	—
Deferred tax assets	36	**—**	49
Goodwill	19	**—**	4,193
Interests in associates	21	**392,499**	—
Available-for-sale investments	22	**56,250**	116,250
		497,573	155,874
Current assets			
Properties held for sale	23	**206**	206
Derivative financial instruments	24	**—**	283
Trade and other receivables	25	**12,987**	13,455
Prepaid lease payments	18	**908**	—
Investments held for trading	26	**266,127**	101,826
Certificate of deposit	27	**—**	8,996
Promissory note receivables	28	**—**	4,000
Taxation recoverable		**—**	75
Pledged bank deposit	29	**630**	614
Bank balances and cash	29	**151,464**	237,318
		432,322	366,773
Current liabilities			
Trade and other payables	30	**6,401**	12,803
Derivative financial instruments	24	**775**	1,163
Taxation payable		**34,308**	11,595
Bank borrowings — due within one year	31	**1,039**	903
Bank overdrafts		**—**	84
		42,523	26,548
Net current assets		**389,799**	340,225
Total assets less current liabilities		**887,372**	496,099
Non-current liability			
Bank borrowings — due after one year	31	**4,937**	5,920
		882,435	490,179

Consolidated Balance Sheet

At 31st July, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	33	**107,598**	338,717
Reserves		**774,837**	150,244
Equity attributable to equity holders of the Company		**882,435**	488,961
Minority interests		**—**	1,218
		882,435	490,179

The consolidated financial statements on pages 20 to 78 were approved and authorised for issue by the Board of Directors on 22nd November, 2007 and are signed on its behalf by:

Chu Nin Yiu, Stephen
DIRECTOR

Chu Nin Wai, David
DIRECTOR

Balance Sheet

At 31st July, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Investments in subsidiaries	20	**400**	10
Amounts due from subsidiaries	20	**630,136**	268,688
		630,536	268,698
Current assets			
Properties held for sale	23	**206**	206
Other receivables		**202**	173
Promissory note receivables	28	**—**	4,000
Bank balances and cash	29	**112,091**	195,764
		112,499	200,143
Current liabilities			
Other payables		**2,100**	562
Amounts due to subsidiaries	32	**31,939**	28,780
		34,039	29,342
Net current assets		**78,460**	170,801
		708,996	439,499
Capital and reserves			
Share capital	33	**107,598**	338,717
Reserves	35	**601,398**	100,782
		708,996	439,499

Chu Nin Yiu, Stephen
DIRECTOR

Chu Nin Wai, David
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st July, 2007

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Warrants reserve HK$'000	Share options reserve HK$'000	Capital reduction reserve HK$'000 (note 35)	Capital redemption reserve HK$'000	Convertible notes equity reserve HK$'000	Revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Balance at 1st August, 2005	52,544	51,866	157	—	—	170,583	268	92	—	(116,205)	159,305	1,126	160,431
Profit for the year and recognised income for the year	—	—	—	—	—	—	—	—	—	28,900	28,900	82	28,982
Issue of shares on rights issue (note 33a)	210,176	—	—	—	—	—	—	—	—	—	210,176	—	210,176
Conversion of convertible notes (note 33b)	2,211	1,009	—	—	—	—	—	(92)	—	—	3,128	—	3,128
Issue of shares on private placement (note 33d)	52,800	264	—	—	—	—	—	—	—	—	53,064	—	53,064
Issue of warrants (note 33e)	—	—	—	13,247	—	—	—	—	—	—	13,247	—	13,247
Exercise of warrants (note 33e)	20,986	5,247	—	(5,247)	—	—	—	—	—	—	20,986	—	20,986
Expenses incurred in connection with issue of shares	—	(5,806)	—	—	—	—	—	—	—	—	(5,806)	—	(5,806)
Recognition of equity-settled share-based payments (note 34)	—	—	—	—	5,961	—	—	—	—	—	5,961	—	5,961
Capital contribution from a minority shareholder	—	—	—	—	—	—	—	—	—	—	—	10	10
Balance at 31st July, 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 recognised income for the year	—	—	—	—	—	—	—	—	—	85,140	85,140	168	85,308
Capital reduction (note 33f)	(321,781)	321,781	—	—	—	—	—	—	—	—	—	—	—
Issue of shares on rights issue (note 33g)	84,680	135,487	—	—	—	—	—	—	—	—	220,167	—	220,167
Exercise of warrants (note 33h)	4,571	35,429	—	(8,000)	—	—	—	—	—	—	32,000	—	32,000
Exercise of share options (note 33i)	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 (note 34)	—	—	—	—	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

Consolidated Cash Flow Statement

For the year ended 31st July, 2007

	NOTE	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Profit (loss) before taxation			
— continuing operations		**110,464**	40,278
— discontinued operation		**(2,280)**	288
		108,184	40,566
Adjustments for:			
Share-based payment expense		**41,394**	5,961
Loss on disposal of subsidiaries		**2,099**	—
Impairment loss on goodwill		**780**	—
Depreciation		**565**	639
Finance costs		**498**	568
Release of prepaid lease payments		**227**	—
Interest income		**(8,407)**	(5,650)
(Increase) decrease in fair value of investment properties		**(3,260)**	19,768
Share of profit of associates		**(1,599)**	—
Operating cash flows before movements in working capital		**140,481**	61,852
Increase in trade and other receivables		**(5,738)**	(3,819)
Increase in investments held for trading		**(164,301)**	(77,772)
(Increase) decrease in derivative financial instruments		**(105)**	765
(Decrease) increase in trade and other payables		**(3,080)**	2,368
Cash used in operations		**(32,743)**	(16,606)
Hong Kong Profits Tax paid		**(42)**	(194)
NET CASH USED IN OPERATING ACTIVITIES		**(32,785)**	(16,800)
INVESTING ACTIVITIES			
Acquisition of associates		**(321,700)**	—
Increase in prepaid lease payments		**(8,400)**	—
Purchase of property, plant and equipment		**(3,719)**	(1,054)
Increase in pledged bank deposit		**(16)**	(614)
Purchase of available-for-sale investments		**—**	(116,250)
Advances to third parties		**—**	(55,000)
Decrease in certificate of deposit		**8,996**	—
Interest received		**8,407**	5,586
Repayment of promissory note receivables		**4,000**	6,000
Proceed from disposal of subsidiaries	37	**3,039**	—
Repayment of advances to third parties		**—**	55,000
NET CASH USED IN INVESTING ACTIVITIES		**(309,393)**	(106,332)

For the year ended 31st July, 2007

	2007 HK$'000	2006 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	**220,167**	263,240
Proceeds from exercise of warrants	**32,000**	20,986
Proceeds from exercise of share options	**10,853**	—
Proceeds from issue of warrants	**—**	13,247
Capital contribution from a minority shareholder	**—**	10
Expenses paid in connection with the issue of shares	**(5,280)**	(5,806)
Repayment of bank loans	**(834)**	(857)
Interest paid	**(498)**	(541)
NET CASH FROM FINANCING ACTIVITIES	**256,408**	290,279
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(85,770)**	167,147
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**237,234**	70,087
CASH AND CASH EQUIVALENTS CARRIED FORWARD	**151,464**	237,234
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**151,464**	237,318
Bank overdrafts	**—**	(84)
	151,464	237,234

1. GENERAL

The Company is a public listed limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is Unit 1901, 19/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 are set out in note 20.

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)")

In the current financial year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which have become effective for the Group's financial year beginning 1st August, 2006. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — INT10	Interim Financial Reporting and Impairments[3]
HK(IFRIC) — INT11	HKFRS 2 — Group and Treasury Share Transaction[4]
HK(IFRIC) — INT12	Service Concession Arrangement[5]
HK(IFRIC) — INT13	Customer Loyalty Programmes[6]
HK(IFRIC) — INT14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[5]

1 Effective for annual periods beginning on or after 1st January, 2007
2 Effective for annual periods beginning on or after 1st January, 2009
3 Effective for annual periods beginning on or after 1st November, 2006
4 Effective for annual periods beginning on or after 1st March, 2007
5 Effective for annual periods beginning on or after 1st January, 2008
6 Effective for annual periods beginning on or after 1st July, 2008

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, such revenue comprised proceeds from sale of investments held for trading and derivative financial instruments. In the current year, revenue of the Group included the net gain (rather than proceeds) from such investments and derivative financial instruments and dividend income. 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:

	2007 **HK$'000**	2006 HK$'000
Proceeds from sale of investments held for trading (previously included in revenue)	**749,508**	398,525
Proceeds from sale of derivative financial instruments (previously included in revenue)	**20,657**	4,383
Direct cost on investments held for trading sold (previously classified as direct cost)	**(703,656)**	(401,248)
Changes in fair value of investments held for trading (now included in net gain on investments held for trading)	**82,850**	66,739
Changes in fair value of derivative financial instruments (now included in net gain on derivative financial instruments)	**105**	(765)
Dividend income from investments held for trading (previously included in other income, now included in revenue)	**4,669**	4,822
	154,133	72,456

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 and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

Goodwill

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st 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 balance sheet.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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 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 profit or loss and of changes in equity of the associate, 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 income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment 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 income statement in the year in which the item is derecognised.

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.

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 income statement in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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, 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. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

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 deposit and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss and loans and receivables or held to maturities investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment loss on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse through profit or loss in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets (Continued)

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. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset 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 losses will not reverse in subsequent periods.

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. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities (including trade and other payables and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Convertible notes

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Convertible notes (Continued)

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

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

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.

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.

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 is recognised in profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments *(Continued)*

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are classified as financial assets or financial liabilities at fair value through 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment

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.

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 income or expense that are taxable or deductible in other years, and it further excludes income statement 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 its 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

Share options granted to employees

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 or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held on 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 service 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, 2007, a deferred tax asset of HK$2,295,000 in relation to unused tax losses has been recognised in the Group's balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future 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.

6. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, derivative financial instruments, investments held for trading, trade and other receivables, trade and other payables, bank borrowings, pledged bank deposit and bank balances. Details of these financial instruments are disclosed in the respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain derivative financial instruments of the Group are denominated in foreign currencies such as Japanese yen and United States dollar. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at 31st July, 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, management of the Group 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 receivable at each balance sheet date to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS *(Continued)*

a. Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The credit risk on liquid fund is limited because the counterparties are banks with good reputation.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Cash flow interest rate risk

The Group's cash flows interest rate risk relates primarily to variable-rate bank borrowings (see note 31 for details of these borrowings). It's the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Price risk

The Group is exposed to equity security price risk through its investment in derivative financial instruments and investments held for trading. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

b. 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

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

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

7. REVENUE

An analysis of the Group's revenue for the year, for both continuing and discontinued operations is as follows:

	2007	2006
	HK$'000	HK$'000
		(restated)
Continuing operations		
Property rental	**567**	411
Net gain on investments held for trading	**128,702**	64,016
Net gain on derivative financial instruments	**20,762**	3,618
Dividend income	**4,669**	4,822
	154,700	72,867
Discontinued operation		
Estate agency income	**4,879**	5,533
	159,579	78,400

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is organised into four operating divisions — property rental, financial investment, property sale and estate agency. 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 sale — sale of properties held for sale
Estate agency — provision of estate agency services

During the year ended 31st July, 2007, the Group disposed of its two subsidiaries, Consecutive Profits Limited ("Consecutive Profits") and Century 21 Hong Kong Limited ("Century 21") which are engaged in estate agency service operations as set out in note 11.

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment information about these businesses is presented below:

	Continuing operations					Discontinued operation	
	Property rental	Financial investment	Property 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, 2007							
REVENUE							
External sales	567	150,533	—	3,600	154,700	4,879	159,579
SEGMENT RESULT	2,769	149,596	—	—	152,365	599	152,964
Unallocated corporate income							10,905
Unallocated corporate expenses							(53,907)
Share of (loss) profit 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)
Profit before taxation							108,184
Taxation							(22,876)
Profit for the year							85,308

For the year ended 31st July, 2007

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Property rental HK$'000	Financial investment HK$'000	Property 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	Property sale HK$'000	Unallocated HK$'000	Sub-total HK$'000	Estate agency HK$'000	Consolidated HK$'000
OTHER INFORMATION							
For the year ended 31st July, 2007							
Capital additions	—	—	—	12,114	12,114	5	12,119
Depreciation	—	—	—	148	148	417	565
Release of prepaid lease payments	—	—	—	227	227	—	227
Impairment loss on goodwill	—	—	—	—	—	780	780

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Continuing operations					Discontinued operation	
	Property rental	Financial investment	Property sale	Unallocated	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, 2006							
REVENUE							
External sales	411	72,456	—	—	72,867	5,533	78,400
SEGMENT RESULT	(21,448)	72,593	—	—	51,145	288	51,433
Unallocated corporate income							1,135
Unallocated corporate expenses							(11,434)
Finance costs							(568)
Profit before taxation							40,566
Taxation							(11,584)
Profit for the year							28,982

	Property rental	Financial investment	Property sale	Estate agency	Unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
BALANCE SHEET						
At 31st July, 2006						
ASSETS						
Segment assets	34,731	118,043	206	10,678	—	163,658
Unallocated corporate assets					358,989	358,989
Consolidated total assets						522,647
LIABILITIES						
Segment liabilities	9,430	1,223	—	3,162	—	13,815
Unallocated corporate liabilities					18,653	18,653
Consolidated total liabilities						32,468

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Continuing operations					Discontinued operation	
	Property rental	Financial investment	Property sale	Unallocated	Sub-total	Estate agency	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
OTHER INFORMATION							
For the year ended 31st July, 2006							
Capital additions	—	—	—	18	18	1,036	1,054
Depreciation	—	—	—	103	103	536	639

Geographical segments

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

Segment information about these geographic markets is presented below:

	Revenue by geographical market	
	2007	2006
	HK$'000	HK$'000
Hong Kong	**155,979**	78,400
Macau	**3,600**	—
	159,579	78,400

For the year ended 31st July, 2007

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments *(Continued)*

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	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**312,999**	163,658	**12,119**	1,054
Macau	**392,499**	—	**—**	—
	705,498	163,658	**12,119**	1,054

9. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on:						
Borrowings wholly repayable within five years:						
Bank borrowings	**49**	36	**—**	—	**49**	36
Convertible notes	**—**	44	**—**	—	**—**	44
	49	80	**—**	—	**49**	80
Borrowings not wholly repayable within five years:						
Bank borrowings	**449**	488	**—**	—	**449**	488
	498	568	**—**	—	**498**	568

10. TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The charge comprises:						
Current tax	**22,770**	11,539	**173**	88	**22,943**	11,627
Deferred tax (note 36)	**—**	—	**(67)**	(43)	**(67)**	(43)
	22,770	11,539	**106**	45	**22,876**	11,584

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

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

	2007	2006
	HK$'000	HK$'000
Profit (loss) before taxation		
Continuing operations	**110,464**	40,278
Discontinued operation	**(2,280)**	288
	108,184	40,566
Tax at the Hong Kong Profits Tax rate of 17.5%	**18,932**	7,099
Tax effect of share of profit of associates	**(280)**	—
Tax effect of expenses not deductible for tax purpose	**8,705**	4,888
Tax effect of income not taxable for tax purpose	**(2,818)**	(1,658)
Tax effect of tax losses not recognised	**187**	1,348
Utilisation of tax losses previously not recognised	**(1,850)**	(93)
Taxation for the year	**22,876**	11,584

For the year ended 31st July, 2007

11. DISCONTINUED OPERATION

On 31st July, 2007, the Group entered into an agreement to dispose of two subsidiaries, Consecutive Profits and Century 21 which are 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 and Century 21 was passed to the acquirer.

The profit for the year from the discontinued operation is analysed as follows:

	2007 HK$'000	2006 HK$'000
Profit of estate agency services for the year	493	243
Impairment loss on goodwill (see note 19)	(780)	—
Loss on disposal of estate agency services operation (see note 37)	(2,099)	—
	(2,386)	243
(Loss) profit for the year attributable to the equity holders of the Company	(2,554)	161
Minority interests	168	82
	(2,386)	243

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

	2007 HK$'000	2006 HK$'000
Revenue	4,879	5,533
Cost of sales	(2,270)	(2,799)
Other income	290	514
Administrative expenses	(2,300)	(2,960)
Profit before taxation	599	288
Taxation	(106)	(45)
Profit for the year	493	243

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

For the year ended 31st July, 2007

11. DISCONTINUED OPERATION *(Continued)*

During the year, Consecutive Profits and Century 21 contributed HK$598,000 (2006: HK$150,000) to the Group's net operating cash flows, paid HK$2,980,000 (2006: HK$4,204,000) in respect of investing activities and paid HK$3,920,000 (2006: HK$11,760,000) in respect of financing activities.

The carrying amounts of the assets and liabilities of Consecutive Profits and Century 21 at the date of disposal are disclosed in note 37.

12. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit for the year has been arrived at after charging (crediting):						
Directors' remuneration (note 13)	**11,785**	9,673	**—**	—	**11,785**	9,673
Other staff costs, excluding directors						
Salaries and other benefits	**1,262**	917	**2,200**	2,534	**3,462**	3,451
Retirement benefit scheme contributions	**36**	29	**97**	114	**133**	143
Share-based payment expense	**33,321**	—	**—**	—	**33,321**	—
Total employee benefit expenses	**46,404**	10,619	**2,297**	2,648	**48,701**	13,267
Auditors' remuneration						
Current year	**1,039**	803	**28**	22	**1,067**	825
Underprovision in prior years	**310**	164	**—**	—	**310**	164
Depreciation	**148**	103	**417**	536	**565**	639
Release of prepaid lease payments	**227**	—	**—**	—	**227**	—
Share of tax of associates (included in share of profits of associates)	**466**	—	**—**	—	**466**	—
Bank and other interest income	**(8,407)**	(5,650)	**—**	—	**(8,407)**	(5,650)

For the year ended 31st July, 2007

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the six (2006: six) directors are as follows:

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

2006

	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	1,987	1,987	1,987	—	—	—	5,961
	5,249	1,987	1,987	150	150	150	9,673

During the years ended 31st July, 2007 and 2006, no directors waived any emoluments.

14. EMPLOYEES' EMOLUMENTS

Of the five highest paid individuals in the Group, three (2006: three) were directors of the Company whose emoluments was included in note 13 above. The emoluments of the remaining two (2006: two) employees were as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	**725**	1,018
Retirement benefit scheme contributions	**15**	24
share-based payment expense	**9,779**	—
	10,519	1,042

Their emoluments were within the following bands:

	2007 No. of employees	2006 No. of employees
Nil to HK$1,000,000	**—**	2
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 (2006: Nil).

15. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2007 **HK$'000**	2006 HK$'000
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to equity holders of the Company	**85,140**	28,900
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**—**	44
Earnings for the purpose of diluted earnings per share	**85,140**	28,944

	2007	2006
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**8,154,358,748**	3,448,593,919
Effect of dilutive potential ordinary shares:		
— convertible notes	**—**	8,829,697
— share options	**35,115,778**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,189,474,526**	3,457,423,616

The weighted average number of ordinary shares for both years for the purpose of calculating the basic and diluted earnings per share have been adjusted to reflect the effects of the share sub-division and bonus element of the rights issue as set out in notes 33(c) and 33(g) respectively. The computation of diluted earnings per share does not assume the conversion of certain share options and warrants since their exercise would result in an increase in earnings per share from continuing operations.

15. EARNINGS PER SHARE *(Continued)*

From continuing operations

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

	2007	2006
	HK$'000	HK$'000
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to equity holders of the Company	**85,140**	28,900
Less: Loss (profit) for the year attributable to equity holders of the Company from discontinued operation	**2,554**	(161)
Earnings for the purpose of basic earnings per share from continuing operations	**87,694**	28,739
Interest on convertible notes	**—**	44
Earnings for the purpose of diluted earnings per share from continuing operations	**87,694**	28,783

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

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

	2007	2006
From discontinued operations		
— Basic (loss) earnings per share	**(0.031) HK cents**	0.005 HK cents
— Diluted (loss) earnings per share	**(0.031) HK cents**	0.005 HK cents

16. INVESTMENT PROPERTIES

	HK$'000
AT FAIR VALUE	
At 1st August, 2005	54,336
Decrease in fair value	(19,768)
At 31st July, 2006	34,568
Increase in fair value	3,260
At 31st July, 2007	37,828

The carrying value of investment properties shown above comprises:

	2007 HK$'000	2006 HK$'000
Investment properties in Hong Kong:		
Long lease	**2,520**	1,800
Medium-term lease	**28,710**	25,470
Investment properties outside Hong Kong:		
Freehold land	**6,598**	7,298
	37,828	34,568

All of the Group's property interests in land 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, 2007 have been arrived at on the basis of valuation carried out on that date by Norton Appraisals Limited and Network Real Estate Appraisal Inc., independent qualified professional valuers not connected with the Group. Norton Appraisals Limited and Network Real Estate Appraisal Inc. have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties/Japanese Real Estate Appraisal, was arrived at by reference to market evidence of transaction prices for similar properties.

17. 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, 2005	—	140	462	—	602
Additions	—	808	246	—	1,054
At 31st July, 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
DEPRECIATION					
At 1st August, 2005	—	11	192	—	203
Provided for the year	—	418	221	—	639
At 31st July, 2006	—	429	413	—	842
Provided for the year	43	325	197	—	565
Elimination of disposal of subsidiaries	—	(681)	(467)	—	(1,148)
At 31st July, 2007	43	73	143	—	259
CARRYING VALUES					
At 31st July, 2007	1,557	—	80	2,094	3,731
At 31st July, 2006	—	519	295	—	814

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

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

For the year ended 31st July, 2007

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2007 HK$'000	2006 HK$'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	—

19. GOODWILL

	THE GROUP HK$'000
COST	
At 1st August, 2005	4,532
Elimination of accumulated amortisation upon the application of HKFRS 3	(339)
At 31st July, 2006	4,193
Disposal of subsidiaries	(4,193)
At 31st July, 2007	—
AMORTISATION AND IMPAIRMENT	
At 1st August, 2005	339
Elimination of accumulated amortisation upon the application of HKFRS 3	(339)
At 31st July, 2006	—
Impairment loss recognised	780
Eliminated on disposal of subsidiaries	(780)
At 31st July, 2007	—
CARRYING VALUES	
At 31st July, 2007	—
At 31st July, 2006	4,193

19. GOODWILL *(Continued)*

As explained in note 8, 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, the management had recognised an impairment loss of HK$780,000 on goodwill. The basis of the recoverable amount of the above CGU and its major underlying assumptions are summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering a ten-year period from the balance sheet date and discount rate of 6%. The cash flows beyond the 5-year period are extrapolated using a zero growth rate. The growth rate is based on the relevant industry growth forecast. A key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the unit's past performance and the management's expectations for the market development. According to that calculation, the discounted recoverable amount is higher than the carrying amount of the CGU, including the related goodwill and net asset value. The Group had recognised an impairment loss of HK$780,000 (2006: Nil) for the year ended 31st July, 2007.

During the year ended 31st July, 2007, the CGU was disposed of as set out in note 37.

20. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2007	2006
	HK$'000	HK$'000
Investments in subsidiaries:		
Unlisted shares, at cost, less impairment losses recognised	**400**	10
Amounts due from subsidiaries	**630,136**	268,688

The amounts due from subsidiaries are unsecured, bear interest at prevailing market rates and have no fixed terms of repayment.

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

Details of the Company's principal subsidiaries at 31st July, 2007 are as follows:

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
Chadbury International Limited	British Virgin Islands/ Japan	US$1	—	100	Property investment
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

20. 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.

21. INTERESTS IN ASSOCIATES

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Cost of unlisted investments in associates	**390,900**	—
Share of post-acquisition profits	**1,599**	—
	392,499	—

At 31st July, 2007, 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
Sun Fat Investment and Industry Limited ("Sun Fat")	Macau	49%	Property development

During the year ended 31st July, 2007, the Group acquired 22.5% additional equity interests in Tin Fok at a consideration of HK$160,000,000. At 31st July, 2006, the Group held 10% equity interest in Tin Fok which was then classified as available-for-sale investment. After completion of the acquisition of 22.5% interests of Tin Fok, Tin Fok has become an associate of the Group. Included in the cost of investments in associates is goodwill of HK$2,362,000 arising on acquisition of Tin Fok.

21. INTERESTS IN ASSOCIATES *(Continued)*

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

	2007 HK$'000	2006 HK$'000
Total assets	1,371,516	—
Total liabilities	(338,573)	—
Net assets	1,032,943	—
Group's share of net assets of associates	392,499	—
Revenue	38,625	—
Profit for the year	4,979	—
Group's share of profits of associates	1,599	—

22. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2007 HK$'000	2006 HK$'000
Unlisted equity securities, at cost	56,250	116,250

The above investments represent investments in unlisted equity securities issued by private entities incorporated in Macau. They are measured at cost less impairment at the balance sheet date because the range of reasonable fair values estimates is so significant that the directors of the Group are of the opinion that their fair values cannot be measured reliably.

Included in unlisted equity securities as at 31st July, 2006 was 10% equity interest in Tin Fok, amounting to HK$60,000,000. During the year ended 31st July, 2007, the Group acquired 22.5% additional equity interests in Tin Fok as set out in note 21. After completion of the acquisition of 22.5% additional interests in Tin Fok, Tin Fok has become an associate of the Group.

23. PROPERTIES HELD FOR SALE

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Properties in Hong Kong	**206**	206	**206**	206

24. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP			
	2007		2006	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Futures	**—**	**775**	283	1,163

Futures:

The Group entered into futures trading during the year and the major terms of the outstanding futures 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
At 31st July, 2006		
Japanese Yen futures	Yen 375 million	September 2006
H-Share index futures	HK$69 million	August 2006

The above derivatives are measured at fair value at the balance sheet date. Their fair values are determined based on the quoted market price for equivalent instruments at the balance sheet date.

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25. TRADE AND OTHER RECEIVABLES

At 31st July, 2007, the balance of trade and other receivables of the Group included trade receivables of HK$41,000 (2006: HK$2,824,000). An aged analysis of trade receivables is as follows:

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
0 to 60 days	**31**	662
61 to 90 days	**—**	208
91 days or above	**10**	1,954
	41	2,824

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

26. INVESTMENTS HELD FOR TRADING

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

27. CERTIFICATE OF DEPOSIT

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Fixed-rate certificate of deposit	**—**	8,996

The certificate of deposit was unsecured, bore interest at 2.33% per annum and was fully matured during the year ended 31st July, 2007.

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28. PROMISSORY NOTE RECEIVABLES

	THE GROUP AND THE COMPANY 2007 HK$'000	2006 HK$'000
Principal	**—**	4,000

The unquoted promissory note receivables were unsecured, bore interest at 5% per annum and were fully repaid during the year ended 31st July, 2007.

29. PLEDGED BANK DEPOSIT/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 rates ranging from 2.65% to 4.33% (2006: 1.75% to 2.85%) per annum. The pledged bank deposit will be released upon the expiry of relevant banking facilities.

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 1.75% to 2.50% (2006: 1.25% to 4.33%) per annum and 1.75% to 2.50% (2006: 1.85% to 4.33%) per annum, respectively.

30. TRADE AND OTHER PAYABLES

At 31st July, 2007, the balance of trade and other payables of the Group included trade payables of HK$1,305,000 (2006: HK$618,000). An aged analysis of trade payables is as follows:

	THE GROUP 2007 HK$'000	2006 HK$'000
0 to 60 days	**1,159**	246
61 to 90 days	**—**	92
91 days or above	**146**	280
	1,305	618

31. BANK BORROWINGS

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Unsecured bank loan	**—**	25
Secured bank loan	**5,976**	6,798
	5,976	6,823
Bank borrowings are repayable as follows:		
Within one year or upon demand	**1,039**	903
More than one year but not exceeding two years	**1,028**	970
More than two years but not exceeding three years	**1,103**	1,031
More than three years but not exceeding four years	**1,185**	1,107
More than four years but not exceeding five years	**1,272**	1,189
More than five years	**349**	1,623
	5,976	6,823
Less: Current portion shown under current liabilities	**(1,039)**	(903)
	4,937	5,920

The secured bank loan carries interest at Hong Kong Prime Rate less 1% for both years. It is secured by investment properties held by the Group with carrying value at 31st July, 2007 of HK$27,800,000 (2006: HK$24,700,000).

32. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, bear interest at prevailing market rates and have no fixed terms of repayment.

For the year ended 31st July, 2007

33. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Ordinary shares		
Authorised:		
At 1st August, 2005 at HK$0.01 each	12,250,000,000	122,500
Capital reorganisation		
— Share consolidation (note a (i))	(12,127,500,000)	—
— Increase during the year (note a (ii))	1,877,500,000	1,877,500
	2,000,000,000	2,000,000
— Share subdivision (note c)	8,000,000,000	—
At 31st July, 2006, at HK$0.20 each	10,000,000,000	2,000,000
Capital reduction (note f)	—	(1,900,000)
Increase during the year (note g)	190,000,000,000	1,900,000
At 31st July, 2007, at HK$0.01 each	200,000,000,000	2,000,000
Issued and fully paid:		
At 1st August, 2005, at HK$0.01 each	5,254,398,668	52,544
Capital reorganisation		
— Share consolidation (note a (i))	(5,201,854,682)	—
— Issue of shares on rights issue (note a)	210,175,944	210,176
Conversion of convertible notes (note b)	2,211,538	2,211
Capital reorganisation		
— Share subdivision (note c)	1,059,725,872	—
Issue of shares on private placement on 30th June, 2006 (note d)	264,000,000	52,800
Exercise of warrants (note e)	104,930,000	20,986
At 31st July, 2006, at HK$0.20 each	1,693,587,340	338,717
Capital reduction (note f)	—	(321,781)
Issue of shares on rights issue (note g)	8,467,936,700	84,680
Exercise of warrants (note h)	457,142,856	4,571
Exercise of share options (note i)	141,100,000	1,411
At 31st July, 2007, at HK$0.01 each	10,759,766,896	107,598

33. SHARE CAPITAL *(Continued)*

Notes:

(a) Pursuant to a circular dated 12th September, 2005, a prospectus dated 30th September, 2005 and resolutions passed on 29th September, 2005, a capital reorganisation (the "Capital Reorganisation") was approved with effect from 29th September, 2005, which involved:

(i) every 100 issued and unissued shares of HK$0.01 each in the share capital of the Company were consolidated into one new ordinary share of HK$1.00 each (the "Consolidated Share(s)") in the share capital of the Company (the "Share Consolidation"). As at 9th September, 2005, the authorised share capital of the Company was HK$122,500,000 comprising 12,250,000,000 shares of HK$0.01 each, of which HK$52,544,000 comprising 5,254,398,668 shares were issued and fully paid. On this basis, immediately after the Share Consolidation, the authorised share capital of the Company comprised 52,543,986 issued Consolidated Shares and 69,956,014 unissued Consolidated Shares of HK$1.00 each; and

(ii) immediately after the Share Consolidation, the authorised share capital of the Company was increased to HK$2,000,000,000 divided into 2,000,000,000 Consolidated Shares of HK1.00 each, in which 1,877,500,000 shares were created.

In addition, the Company issued 210,175,944 shares at a subscription price of HK$1.00 each in the capital of the Company, by way of rights issue, in the proportion of four rights shares per one existing share to the shareholders ("Rights Shares") whose names appeared on the Company's register at the close of business on 21st September, 2005. The transaction was completed on 20th October, 2005. The net proceeds of approximately HK$206 million was used as to approximately HK$200 million for investments in the property sector in general, both in Hong Kong and Macau, in order to expand the property portfolio; and as to the balance of approximately HK$6 million as general working capital of the Company. The Rights Shares, credited as fully paid, rank pari pass in all respects with the then existing issued shares. As a result of the rights issue, the total number of shares in issue was 262,719,930.

(b) In November 2005, the 2% redeemable convertible notes due 2006 with principal amount of HK$3,220,000 were converted into 2,211,538 ordinary shares of HK$1.00 each of the Company at a conversion price of HK$1.456 per share. The new shares rank pari passu with the then existing shares in all respects.

For the year ended 31st July, 2007

33. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

(c) Pursuant to an announcement dated 9th November, 2005 and an ordinary resolution passed on 20th December, 2005, a share subdivision was approved with effect from 21st December, 2005 in which each of the existing issued and unissued shares of HK$1.00 each in the share capital of the Company would be subdivided into five shares of HK$0.20 each (the "Subdivided Shares") (the "Share Subdivision"). As at 25th November, 2005, the authorised share capital of the Company was HK$2,000,000,000 divided into 2,000,000,000 Consolidated Shares, of which 264,931,468 Consolidated Shares were issued and fully paid. On this basis, immediately after the Share Subdivision, the authorised share capital of the Company comprised 1,324,657,340 issued Subdivided Shares and 8,675,342,660 unissued Subdivided Shares of HK$0.20 each.

(d) On 30th June, 2006, arrangement was made for private placement to independent investors of 264,000,000 new shares of the Company of HK$0.20 each at placing price of HK$0.201 per share, representing a discount of approximately 1.95% to the closing market price of HK$0.205 per share on 30th June, 2006. The net proceeds of approximately HK$51,855,000 will be used as additional general working capital and funding to finance the acquisition of properties, property development or other potential investment as and when opportunities arise. The 264,000,000 new shares were issued under the general mandate granted to the directors at the extraordinary general meeting of the Company held on 16th June, 2006. The new shares ranked pari passu with other shares in issue in all respects.

(e) On 19th May, 2006, the Company issued 264,930,000 warrants at a price of HK$0.05 per warrant. The exercise price of the warrants is HK$0.20 per share (subject to adjustment), and the warrants can be exercised by warrant holders on or before 18th May, 2007. Total consideration received from the issue of warrants amounted to HK$13,247,000 which has been credited to reserves.

On 19th July, 2006, 104,930,000 warrants issued on 19th May, 2006 were exercised, resulting in the issuance of 104,930,000 ordinary shares of HK$0.20 each of the Company at a subscription price of HK$0.20 per share. The new shares rank pari passu with the then existing shares in all respects.

At 31st July, 2006, the Company had outstanding 160,000,000 warrants to be exercised at any time on or before 18th May, 2007. Exercise in full of such warrants would result in the issue of approximately 160,000,000 additional ordinary shares of HK$0.20 each.

(f) 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, 2006, 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.

For the year ended 31st July, 2007

33. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

(g) Pursuant to a circular dated 16th February, 2007, a prospectus dated 13th March, 2007 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.

(h) In April and May 2007, the remaining warrants issued on 19th May, 2006 as set out in note (e) above 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 (g) above. The new shares rank pari passu in all respect with the then existing issued shares.

(i) 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.

34. 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.

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

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, 2007, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 792,878,531 (2006: 144,167,286, after adjusting for the effects of Share Consolidation, Share Subdivision and the rights issue as set out in note 33), representing 7.37% of the shares of the Company in issue at that date. Total consideration of HK$10 (2006: HK$3) was received by the Company during the year ended 31st July, 2007 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 1.8.2006	Granted during the year	Exercised 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
13.9.2006	13.9.2006 — 29.12.2012	0.048*	—	52,086,245*	(10,000,000)	42,086,245
15.6.2007	15.6.2007 — 14.6.2010	0.167	—	307,345,000	(15,000,000)	292,345,000
31.7.2007	31.7.2007 — 30.7.2010	0.255	—	430,380,000	—	430,380,000
			144,167,286	789,811,245	(141,100,000)	792,878,531

Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.8.2005	Granted during the year	Cancelled during the year	Outstanding at 31.7.2006
20.11.2003	20.11.2003 — 29.12.2012	0.151*	6,448,832*	—	(6,448,832)	—
17.3.2004	17.3.2004 — 29.12.2012	0.155*	12,804,652*	—	(12,804,652)	—
17.7.2006	17.7.2006 — 29.12.2012	0.068*	—	144,167,286*	—	144,167,286
			19,253,484	144,167,286	(19,253,484)	144,167,286

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

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 1.8.2006	Granted during the year	Exercised 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

Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.8.2005	Granted during the year	Cancelled during the year	Outstanding at 31.7.2006
20.11.2003	20.11.2003 — 29.12.2012	0.151*	3,224,416*	—	(3,224,416)	—
17.3.2004	17.3.2004 — 29.12.2012	0.155*	9,471,722*	—	(9,471,722)	—
17.7.2006	17.7.2006 — 29.12.2012	0.068*	—	144,167,286*	—	144,167,286
			12,696,138	144,167,286	(12,696,138)	144,167,286

* Exercise prices for the share options granted on 20th November, 2003, 17th March, 2004, 17th July, 2006 and 13th September, 2006 have been adjusted from HK$0.468, HK$0.48, HK$0.21 and HK$0.150 to HK$0.151, HK$0.155, 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.

34. 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. During the year ended 31st July, 2006, options were granted on 17th July, 2006. The estimated fair value of the options granted on this date is HK$5,961,000. These fair values were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	17th July, 2006	13th September, 2006	15th June, 2007	31st July, 2007
Weighed average share price	HK$0.198	HK$0.120	HK$0.160	HK$0.250
Exercise price	HK$0.210	HK$0.150	HK$0.167	HK$0.255
Expected volatility	100.00%	100.00%	79.2%	78.6%
Expected life	3.23 years	1.5 years	1.22 years	1.22 years
Risk-free rate	4.6%	4.5%	4.5%	4.2%
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 to be performed by other eligible participants, including consultants, are 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 the total expenses of HK$41,394,000 (2006: HK$5,961,000) for the year in relation to the share options granted by the Company in which approximately HK$33,321,000 (2006: Nil) was related to options granted to the Group's employees and consultants and shown as staff costs as set out in note 12, and the remaining balance of approximately HK$8,073,000 (2006: HK$5,961,000) was related to options granted to directors which have been included in directors' emoluments as set out in note 13.

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35. SHARE PREMIUM AND RESERVES

	Share premium HK$'000	Capital reserve HK$'000	Warrants reserve HK$'000	Share options reserve HK$'000	Capital reduction reserve HK$'000	Capital redemption reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY									
At 1st August, 2005	51,866	2,127	—	—	170,583	268	92	(132,349)	92,587
Loss for the year and recognised expenses for the year	—	—	—	—	—	—	—	(6,388)	(6,388)
Conversion of convertible notes (note 33b)	1,009	—	—	—	—	—	(92)	—	917
Issue of shares on private placement (note 33d)	264	—	—	—	—	—	—	—	264
Issue of warrants (note 33e)	—	—	13,247	—	—	—	—	—	13,247
Exercise of warrants (note 33e)	5,247	—	(5,247)	—	—	—	—	—	—
Expenses incurred in connection with issue of shares	(5,806)	—	—	—	—	—	—	—	(5,806)
Recognition of equity-settled share-based payments (note 34)	—	—	—	5,961	—	—	—	—	5,961
At 31st July, 2006	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 33f)	321,781	—	—	—	—	—	—	—	321,781
Issue of shares on rights issue (note 33g)	135,487	—	—	—	—	—	—	—	135,487
Exercise of warrants (note 33h)	35,429	—	(8,000)	—	—	—	—	—	27,429
Exercise of share options (note 33i)	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 (note 34)	—	—	—	41,394	—	—	—	—	41,394
At 31st July, 2007	555,251	2,127	—	41,543	170,583	268	—	(168,374)	601,398

35. SHARE PREMIUM AND RESERVES *(Continued)*

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.

36. 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, 2005	1,350	(1,356)	(6)
Charge (credit) to income statement	117	(160)	(43)
At 31st July, 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)	—
THE COMPANY			
At 1st August, 2005	56	(56)	—
(Credit) charge to income statement	(56)	56	—
At 31st July, 2006 and 31st July, 2007	—	—	—

36. DEFERRED TAXATION *(Continued)*

At 31st July, 2007, the Group and the Company had unused tax losses of HK$60,645,000 (2006: HK$65,424,000) and HK$13,307,000 (2006: HK$19,857,000), respectively, available to offset against future profits and deductible temporary differences of HK$1,926,000 (2006: HK$285,000) and HK$9,000 (2006: HK$11,000), respectively, in respect of depreciation. A deferred tax asset of the Group has been recognised in respect of HK$13,114,000 (2006: HK$8,663,000) of such tax losses. At 31st July, 2006, a deferred tax asset of the Company had been recognised in respect of HK$324,000 of such losses. No deferred tax assets of the Group and the Company have been recognised in respect of the remaining unused tax losses of HK$47,531,000 (2006: HK$56,761,000) and HK$13,298,000 (2006: HK$19,857,000), respectively, and the deductible temporary differences due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

37. DISPOSAL OF SUBSIDIARIES

As explained in note 11, on 31st July, 2007, the Group discontinued its estate agency operation at the time of disposal of its subsidiaries, Consecutive Profits and Century 21. The net assets of Consecutive Profits and Century 21 at the date of disposal were as follows:

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

38. PLEDGE OF ASSETS

At 31st July, 2007, investment properties of HK$27,800,000 (2006: HK$24,700,000) and bank deposit of HK$630,000 (2006: HK$614,000) of the Group had been pledged to banks to secure credit facilities to the extent of HK$10,600,000 (2006: HK$10,600,000) granted to the Group, of which HK$5,976,000 (2006: HK$6,798,000) was utilised by the Group.

39. 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.

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 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, 2007, contributions of the Group under the MPF Scheme amounted to HK$48,000 (2006: HK$155,000).

40. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases for premises during the year was HK$1,358,000 (2006: HK$801,000).

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	
	2007	2006
	HK$'000	HK$'000
Within one year	**1,580**	1,101
In the second to fifth year inclusive	**522**	—
	2,102	1,101

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$254,000 (2006: HK$104,000), net of outgoings of HK$313,000 (2006: HK$307,000). Certain of the Group's properties are held for rental purposes and are expected to generate rental yields of 2% (2006: 2%), 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	
	2007	2006
	HK$'000	HK$'000
Within one year	**164**	307
In the second to fifth year inclusive	**—**	98
	164	405

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

For the year ended 31st July, 2007

41. CONTINGENT LIABILITIES

At 31st July, 2007, the Company has outstanding guarantees issued in favour of a bank in respect of banking facilities made available to a subsidiary which were utilised amounting to HK$5,903,000 (2006: HK$6,906,000).

42. RELATED PARTY DISCLOSURES

Compensation of key management personnel

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

	2007	2006
	HK$'000	HK$'000
Short-term benefits	**3,712**	3,712
Share-based payments	**8,073**	5,961
	11,785	9,673

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

43. POST BALANCE SHEET EVENT

In November 2007, the Group acquired a 50% additional interests in Sun Fat through a wholly owned subsidiary, Silver Pro Limited, for a consideration of HK$158,300,000. The consideration was satisfied by cash totalling HK$79,490,000 and by the issue of 555,000,000 new shares of HK$0.01 each in the capital of the Company to the vendor at an issue price of HK$0.142 each. Upon the completion of the acquisition in November 2007, the Group has an effective interest of 99% in the quoted capital of Sun Fat and Sun Fat has become an indirect non-wholly owned subsidiary of the Company. The principal asset of Sun Fat is its 100% ownership in a piece of land in Coloane, Macau.

RESULTS

	Year ended 31st July,				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
Revenue	**154,700**	72,867	25,713	22,622	41,273
Profit (loss) before taxation	**110,464**	40,278	6,849	(2,859)	(46,008)
Taxation	**(22,770)**	(11,539)	(210)	(2)	(24)
	87,694	28,739	6,639	(2,861)	(46,032)
Discontinued operation					
(Loss) profit for the year from discontinued operation	**(2,386)**	243	—	—	—
Profit (loss) for the year	**85,308**	28,982	6,639	(2,861)	(46,032)
Attributable to:					
Equity holders of the Company	**85,140**	28,900	6,398	(2,840)	(43,954)
Minority interests	**168**	82	241	(21)	(2,078)
	85,308	28,982	6,639	(2,861)	(46,032)

ASSETS AND LIABILITIES

	At 31st July,				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**929,895**	522,647	182,993	120,842	101,168
Total liabilities	**(47,460)**	(32,468)	(22,562)	(19,482)	(20,684)
	882,435	490,179	160,431	101,360	80,484
Equity attributable to equity holders of the Company	**882,435**	488,961	159,305	100,475	79,883
Minority interests	**—**	1,218	1,126	885	601
	882,435	490,179	160,431	101,360	80,484

Note: The above financial summary prior to 2004 has not been adjusted to take into account the effect on the adoption of the new Hong Kong Financial Reporting Standard and Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants since 2004.

Major Properties

Particulars of major properties held by the Group at 31st July, 2007 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, 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
9293 ban 1, 9294 ban 1 & 3 Aza Gogami, Hiyoshi-cho Mizunami-shi Japan	Vacant land	Freehold land
9459 ban 5, 9460 ban 1, 12 - 17 Aza Yubira, Hiyoshi-cho Mizunami-shi Japan	Vacant land	Freehold land
9380 ban 2 Aza Nishigahora, Hiyoshi-cho Mizunami-shi Japan	Vacant land	Freehold land

(b) Properties held for sale:

Location	Use	Stage of completion	Expected date of completion	Site/Floor Area (approx.) sq. ft.	Group interest
DD248, Tseung Kwan O Sai Kung, New Territories	Vacant land	Not applicable	Not applicable	6,500	100%