CAPITAL ESTATE LIMITED
冠 中 地 產 有 限 公 司

(Incorporated in Hong Kong with limited liability)

Stock Code: 193

annual report 2009

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Sio Tak Hong *(Chairman)*
Chu Nin Yiu, Stephen *(Chief Executive Officer)*
Chu Nin Wai, David *(Deputy Chairman)*
Lau Chi Kan, Michael

Independent Non-Executive Directors

Li Sze Kuen, Billy
Wong Kwong Fat
Leung Kam Fai

COMPANY SECRETARY

Hung Yat Ming

AUTHORISED REPRESENTATIVES

Chu Nin Yiu, Stephen
Hung Yat Ming

AUDIT COMMITTEE

Li Sze Kuen, Billy
Wong Kwong Fat
Leung Kam Fai

REMUNERATION COMMITTEE

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

LEGAL ADVISER

Richards Butler

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

STOCK CODE

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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, 2009.

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK$137.9 million for the year ended 31st July, 2009 (2008: HK$1,381.4 million), which comprised gross proceeds from sales of securities of HK$89.7 million (2008: HK$1,380.5 million) and income from hotel operations and other business segments totalling HK$48.2 million (2008: HK$0.9 million).

Net loss after tax attributable to equity holder of the Company for the year ended 31st July, 2009 was HK$227.2 million, as compared to HK$201.5 million for last year. The loss mainly comprised the impairment loss on properties for development and goodwill arising from acquisition of a subsidiary amounting to HK$54.0 million and HK$71.1 million respectively. Such impairment losses were recognised by the Group on a prudent basis as a result of the recent downturn in the global economy and the uncertainties surrounding the financial and property markets.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2009.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st July, 2009, the Group had cash of HK$40.9 million (2008: HK$39.7 million) mainly in Hong Kong dollars and marketable securities totalling HK$32.3 million (2008: HK$103.4 million).

Total bank borrowings (other than corporate credit card payable classified as "other payable") were HK$150.5 million at 31st July, 2009 (2008: Nil), of which HK$6.1 million were repayable within one year and HK$144.4 million within two to five years. The bank borrowings were denominated in Renminbi and carried interest on a floating rate basis.

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' fund, was 39.0% at 31st July, 2009 (2008: 4.0%).

EXCHANGE RATE EXPOSURE

The assets and liabilities and transactions of several major subsidiaries of the Group are principally denominated in Renminbi or Hong Kong dollars pegged currencies, which expose the Group to foreign currency risk and such risk has not been hedged. It is the Group's policy to monitor such exposure and to use appropriate hedging measures when required.

BUSINESS REVIEW

For the year ended 31st July, 2009, the principal activities of the Group are property investment and development, hotel operation, financial investment and related activities.

Property investment and development

The Group continues to own the vacant land of approximately 10,154 square meters located in Coloane, Macau for the construction of 48 luxury residential houses and related facilities with a total gross floor area of approximately 19,934 square meters. The Group is awaiting the government's approval for the commencement of the development.

Chairman's Statement

The Group holds an effective 5% interest in the land site at Avenida Commercial de Macau through an investee company, Sociedade de Investmento Imboiliaro Pun Keng Van, SARL. The site is for the development of a 57-storey luxurious residential building on the waterfront at Nam Van Lake. Due to the unfavourable property market condition in Macau, the project has been slowed down and its progress will be monitored closely.

Hotel operation

Hotel Fortuna, Macau is owned and operated by Tin Fok Holding Company Limited, the 32.5% associated company owned by the Group. Despite the tightened travel restrictions on mainland Chinese tourists and global financial woes, Hotel Fortuna, Macau continued to maintain a high occupancy rate of approximately 91% and recorded a stable turnover of approximately HK$184.0 million in 2008 when compared to the turnover of HK$185.1 million in 2007.

On 31st December, 2008, the Company successfully acquired Hotel Fortuna, Foshan with 408 rooms at Le Cong Zhen, Shun De District, Foshan, the PRC. The hotel recorded an occupancy rate of 43.4%, with an improved turnover of approximately HK$87.9 million in 2008 compared to HK$71.6 million in 2007.

EMPLOYEES

The Group offers its employees competitive remuneration packages to commensurate with their experience, performance and job nature, which include basic salary, bonuses, share options, retirement and other benefits.

At 31st July, 2009, the Group had approximately 684 employees of which approximately 670 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2009 amounted to approximately HK$25.1 million (2008: HK$10.5 million).

PROSPECTS

The successful acquisition of Hotel Fortuna, Foshan in December 2008 has enriched the portfolio of property interests of the Group, and its operation is expected to generate a stable income in the future. The hotel was built over a parcel of land of approximately 22,671 square meters, which offers further development potential of approximately 44,861 square meters of permissible gross floor area for residential and commercial uses. The Group has commenced preliminary studies and researches and will launch feasible development plan at the right time to realise such development potential.

In July 2009, the Company raised approximately HK$198.4 million after expenses by the issue of 8,000 million new shares subscribed by Fullkeen Holdings Limited, which has became a substantial shareholder of the Company following the subscription. This issue of shares has substantially reduced the Group's liabilities, strengthened its financial position and afforded the Group with more flexibility in seeking further investment opportunities.

The global financial market is not yet fully recovered but appears to have stablised. In view of the healthy financial position and business operation, the Directors are confident with the medium to long term prospects of the Group. The Group will continue to cautiously monitor its investments, review its business strategies and position itself for the next growth cycle.

ACKNOWLEDGEMENTS

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

By Order of the Board

Sio Tak Hong
Chairman

5th November, 2009

EXECUTIVE DIRECTORS

Sio Tak Hong, aged 46, is an Executive Director, Chairman of the Company. He was appointed to the Board in July 2009. He has extensive business and management experience and has been engaged in many property projects and commercial developments in Macau. Mr. Sio is a director of Sociedade de Empreendimentos Nam Van, S.A. (南灣發展股份有限公司) and the chairman of the board of Hotel Fortuna Limited in Macau. Mr. Sio is also a standing committee member of The Chinese People's Political Consultative Conference of Guongdong province, Macau District, representative of the industrial, commercial and financial functional group of the Election Committee of Chief Executive and a Honorary Consul of Grenada since 2005.

Chu Nin Yiu, Stephen, aged 52, is an Executive Director, Chief Executive officer 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 55, 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 52, graduated from Simon Frasier University, Vancouver, Canada in 1980 with a Bachelor of Arts degree in Economics. Mr. Lau joined the Board in May 2005 and has over 20 years' business and management experience in the clothing industry. He owns and manages a garment merchandising and trading company in Hong Kong and an apparel importing company in the U.S.. Mr. Lau is also the major shareholder of a number of companies in Hong Kong and overseas, which are engaged in garment manufacturing, importing, warehousing, apparel design or merchandizing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Sze Kuen, Billy, aged 62, 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 53, 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 48, 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, 2009, the Company complied with all the applicable provisions of 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.

   Prior to 28th July, 2009, Mr. Chu Nin Yiu, Stephen was the Chairman of the Board providing overall leadership for the Board and the Company did not have a chief executive officer. The day-to-day management of the Company's business was shared among the executive directors.

   On 28th July, 2009, Mr. Sio Tak Hong was appointed as an Executive Director and the Chairman of the Board and Mr. Chu Nin Yiu, Stephen was re-designated to Chief Executive Officer. The two roles have thus been separated in accordance to the Code.

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 but they are subject to retirement by rotation at annual general meetings in accordance with Article 103(A) of the Company's Articles of Association. The Company will try to ensure that all directors retire at regular intervals.

BOARD OF DIRECTORS

The board of directors (the "Board") of the Company consists of four executive directors and three independent non-executive directors. One of the independent non-executive directors has appropriate professional qualifications in 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:	
Sio Tak Hong *(Chairman, appointed on 28th July, 2009)*	0/5
Chu Nin Yiu, Stephen *(Chief Executive Officer, re-designated on 28th July, 2009)*	5/5
Chu Nin Wai, David *(Deputy Chairman)*	5/5
Lau Chi Kan, Michael	3/5
Independent Non-Executive Directors:	
Li Sze Kuen, Billy	5/5
Wong Kwong Fat	5/5
Leung Kam Fai	5/5

The biographies of the Board members are set out on page 5 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 (Chief Executive Officer) is the brother of Mr. Chu Nin Wai, David (Deputy Chairman).

The Company has received annual confirmations of independence from all independent non-executive directors, and considers 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. Sio Tak Hong serves as the Chairman of the Board and Mr. Chu Nin Yiu, Stephen serves as the Chief Executive Officer of the Group. The Chairman’s responsibility is to oversee the functioning of the Board and the strategies and policies of the Group and the Chief Executive Officer’s responsibility is to manage the Group’s business.

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 but 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 Chief Executive Officer, Mr. Chu Nin Yiu, Stephen, and the three independent non-executive directors, Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai.

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

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

NOMINATION OF DIRECTORS

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

AUDITOR'S REMUNERATION

For the year ended 31st July, 2009, remuneration of approximately HK$1,480,000 was payable to the Auditor for audit service and approximately HK$825,000 for interim review and other non-audit services during the year.

AUDIT COMMITTEE

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

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

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

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

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

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

The Audit Committee has reviewed the audited results of the Group for the year ended 31st July, 2009.

FINANCIAL REPORTING

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

INTERNAL CONTROL

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

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

MODEL CODES FOR SECURITIES TRANSACTIONS

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

COMMUNICATION WITH SHAREHOLDERS

In order to keep shareholders well informed of the business activities and direction of the Group, information about the Group 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, 2009.

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 18 and 19 to the consolidated financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

RESULTS

The results of the Group for the year ended 31st July, 2009 are set out in the consolidated income statement on page 17.

INVESTMENT PROPERTIES

The Group revalued its investment properties at the year end date and the decrease in fair value of the investment properties amounting to HK$4,490,000 has been charged 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 14 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 15 to the consolidated financial statements.

MAJOR PROPERTIES

Particulars of the major properties of the Group as at 31st July, 2009 are set out on page 76.

SHARE CAPITAL

Details of issue of shares and exercise of share options during the year are set out in note 33 to the consolidated financial statements.

SHARE OPTIONS

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

Particulars of the Company's share option scheme are set out in note 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 1.8.2008	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.7.2009
Category 1: Directors								
Chu Nin Yiu, Stephen (note)	19.09.2008	19.09.2008 – 18.03.2010	0.0348	–	117,000,000	–	–	117,000,000
Li Sze Kuen, Billy	19.09.2008	19.09.2008 – 18.03.2010	0.0348	–	20,000,000	–	–	20,000,000
Wong Kwong Fat	19.09.2008	19.09.2008 – 18.03.2010	0.0348	–	20,000,000	(3,000,000)	–	17,000,000
Leung Kam Fai	19.09.2008	19.09.2008 – 18.03.2010	0.0348	–	20,000,000	–	–	20,000,000
				–	177,000,000	(3,000,000)	–	174,000,000
Category 2: Employees								
Employees	31.07.2007	31.07.2007 – 30.07.2010	0.255	215,190,000	–	–	(215,190,000)	–
	19.09.2008	19.09.2008 – 18.03.2010	0.0348	–	20,000,000	–	–	20,000,000
				215,190,000	20,000,000	–	(215,190,000)	20,000,000
Category 3: Consultant								
Consultant	31.07.2007	31.07.2007 – 30.07.2010	0.255	215,190,000	–	–	(215,190,000)	–
				215,190,000	–	–	(215,190,000)	–
Total all categories				430,380,000	197,000,000	(3,000,000)	(430,380,000)	194,000,000

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

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31st July, 2009 and 2008, 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 Directors:
Sio Tak Hong *(Chairman, appointed on 28th July, 2009)*
Chu Nin Yiu, Stephen *(Chief Executive Officer, re-designated from Executive Chairman on 28th July, 2009)*
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 94 and 103(A) of the Company's Articles of Association, Sio Tak Hong, Chu Nin Wai, David and Wong Kwong Fat retire 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, 2009, the interests of the directors and the chief executive and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

(I) The Company

(a) Ordinary shares of HK$0.01 each of the Company

	Number of shares held				
Name of Director	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporated interest (interest of controlled corporation)	Total	Percentage of the issued share capital of the Company
Sio Tak Hong ("Mr. Sio")	–	244,910,000	8,000,000,000 (Note 1)	8,244,910,000	38.7%
Chu Nin Yiu, Stephen ("Mr. Chu")	–	–	3,334,474,000 (Note 2)	3,334,474,000	15.7%
Lau Chi Kan, Michael	75,000	–	–	75,000	0.0%

Notes:

1. Mr. Sio was deemed to be interested in the 8,000,000,000 shares of the Company held through Fullkeen Holdings Limited ("Fullkeen"), which was in turn 70% owned by Mr. Sio.

2. Mr. Chu was deemed to be interested in the 3,334,474,000 shares of the Company held through Supervalue Holdings Limited ("Supervalue"), which was in turn wholly owned by Mr. Chu.

(b) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Mr. Chu	Beneficial owner	117,000,000	117,000,000
Li Sze Kuen, Billy	Beneficial owner	20,000,000	20,000,000
Wong Kwong Fat	Beneficial owner	17,000,000	17,000,000
Leung Kam Fai	Beneficial owner	20,000,000	20,000,000
		174,000,000	174,000,000

(II) Associated corporation

		Number of shares held				
Name of Director	Associated Corporation	Personal interest (held as Beneficial owner)	Family Interest (interests of spouse or child under 18)	Corporated interest (interest of controlled corporation)	Total	Percentage of the issued share capital of the associated corporation
Mr. Sio	Tin Fok Holdings Company Limited	–	–	1,100 (Note)	1,100	55.0%

Note: Mr. Sio was deemed to be interested in the 1,100 shares in the associated corporation held through Global Master Management Limited, which is in turn 70% owned by Mr. Sio.

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, 2009.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the heading "Related Party Disclosures" as set out in note 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, Mr. Sio, the Chairman and executive director of the Company, held share interests and/or directorships in Sociedale de Empreendimentos Nam Van, S.A. (南灣發展股份有限公司) and other companies which are principally engaged in property investment and development in Macau and Mainland China. Mr. Sio is therefore considered to have interests in businesses which compete or are likely to compete with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

As the businesses of the Company and the above entities are operated under separate management with no reliance (whether financial or business) on each other, the Group is able to operates its businesses independently of, and at arm's length from the competing entities.

SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2009, 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

	Number of shares held				
Name of shareholder	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporated interest (interest of controlled corporation)	Total	Percentage of the issued share capital of the Company
Fullkeen	8,000,000,000	–	–	8,000,000,000	37.6%
Mr. Sio	–	244,910,000	8,000,000,000 (Note 1)	8,244,910,000	38.7%
Supervalue	3,334,474,000	–	–	3,334,474,000	15.7%
Mr. Chu	–	–	3,334,474,000 (Note 2)	3,334,474,000	15.7%

Notes:

1. Mr. Sio was deemed to be interested in the 8,000,000,000 shares of the Company held through Fullkeen, which was in turn 70% owned by Mr. Sio.

2. Mr. Chu was deemed to be interested in the 3,334,474,000 shares of the Company held through Supervalue, which was in turn wholly owned by Mr. Chu.

(b) Share options

Name of shareholder	Capacity	Number of options held	Number of underlying shares
Mr. Chu	Beneficial owner	117,000,000	117,000,000

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st July, 2009.

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 6 to 8 of the Annual Report.

EMOLUMENT POLICY

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

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st July, 2009.

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

Sio Tak Hong
Chairman

5th November, 2009

Deloitte.
德勤

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

We have audited the consolidated financial statements of Capital Estate Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 17 to 74, which comprise the consolidated and Company balance sheets as at 31st July, 2009, 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, 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

5th November, 2009

Consolidated Income Statement

For the Year ended 31st July, 2009

	NOTES	**2009 HK$'000**	2008 HK$'000
Revenue	5	**48,174**	898
Direct costs		**(28,533)**	(1,766)
Gross profit (loss)		**19,641**	(868)
Other losses	6	**(38,934)**	(188,836)
Other income		**5,081**	6,613
Distribution and marketing expenses		**(716)**	—
Administrative expenses		**(62,179)**	(25,882)
(Decrease) increase in fair value of investment properties		**(4,490)**	5,974
Gain on disposal of a subsidiary	38	**—**	148
Share of (losses) profits of associates		**(1,886)**	2,302
Finance costs	8	**(9,708)**	(986)
Impairment loss recognised on available-for-sale investments		**(10,040)**	—
Impairment loss recognised on properties for development		**(54,033)**	—
Impairment loss recognised on goodwill		**(71,079)**	—
Loss before taxation		**(228,343)**	(201,535)
Taxation	9	**—**	22
Loss for the year	10	**(228,343)**	(201,513)
Attributable to:			
Equity holders of the Company		**(227,224)**	(201,507)
Minority interests		**(1,119)**	(6)
		(228,343)	(201,513)
Loss per share	13		
Basic		**(1.669) HK cents**	(1.614) HK cents

Consolidated Balance Sheet

At 31st July, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties	14	**32,160**	36,650
Property, plant and equipment	15	**461,292**	3,017
Prepaid lease payments	16	**13,112**	—
Premium on prepaid lease payments	17	**190,268**	—
Interests in associates	19	**223,713**	233,724
Available-for-sale investments	20	**59,850**	69,890
Convertible bond	21	**41,845**	—
Derivative component in convertible bond	21	**6,883**	—
Deposit paid for acquisition of subsidiaries	22	**—**	250,000
		1,029,123	593,281
Current assets			
Amount due from an associate	23	**99**	45
Properties for development	24	**247,000**	301,033
Inventories	25	**2,599**	—
Derivative financial instruments	26	**—**	208
Trade and other receivables	27	**8,413**	928
Prepaid lease payments	16	**403**	—
Investments held for trading	28	**32,345**	103,412
Pledged bank deposits	29	**641**	641
Restricted bank deposits	29	**947**	6,227
Bank balances and cash	29	**40,905**	39,743
		333,352	452,237
Current liabilities			
Trade and other payables	30	**20,050**	4,611
Derivative financial instruments	26	**1,056**	1,005
Taxation payable		**25,548**	34,286
Bank borrowings — due within one year	31	**6,110**	—
		52,764	39,902
Net current assets		**280,588**	412,335
Total assets less current liabilities		**1,309,711**	1,005,616
Non-current liabilities			
Bank borrowings — due after one year	31	**144,377**	—
Consideration payable for acquisition of subsidiaries	22	**113,593**	—
Deferred tax liabilities	36	**71,079**	—
		329,049	—
Net assets		**980,662**	1,005,616

	NOTES	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	33	**212,899**	132,869
Reserves		**765,017**	868,982
Equity attributable to equity holders of the Company		**977,916**	1,001,851
Minority interests		**2,746**	3,765
Total equity		**980,662**	1,005,616

The consolidated financial statements on pages 17 to 74 were approved and authorised for issue by the Board of Directors on 5th November, 2009 and are signed on its behalf by:

Sio Tak Hong
DIRECTOR

Chu Nin Yiu, Stephen
DIRECTOR

Balance Sheet

At 31st July, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current asset			
Investments in subsidiaries	18	**400**	400
Amounts due from subsidiaries	18	**1,095,601**	797,509
Deposit paid for acquisition of subsidiaries	22	**—**	250,000
		1,096,001	1,047,909
Current assets			
Other receivables		**176**	150
Bank balances and cash	29	**27,686**	6,801
		27,862	6,951
Current liabilities			
Other payables		**3,261**	1,354
Amounts due to subsidiaries	32	**42,040**	40,614
		45,301	41,968
Net current liabilities		**(17,439)**	(35,017)
Total assets less current liabilities		**1,078,562**	1,012,892
Non-current liability			
Consideration payable for acquisition of subsidiaries	22	**113,593**	—
Net assets		**964,969**	1,012,892
Capital and reserves			
Share capital	33	**212,899**	132,869
Reserves	35	**752,070**	880,023
Total equity		**964,969**	1,012,892

Sio Tak Hong
DIRECTOR

Chu Nin Yiu, Stephen
DIRECTOR

	Attributable to equity holders of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Capital reduction reserve HK$'000	Translation reserve HK$'000	Capital redemption reserve HK$'000	Revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Balance at 1st August, 2007	107,598	555,251	157	41,543	170,583	–	268	9,200	(2,165)	882,435	–	882,435
Loss for the year and total recognised expense for the year	–	–	–	–	–	–	–	–	(201,507)	(201,507)	(6)	(201,513)
Issue of shares (note 33a)	20,550	223,260	–	–	–	–	–	–	–	243,810	–	243,810
Exercise of share options (note 33b)	4,721	93,744	–	(22,981)	–	–	–	–	–	75,484	–	75,484
Expenses incurred in connection with issue of shares	–	(3,351)	–	–	–	–	–	–	–	(3,351)	–	(3,351)
Recognition of equity-settled share-based payment	–	–	–	4,980	–	–	–	–	–	4,980	–	4,980
Acquisition of additional interest from minority shareholder (note 37)	–	–	–	–	–	–	–	–	–	–	3,771	3,771
Balance at 31st July, 2008	132,869	868,904	157	23,542	170,583	–	268	9,200	(203,672)	1,001,851	3,765	1,005,616
Exchange differences arising on translation of foreign operation and income recognised directly in equity	–	–	–	–	–	2,811	–	–	–	2,811	–	2,811
Loss for the year	–	–	–	–	–	–	–	–	(227,224)	(227,224)	(1,119)	(228,343)
Total recognised income and expense for the year	–	–	–	–	–	2,811	–	–	(227,224)	(224,413)	(1,119)	(225,532)
Issue of shares (note 33c)	80,000	120,000	–	–	–	–	–	–	–	200,000	–	200,000
Expenses incurred in connection with issue of shares	–	(1,576)	–	–	–	–	–	–	–	(1,576)	–	(1,576)
Exercise of share options (note 33d)	30	104	–	(30)	–	–	–	–	–	104	–	104
Recognition of equity-settled share-based payment	–	–	–	1,950	–	–	–	–	–	1,950	–	1,950
Contribution from a minority shareholder	–	–	–	–	–	–	–	–	–	–	100	100
Balance at 31st July, 2009	212,899	987,432	157	25,462	170,583	2,811	268	9,200	(430,896)	977,916	2,746	980,662

Consolidated Cash Flow Statement

For the Year ended 31st July, 2009

	NOTES	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(228,343)**	(201,535)
Adjustments for:			
Impairment loss recognised on goodwill		**71,079**	—
Impairment loss recognised on properties for development		**54,033**	—
Impairment loss recognised on available-for-sale investments		**10,040**	—
Depreciation		**19,605**	849
Finance costs		**9,708**	986
Decrease (increase) in fair value of investment properties		**4,490**	(5,974)
Release of prepaid lease payments and premium on prepaid lease payments		**3,617**	681
Share-based payment expense		**1,950**	4,980
Share of losses (profits) of associates		**1,886**	(2,302)
Loss (gain) on disposal of property, plant and equipment and prepaid lease payments		**372**	(1,581)
Interest income		**(5,020)**	(3,892)
Increase in fair value of derivative component in convertible bonds	21	**(3,087)**	—
Gain on disposal of a subsidiary		**—**	(148)
Operating cash flows before movements in working capital		**(59,670)**	(207,936)
Decrease in investments held for trading		**71,067**	162,715
Increase in derivative financial instruments		**259**	22
Decrease in inventories		**263**	—
(Decrease) increase in trade and other payables		**(8,430)**	1,009
(Increase) decrease in trade and other receivables		**(2,657)**	34,048
Increase in properties for development		**—**	(3,200)
Decrease in properties held for sale		**—**	206
Cash generated from (used in) operations		**832**	(13,136)
Hong Kong Profits Tax paid		**(8,738)**	—
NET CASH USED IN OPERATING ACTIVITIES		**(7,906)**	(13,136)
INVESTING ACTIVITIES			
Acquisition of subsidiaries	37	**13,398**	(75,795)
Dividend received from an associate		**8,125**	11,700
Decrease (increase) in restricted bank deposits		**5,280**	(6,227)
Interest received		**3,159**	3,892
Proceed from disposal of property, plant and equipment and prepaid lease payments		**330**	10,500
Payment of consideration payable for acquisition of subsidiaries		**(170,389)**	—
Subscription of convertible bonds		**(43,780)**	—
Purchase of property, plant and equipment		**(9,739)**	(1,562)
Advance to an associate		**(54)**	(45)
Proceed from disposal of a subsidiary	38	**—**	4,500
Deposit paid for acquisition of subsidiaries	22	**—**	(250,000)
Purchase of available-for-sale investments		**—**	(13,640)
Acquisition of an associate		**—**	(12,068)
Increase in pledged bank deposit		**—**	(11)
NET CASH USED IN INVESTING ACTIVITIES		**(193,670)**	(328,756)

	NOTES	2009 HK$'000	2008 HK$'000
FINANCING ACTIVITIES			
Proceeds from issue of shares		**200,000**	165,000
Bank loans raised		**152,750**	—
Short term loan raised		**23,780**	50,000
Proceeds from exercise of share options		**104**	75,484
Capital contributed by a minority shareholder of a subsidiary		**100**	—
Repayment of loans from related parties		**(136,456)**	—
Repayment of short term loan		**(23,780)**	(50,000)
Interest paid		**(8,388)**	(986)
Repayment of bank loans		**(2,263)**	(5,976)
Expenses paid in connection with issue of shares		**(1,576)**	(3,351)
Repayment of obligation under a finance lease		**(362)**	—
NET CASH FROM FINANCING ACTIVITIES		**203,909**	230,171
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,333**	(111,721)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		**39,743**	151,464
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(1,171)**	—
CASH AND CASH EQUIVALENTS CARRIED FORWARD		**40,905**	39,743
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**40,905**	39,743

1. GENERAL

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

The Company acts as a property and investment holding company. The activities of its principal subsidiaries and associates are set out in notes 18 and 19 respectively.

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

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 (Amendment)	Classification of Right Issues[8]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) — Int 18	Transfers of Assets from Customers[7]

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

[1] Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

[2] Effective for annual periods beginning on or after 1st January, 2009, 1st July, 2009 and 1st January, 2010, as appropriate

[3] Effective for annual periods beginning on or after 1st January, 2009

[4] Effective for annual periods beginning on or after 1st July, 2009

[5] Effective for annual periods beginning on or after 1st January, 2010

[6] Effective for annual periods beginning on or after 1st October, 2008

[7] Effective for transfers on or after 1st July, 2009

[8] Effective for annual periods beginning on or after 1st February, 2010

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st August, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. HKAS 23 (Revised) will remove the option of immediately expensing those borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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

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

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

Goodwill

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 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.

Such goodwill is carried at cost less any accumulated impairment losses.

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

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

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

For acquisition of additional interests in subsidiaries, any excess of the consideration over the carrying amount of net assets acquired are accounted for as goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in subsidiaries

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

Investments in associates

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

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

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

Investment properties are properties held to earn rentals or for capital appreciation.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

Asset held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Properties for development

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

Prepaid lease payments

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

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

Others

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Inventories

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

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see above).

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

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

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January, 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Equity-settled share-based payment transactions

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

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

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

Retirement benefit scheme contributions

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

Financial instruments

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Effective interest method

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

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

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Convertible bond

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

Impairment of financial assets

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

Financial liabilities and equity

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

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

Effective interest method

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

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

Financial liabilities at fair value through profit or loss

A financial liability is classified as held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

***Financial assets** (Continued)*

Other financial liabilities

Other financial liabilities including trade and other payables, bank borrowings and consideration payable for acquisition of subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derivative financial instruments

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

Derecognition

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

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

4. 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:

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

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 estimates of future cash flows which the Group expect to receive. Impairment is recognised based on the present value of estimated future cash flows. 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.

Income taxes

As at 31st July, 2009, a deferred tax asset in relation to unused tax losses of HK$11,010,000 (2008: HK$11,281,000) has been recognised in the Group's balance sheet. No deferred tax asset has been recognised on the tax losses of HK$170,729,000 (2008: HK$107,137,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are more or less than expected, additional deferred tax assets may be recognised or a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the year in which such a reversal takes places.

Properties for development

Management reviews the net realisable value of the Group's properties for development by reference to current market price of comparable properties with similar size, character and locations after analysing the respective advantages and disadvantages of the properties. In cases where the market price is less than expected, impairment loss may be required. In the current year, an impairment loss of HK$54,033,000 has been recognised.

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2009 HK$'000	2008 HK$'000
Property rental	568	568
Property sale	—	330
Hotel operations	47,606	—
	48,174	898

6. OTHER LOSSES

	2009 HK$'000	2008 HK$'000
Net loss on investments held for trading	(40,732)	(175,546)
Net loss on derivative financial instruments	(2,595)	(15,704)
Increase in fair value of derivative component in convertible bond	3,087	—
Dividend income from investments held for trading	1,306	2,414
	(38,934)	(188,836)

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

During the year ended 31st July, 2009, the Group commenced the hotel operations through acquisition of subsidiaries as disclosed in note 37.

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

Principal activities are as follows:

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment information about these businesses is presented below:

	Property rental HK$'000	Financial investment HK$'000	Property development and sale HK$'000	Hotel operations HK$'000	Consolidated HK$'000
INCOME STATEMENT					
For the year ended 31st July, 2009					
GROSS PROCEEDS	568	89,699	—	47,606	137,873
SEGMENT REVENUE	568	—	—	47,606	48,174
SEGMENT RESULT	(5,270)	(39,993)	(54,132)	(88,964)	(188,359)
Unallocated corporate income					1,366
Unallocated corporate expenses					(29,756)
Share of loss of associates					(1,886)
Finance costs					(9,708)
Loss before taxation and for the year					(228,343)

	Property rental HK$'000	Financial investment HK$'000	Property development and sale HK$'000	Hotel operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
BALANCE SHEET						
At 31st July, 2009						
ASSETS						
Segment assets	32,540	82,806	247,079	675,140	—	1,037,565
Interests in associates	—	—	—	—	223,713	223,713
Unallocated corporate assets	—	—	—	—	101,197	101,197
Consolidated total assets						1,362,475
LIABILITIES						
Segment liabilities	3,830	1,056	—	81,437	—	86,323
Unallocated corporate liabilities	—	—	—	—	295,490	295,490
Consolidated total liabilities						381,813

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Property rental HK$'000	Financial investment HK$'000	Property development and sale HK$'000	Hotel operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
OTHER INFORMATION						
For the year ended 31st July, 2009						
Capital additions	—	—	—	6,587	3,152	9,739
Depreciation	—	—	—	18,256	1,349	19,605
Impairment loss recognised on available-for-sale investment	—	—	—	—	10,040	10,040
Impairment loss recognised on properties for development	—	—	54,033	—	—	54,033
Impairment loss recognised on goodwill	—	—	—	71,079	—	71,079
Release of prepaid lease payments and premium on prepaid lease payments	—	—	—	3,617	—	3,617
Net loss on investments held for trading	—	40,732	—	—	—	40,732
Net loss on derivative financial instruments	—	2,595	—	—	—	2,595

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

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

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

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

Segment information about these geographic markets is presented below:

	Property rental and sale and hotel operations income by geographical market	
	2009	2008
	HK$'000	HK$'000
Hong Kong	**568**	898
Mainland China	**47,606**	—
	48,174	898

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	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**115,346**	146,724	**5**	1,562
Macau	**247,079**	301,131	**—**	—
Mainland China	**675,140**	—	**9,734**	—
	1,037,565	447,855	**9,739**	1,562

8. FINANCE COSTS

	2009	2008
	HK$'000	HK$'000
Interest on:		
Borrowings wholly repayable within five years:		
Bank borrowings	**3,978**	185
Consideration payable for acquisition of subsidiaries	**3,196**	—
Other borrowing	**2,526**	801
Finance leases	**8**	—
	9,708	986

9. TAXATION

	2009 HK$'000	2008 HK$'000
The credit comprises:		
Hong Kong Profits tax		
Current tax	–	–
Overprovision in prior years	–	(22)
	–	(22)

Hong Kong Profits Tax is calculated at 16.5% for both years.

PRC Enterprise Income Tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the People's Republic of China (the "PRC").

No provision for Hong Kong Profits Tax and Enterprise Income Tax in PRC subsidiaries has been made for the current year as the Group has no assessable profit for the year.

No provision for Hong Kong Profits Tax has been made for the year ended 31st July, 2008 as the Company and its subsidiaries either did not generate any assessable profits for the year or have available tax losses brought forward from prior years to offset against any assessable profits generated during the year.

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

	2009 HK$'000	2008 HK$'000
Loss before taxation	(228,343)	(201,535)
Tax at the Hong Kong Profits Tax rate of 16.5%	(37,677)	(33,253)
Tax effect of share of results of associates	311	(380)
Tax effect of expenses not deductible for tax purpose	30,977	2,964
Tax effect of income not taxable for tax purpose	(631)	(2,214)
Tax effect of tax losses not recognised	9,226	33,177
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,206)	–
Overprovision in prior years	–	(22)
Utilisation of tax losses previously not recognised	–	(294)
Taxation for the year	–	(22)

Details of deferred taxation are set out in note 36.

10. LOSS FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration (note 11)	**5,464**	3,712
Other staff costs, excluding directors		
— Salaries and other benefits	**18,218**	1,762
— Retirement benefit scheme contributions	**1,223**	56
— Share-based payment expenses	**198**	4,980
Total employee benefit expenses	**25,103**	10,510
Auditor's remuneration:		
Current year	**1,480**	1,368
Underprovision in prior years	**80**	270
Depreciation	**19,605**	849
Release of prepaid lease payments and premium on prepaid lease payments	**3,617**	681
Share of tax of associates (included in share of profits of associates)	**—**	356
Net exchange loss	**56**	110
Gross rental income from investment properties	**568**	568
Less:		
direct operating expenses from investment properties that generated rental income during the year	**(255)**	(308)
direct operating expenses from investment properties that did not generate rental income during the year	**(1,058)**	(1,252)
	(745)	(992)
Bank and other interest income	**(3,159)**	(3,892)
Accretion of interest on convertible bonds	**(1,861)**	—
Loss (gain) on disposal of property, plant and equipment and prepaid lease payments	**372**	(1,581)

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the seven (2008: six) directors are as follows:

2009

	Mr. Sio Tak Hong HK$'000	Mr. Chu Nin Yiu, Stephen HK$'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 expenses	–	1,158	–	–	198	198	198	1,752
	–	4,420	–	–	348	348	348	5,464

2008

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

During the years ended 31st July, 2009 and 2008, no directors waived any emoluments.

12. EMPLOYEES' EMOLUMENTS

Of the five highest paid individuals in the Group, one (2008: one) was director of the Company whose emoluments was included in note 11 above. The emoluments of the remaining four (2008: four) employees were as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	1,793	1,359
Retirement benefit scheme contributions	38	42
	1,831	1,401

Their emoluments were within the following bands:

	2009 No. of employees	2008 No. of employees
Nil to HK$1,000,000	4	4

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 (2008: Nil).

13. LOSS PER SHARE

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

	2009 HK$'000	2008 HK$'000
Loss for the year attributable to equity holders of the Company for the purpose of basic loss per share	(227,224)	(201,507)

	2009	2008
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	13,615,688,677	12,482,642,329

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

14. INVESTMENT PROPERTIES

	HK$'000
AT FAIR VALUE	
At 1st August, 2007	37,828
Disposal of a subsidiary	(7,152)
Increase in fair value	5,974
At 31st July, 2008	36,650
Decrease in fair value	(4,490)
At 31st July, 2009	32,160

The carrying value of investment properties shown above comprises:

	2009 **HK$'000**	2008 HK$'000
Investment properties in Hong Kong:		
Long-term lease	**3,500**	3,150
Medium-term lease	**28,660**	33,500
	32,160	36,650

All of the Group's property interests 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, 2009 and 2008 have been arrived at on the basis of valuation carried out on that date by Norton Appraisals Limited, independent professionally qualified valuers not connected with the Group. Norton Appraisals Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
THE GROUP						
COST						
At 1st August, 2007	–	1,600	73	223	2,094	3,990
Additions	–	–	1,314	248	–	1,562
Disposals	–	(1,600)	–	–	–	(1,600)
At 31st July, 2008	–	–	1,387	471	2,094	3,952
Acquired on acquisition of subsidiaries	337,243	2,778	101,133	23,297	1,580	466,031
Additions	5,308	–	2,236	738	1,457	9,739
Disposals	–	–	(346)	–	(702)	(1,048)
Currency realignment	1,996	52	618	141	5	2,812
At 31st July, 2009	344,547	2,830	105,028	24,647	4,434	481,486
DEPRECIATION						
At 1st August, 2007	–	43	73	143	–	259
Provided for the year	–	130	110	85	524	849
Disposals	–	(173)	–	–	–	(173)
At 31st July, 2008	–	–	183	228	524	935
Provided for the year	5,909	54	9,199	3,639	804	19,605
Disposals	–	–	(346)	–	–	(346)
At 31st July, 2009	5,909	54	9,036	3,867	1,328	20,194
CARRYING VALUES						
At 31st July, 2009	338,638	2,776	95,992	20,780	3,106	461,292
At 31st July, 2008	–	–	1,204	243	1,570	3,017

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

Hotel properties	Over 33$^1/_2$ years, representing the remaining lease term from acquisition date
Buildings	Over 9$^1/_4$ years to 30 years, representing the remaining lease terms from acquisition date
Leasehold improvements	Over the term of the relevant lease or 10% - 33$^1/_3$% whichever is shorter
Furniture, fixtures and equipment	20%
Motor vehicle	33$^1/_3$%

The Group's hotel properties and buildings are located on land in the PRC held under medium term leases.

The hotel properties of the Group have been pledged to secure bank borrowings granted to the Group.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Leasehold land in the PRC on medium-term lease	**13,515**	—
Analysed for reporting purposes as:		
Non-current assets	**13,112**	—
Current assets	**403**	—
	13,515	—

17. PREMIUM ON PREPAID LEASE PAYMENTS

Premium on prepaid lease payments of the Group represents the fair value adjustment on the prepaid lease payments of the subsidiaries acquired during the year ended 31st July, 2009 and are amortised over the period of the remaining lease term of 30 to $33^1/_2$ years on a straight-line basis.

The movement of premium on prepaid lease payments is set out below:

	HK$'000
COST	
At 1st August, 2007 and 2008	—
Acquired on acquisition of subsidiaries	192,468
Currency realignment	1,177
At 31st July, 2009	193,645
AMORTISATION	
At 1st August, 2007 and 2008	—
Charge for the year and at 31st July, 2009	3,377
CARRYING VALUES	
At 31st July, 2009	190,268
At 31st July, 2008	—

18. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY 2009 HK$'000	2008 HK$'000
Investments in subsidiaries:		
Unlisted shares, at cost less impairment losses recognised	**400**	400
Amounts due from subsidiaries	**1,095,601**	797,509

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Except for an amount of approximately HK$183,283,000 (2008: HK$184,589,000) which carries interest ranging from Hong Kong Prime Rate to Hong Kong Prime Rate plus 6.5% (2008: Hong Kong Prime Rate to Hong Kong Prime Rate plus 6.5%) per annum, the remaining balance is interest free. The carrying amounts of the interest free advances have been determined based on an effective interest rate of 5.0% (2008: 5.5%) per annum. The Company does not have any significant concentration of credit risk.

Details of the Company's principal subsidiaries at 31st July, 2008 and 2009 are as followings:

Name of subsidiary	Place of incorporation/ operation	Issued and paid up share capital	Proportion of nominal value of issued share capital held by the Company Directly %	Indirectly %	Principal activities
Adrian Realty Limited	Hong Kong	HK$1,000,000	100	–	Property investment
Ahead Company Limited	Hong Kong	HK$2	100	–	Trading of securities and investment holding
Evergood Management Limited	Hong Kong	HK$2	100	–	Investment holding
Hegel Trading Limited	Hong Kong	HK$2	100	–	Property investment
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
Sun Fat Investment and Industry Co Limited ("Sun Fat")	Macau	MOP50,000,000	–	99	Property investment
Hotel Fortuna (Hong Kong) Company Limited *	Hong Kong	HK$10,000	100	–	Investment holding
Foshan Fortuna Hotel Company Limited 佛山市財神酒店有限公司 *	PRC/Mainland China	US$38,920,000	–	100	Hotel operations

* The subsidiary was acquired during the year ended 31st July, 2009. Details of this was set out in note 37.

18. 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.

19. INTERESTS IN ASSOCIATES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Cost of unlisted investments in associates	**241,523**	241,523
Share of post-acquisition results, net of dividend	**(17,810)**	(7,799)
	223,713	233,724

At 31st July, 2008 and 2009, 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") (Note i)	Macau	32.5%	Hotel operation
Singon Holding Limited ("Singon") (Note ii)	Hong Kong/ Macau	25%	Property development

Note:

(i) This associate is controlled by Mr. Sio Tak Hong, the director of the Company. Approximately HK$212 million (2008: HK$222 million) was included in interests in associates in respect of the Group's interest in Tin Fok.

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

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

19. INTERESTS IN ASSOCIATES

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

	2009 HK$'000	2008 HK$'000
Total assets	1,029,348	1,072,423
Total liabilities	(337,149)	(349,398)
Net assets	692,199	723,025
Group's share of net assets of associates	221,351	231,362
Revenue	163,113	165,978
(Loss) profit for the year	(5,804)	7,696
Group's share of (losses) profits of associates	(1,886)	2,302

20. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Unlisted equity securities, at cost	69,890	69,890
Impairment loss recognised	(10,040)	—
	59,850	69,890

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

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

	2009 HK$'000	2008 HK$'000
USD	13,640	13,640

21. CONVERTIBLE BOND/DERIVATIVE COMPONENT IN CONVERTIBLE BOND

During the year ended 31st July, 2009, the Group subscribed a convertible bond issued by a company listed on the Stock Exchange of Hong Kong Limited, with principal amount of HK$44,000,000 which carries interest at 4% per annum payable semi-annually in arrears with maturity on 18th August, 2010 at redemption amount of 100% of the principal amount. The convertible bond can be converted at any time from the date of issue to the maturity date. The fair value at initial recognition of the receivable component and derivative component, which amounted to HK$39,984,000 and HK$3,796,000 respectively, are determined based on the valuation provided by Greater China Appraisal Limited, independent professionally qualified valuers not connected with the Group. Subsequent to initial recognition, the receivable component is carried at amortised cost using the effective interest method.

The convertible bond was recognised as follows:

	Debt component HK$'000	Derivative component HK$'000
At date of subscription	39,984	3,796
Accretion of interest	1,861	—
Fair value gain credited to consolidated income statement	—	3,087
At 31st July, 2009	41,845	6,883

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

(i) Valuation of receivable component

At initial recognition, the fair value of receivable component was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit risk of the convertible bonds issuer and maturity term. The effective interest rate of the receivable component is 5.02%.

(ii) Valuation of derivative component

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

	(Date of subscription) 18th August, 2008	31st July, 2009
Stock price	HK$1.00	HK$0.85
Conversion price	HK$1.30	HK$1.30
Volatility	39.60%	72.53%
Dividend yield	3.75%	0.00%
Option life	2 years	1.05 years
Risk free rate	2.119%	0.122%

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

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

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

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

During the year ended 31st July, 2009, interest of approximately HK$3,196,000 has been incurred on the outstanding consideration payable. Principal amounting to HK$170,389,000 and interest amounting to HK$1,876,000 has been settled during the year and the remaining balance of the accrued interest was included in other payables as at 31st July, 2009.

Details of acquisition are set out in note 37.

23. AMOUNT DUE FROM AN ASSOCIATE

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

24. PROPERTIES FOR DEVELOPMENT

Properties for development represent leasehold land located in Macau for development and future sale in the ordinary course of business. Cost comprises the costs of land use rights under medium-term lease and other cost directly attributable to bringing the leasehold land to the condition necessary for it to be ready for development. Properties for development are stated at lower of cost and net realizable value. No finance cost on development has been capitalized. During the year ended 31st July, 2009, the Group recognized an impairment loss of HK$54,033,000 (2008: nil) on properties for development.

25. INVENTORIES

All of the Group's inventories at 31st July, 2009 (2008: nil) represent food and beverage for hotel business newly acquired during the year.

26. DERIVATIVE FINANCIAL INSTRUMENTS

		THE GROUP			
		2009		2008	
		Assets	**Liabilities**	Assets	Liabilities
		HK$'000	**HK$'000**	HK$'000	HK$'000
Options	(i)	**—**	**—**	—	487
Forward foreign exchange contract	(ii)	**—**	**—**	208	—
Decumulator contract	(iii)	**—**	**1,056**	—	90
Knock-out forward contract	(iv)	**—**	**—**	—	428
		—	**1,056**	208	1,005

(i) Options

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

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

(ii) Forward foreign exchange contract

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

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

26. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(iii) Decumulator contract *(Continued)*

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

Notional amount	Maturity	Strike price HK$
1,360,000 shares of China Telecom Corporation	28th October, 2009	3.1857

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

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

(iv) Knock-out forward contract

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

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

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

27. TRADE AND OTHER RECEIVABLES

At 31st July, 2009, the balance of trade and other receivables of the Group included trade receivables of HK$1,332,000 (2008: HK$87,000). The Group allows an average credit period of 30 days to its trade customers, an aged analysis of trade receivables is as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0 to 30 days	**965**	15
31 to 60 days	**149**	14
61 to 90 days	**64**	11
91 days or above	**154**	47
	1,332	87

Before accepting any new customer, the Group assesses the potential customer's credit quality by investigating their historical credit record and then defines the credit limit of that customer. There were no balances as at 31st July, 2009 and 2008 which were past due but not provide for impairment. The Group does not hold any collateral over these balances.

28. INVESTMENTS HELD FOR TRADING

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

29. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposit of the Group represents deposit pledged to a bank to secure banking facilities granted to the Group. The deposit carries fixed interest rate ranging from 0.01% to 0.3% (2008: 0.3% to 2.6%) per annum. The pledged bank deposit will be released upon the release of relevant banking facilities.

Restricted bank deposits of the Group represents the margin deposits required by bank as at 31st July, 2009 with interest at rates ranging from 0.01% to 4.18% (2008: 0.15% to 2.19%) per annum.

Bank balances and cash of the Group and the Company comprise bank balances and cash held and short-term bank deposits that are interest-bearing at market interest rate and are with maturity of three months or less. The Group's and the Company's bank deposits carry interest rates ranging from 0.01% to 4.18% (2008: 0.01% to 4.375%) per annum and Nil to 0.01% (2008: 0.01% to 4.375%) per annum, respectively.

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

	2009	2008
	HK$'000	HK$'000
USD	**535**	914

30. TRADE AND OTHER PAYABLES

At 31st July, 2009, the balance of trade and other payables of the Group included trade payables of HK$4,703,000 (2008: HK$302,000). The average credit period on purchases of goods is 30 to 120 days, an aged analysis of trade payables is as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0 to 30 days	**2,633**	206
31 to 60 days	**1,432**	96
61 to 90 days	**565**	—
91 days or above	**73**	—
	4,703	302

31. BANK BORROWINGS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Secured bank loan	**150,487**	—
Bank borrowings are repayable as follows:		
Within one year	**6,110**	—
More than one year but not exceeding two years	**11,767**	—
More than two years but not exceeding three years	**18,104**	—
More than three years but not exceeding four years	**23,761**	—
More than four years but not exceeding five years	**90,745**	—
	150,487	—
Less: Current portion shown under current liabilities	**(6,110)**	—
	144,377	—

During the year, the Group obtained new loan in the amount of RMB135,000,000 (equivalent to approximately of HK$152,750,000). The loan carried interest at prevailing market rates and is repayable in instalments over five years. The proceeds were used to repay loans from related parties and for general working capital purpose of the Group.

32. AMOUNTS DUE TO SUBSIDIARIES

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

33. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Ordinary shares at HK$0.01 each		
Authorised:		
At 1st August, 2007, 31st July, 2008 and 31st July, 2009	200,000,000,000	2,000,000
Issued and fully paid:		
At 1st August, 2007, at HK$0.01 each	10,759,766,896	107,598
Issue of shares (note a)	2,055,000,000	20,550
Exercise of share options (note b)	472,130,002	4,721
At 31st July, 2008, at HK$0.01 each	13,286,896,898	132,869
Issue of shares (note c)	8,000,000,000	80,000
Exercise of share options (note d)	3,000,000	30
At 31st July, 2009	21,289,896,898	212,899

Notes:

(a) Pursuant to an announcement dated 8th October, 2007, the Company issued 555,000,000 shares of HK$0.01 each as part of the consideration for the acquisition of 50% additional equity interest in Sun Fat as set out in note 37.

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

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

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

33. SHARE CAPITAL

Notes: *(Continued)*

(c) On 17th July, 2009, the Company issued 8,000,000,000 ordinary shares of HK$0.01 each for cash at a subscription price of HK$0.025 per share pursuant to a subscription agreement. The issuance of these new shares has been approved by the independent shareholders of the Company at a general meeting held on 15th July, 2009. The net proceeds of approximately HK$198,424,000 raised have been used to settle part of the outstanding balance payable in relation to the acquisition of Hotel Fortuna (Hong Kong) and for general working capital purposes. The new shares rank pari passu in all respects with the then existing issued shares.

(d) In July 2009, the Company issued 3,000,000 ordinary shares of HK$0.01 each in the Company for cash at HK$0.0348 per share, as a result of the exercise of share options granted to a director. 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.

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, 2009, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 194,000,000 (2008: 430,380,000), representing 0.91% (2008: 3.24%) of the shares of the Company in issue at that date. Total consideration of HK$5 (2008: HK$5) was received by the Company during the year ended 31st July, 2009 on acceptance of the grants. The share options are fully vested upon issue.

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

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

Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.8.2008	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.7.2009
31.07.2007	31.07.2007 – 30.07.2010	0.255	430,380,000	–	–	(430,380,000)	–
19.09.2008	19.09.2008 – 18.03.2010	0.0348	–	197,000,000	(3,000,000)	–	194,000,000
			430,380,000	197,000,000	(3,000,000)	(430,380,000)	194,000,000

Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.8.2007	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.7.2008
17.07.2006	17.07.2006 – 29.12.2012	0.068*	28,067,286	–	(28,000,000)	(67,286)	–
13.09.2006	13.09.2006 – 29.12.2012	0.048*	42,086,245	–	(42,085,002)	(1,243)	–
15.06.2007	15.06.2007 – 14.06.2010	0.167	292,345,000	–	(292,345,000)	–	–
31.07.2007	31.07.2007 – 30.07.2010	0.255	430,380,000	–	–	–	430,380,000
08.08.2007	08.08.2007 – 07.08.2010	0.207	–	109,700,000	(109,700,000)	–	–
			792,878,531	109,700,000	(472,130,002)	(68,529)	430,380,000

In respect of the share options exercised during the year, the weighted average share price at the date of exercise is HK$0.052 (2008: HK$0.203).

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 1.8.2008	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.7.2009
19.09.2008	19.09.2008 – 18.03.2010	0.0348	–	177,000,000	(3,000,000)	–	174,000,000

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

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

During the year ended 31st July, 2009, 197,000,000 options were granted on 19th September, 2008. The estimated fair values of the options granted on that date are HK$1,950,000.

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

The fair value was calculated using Binominal Option Pricing Model. The inputs into the model were as follows:

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

During the year ended 31st July, 2008, 109,700,000 options were granted on 8th August, 2007. The estimated fair values of the options granted on that date are HK$4,980,000. These fair values were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	8th August, 2007
Weighed average share price	HK$0.190
Exercise price	HK$0.207
Expected volatility	78.99%
Expected life	1.5 years
Risk-free rate	4.16%
Expected dividend yield	0.0%

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

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

The Group recognised the total expense of HK$1,950,000 for the year in which approximately HK$198,000 was related to options granted to the Group's employees and shown as staff costs as set out in note 10, and the remaining balance of approximately HK$1,752,000 was related to options granted to directors which have been included in directors' emoluments as set out in note 11. For the year ended 31st July, 2008, the Group recognised the total expenses of HK$4,980,000 in relation to the share options granted by the Company to the consultant.

35. SHARE PREMIUM AND RESERVES

THE COMPANY

	Share premium HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Capital reduction reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY							
At 1st August, 2007	555,251	2,127	41,543	170,583	268	(168,374)	601,398
Loss for the year	–	–	–	–	–	(17,027)	(17,027)
Issue of shares (note 33a)	223,260	–	–	–	–	–	223,260
Exercise of share options (note 33b)	93,744	–	(22,981)	–	–	–	70,763
Expenses incurred in connection with issue of shares	(3,351)	–	–	–	–	–	(3,351)
Recognition of equity-settled share-based payment	–	–	4,980	–	–	–	4,980
At 31st July, 2008	868,904	2,127	23,542	170,583	268	(185,401)	880,023
Loss for the year	–	–	–	–	–	(248,401)	(248,401)
Issue of shares (note 33c)	120,000	–	–	–	–	–	120,000
Expenses incurred in connection with issue of shares	(1,576)	–	–	–	–	–	(1,576)
Recognition of equity-settled share-based payment	–	–	1,950	–	–	–	1,950
Exercise of share options (note 33d)	104	–	(30)	–	–	–	74
At 31st July, 2009	987,432	2,127	25,462	170,583	268	(433,802)	752,070

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 years.

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Fair value adjustments HK$'000 (note)	Total HK$'000
THE GROUP				
At 1st August, 2007	2,295	(2,295)	—	—
Charge (credit) to income statement	(304)	304	—	—
Effect of change in tax rate	(130)	130	—	—
At 31st July, 2008	1,861	(1,861)	—	—
Charge (credit) to income statement	(44)	44	—	—
Acquisition of subsidiaries	—	—	71,079	71,079
At 31st July, 2009	1,817	(1,817)	71,079	71,079

Note: The fair value adjustments represented the fair value changes on property, plant and equipment and prepaid lease payments arising from the acquisition of subsidiaries as disclosed in note 37.

At 31st July, 2009, the Group and the Company had unused tax losses of HK$181,739,000 (2008: HK$118,418,000) and HK$13,963,000 (2008: HK$6,953,000), respectively, available to offset against future profits. A deferred tax asset of the Group has been recognised in respect of HK$11,010,000 (2008: HK$11,281,000) of such tax losses. No deferred tax assets of the Group and the Company have been recognised in respect of the remaining unused tax losses of HK$170,729,000 (2008: HK$107,137,000) and HK$13,963,000 (2008: HK$6,953,000), respectively, due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

37. ACQUISITION OF SUBSIDIARIES

During the year ended 31st July, 2009, the Company acquired the entire issued share capital of Hotel Fortuna (Hong Kong) and its subsidiaries (collectively referred as “Fortuna Group”) at a consideration of approximately HK$533,982,000. After the completion of the acquisition, Hotel Fortuna (Hong Kong) has become a wholly owned subsidiary of the Company.

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

2009

	Note	Hotel Fortuna (Hong Kong)'s carrying amount HK$'000	Fair value adjustments HK$'000	Hotel Fortuna (Hong Kong)'s Fair value HK$'000
Net (liabilities) assets acquired:				
Property, plant and equipment		374,185	91,846	466,031
Prepaid lease payments		13,671	—	13,671
Premium on prepaid lease payments		—	192,468	192,468
Inventory		2,845	—	2,845
Trade and other receivables		4,799	—	4,799
Bank balances and cash		13,398	—	13,398
Trade and other payables		(22,412)	—	(22,412)
Loans from related parties		(136,456)	—	(136,456)
Loans from ex-shareholders		(424,014)	—	(424,014)
Deferred tax liabilities		—	(71,079)	(71,079)
Obligation under a finance lease		(362)	—	(362)
		(174,346)	213,235	38,889
Goodwill arising on acquisition				71,079
				109,968
Total consideration satisfied by:				
Deposit paid in previous year	22			250,000
Consideration payable for acquisition of subsidiaries	22			283,982
				533,982
Loans from ex-shareholders transferred to the Group				(424,014)
				109,968
Net cash inflow arising on acquisition:				
Bank and cash acquired				13,398

During the year ended 31st July, 2009, the subsidiaries acquired contributed HK$47,606,000 and HK$23,015,000 to the Group's revenue and loss for the year, respectively, between the dates of acquisition and the balance sheet date.

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

Had the acquisitions been completed on 1st August, 2008, the Group's revenue and loss for the year would have been HK$85,124,000 and HK$248,980,000, respectively. This proforma information is for illustrative purposes only and is not necessarily indicative of the revenue and results of the Group that would actually have been impacted had the acquisitions been completed on 1st August, 2008, nor is it intended to be a projection of future results.

Goodwill of approximately HK$71,079,000 has been recognised upon the completion of the acquisition of Fortuna Group. The recoverable amount of the Fortuna Group's cash generating unit, determined by value in use with reference to the discounted cash flow of this cash generating unit, is lower than its carrying amount. Accordingly, the goodwill has been fully impaired and recognised in the consolidated income statement.

2008

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

The net assets acquired in the transaction are as follow:

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

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

The newly acquired subsidiary during the year ended 31st July, 2008 did not make any significant impact on the Group's revenue and operating result for the year ended 31st July, 2008.

38. DISPOSAL OF A SUBSIDIARY

THE GROUP

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

The total net assets of Chadbury International Limited at the date of disposal were as follows:

	2008 HK$'000
NET ASSETS DISPOSED OF	
Investment properties	7,152
Trade and other payables	(2,800)
	4,352
Gain on disposal	148
Net consideration	4,500
Satisfied by:	
Cash	4,500
Net cash inflow arising on disposal:	
Cash consideration	4,500

39. PLEDGE OF ASSETS

At 31st July, 2009, hotel properties of HK$338,638,000 (2008: Nil) of the Group were pledged to secure bank borrowings of RMB133,000,000 (equivalent to approximately of HK$150,487,000) granted to the Group. Bank deposit of HK$641,000 (2008: HK$641,000) of the Group was pledged to banks to secure credit facilities to the extent of HK$600,000 (2008: HK$600,000) granted to the Group, of which HK$23,000 (2008: HK$37,000) was utilised by the Group.

40. 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 employees employed by PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect of the retirement benefits schemes is to make the required contributions under the schemes.

The retirement benefit scheme contributions arising from the MPF Scheme and the PRC state-managed retirement benefit scheme charged to the consolidated income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. For the year ended 31st July, 2009, contributions of the Group under the MPF Scheme amounted to HK$1,235,000 (2008: HK$68,000).

41. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases for premises during the year was HK$3,506,000 (2008: HK$1,735,000).

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	
	2009	2008
	HK$'000	HK$'000
Within one year	**2,347**	2,657
In the second to fifth year inclusive	**3,024**	1,413
Over five years	**3,019**	—
	8,390	4,070

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated and rentals are fixed for an average term of two to ten years (2008: two years).

The Group as lessor

Property rental income earned by the Group during the year was HK$568,000 (2008: HK$568,000). Certain of the Group's properties are held for rental purposes and are expected to generate rental yields of 2% (2008: 2%) for both years, on an ongoing basis. The properties of the Group held for rental purposes have no committed tenants (2008: 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	
	2009	2008
	HK$'000	HK$'000
Within one year	**—**	144

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

42. RELATED PARTY DISCLOSURES

(a) During the year, the Group has paid HK$1,228,000 interest expenses for loans from a director of certain subsidiaries of the Company and companies in which the director has beneficial interest.

(b) Compensation of key management personnel

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

	2009 HK$'000	2008 HK$'000
Short-term benefits	**3,712**	3,712
Share-based payment	**1,752**	—
	5,464	3,712

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

43. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the borrowing disclosed in note 31, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and various reserves.

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

44. FINANCIAL INSTRUMENTS

44a. Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Fair value through profit or loss (FVTPL) held for trading	**32,345**	103,412
Derivative financial instruments	**6,883**	208
Loans and receivables (including cash and cash equivalents)	**88,726**	46,823
Available-for-sale financial assets	**59,850**	69,890
Financial liabilities		
Amortised cost	**272,449**	618
Derivative financial instruments	**1,056**	1,005

44b. Financial risks management objectives and policies

The Group's major financial instruments are set out in note 44(a) above and details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group has foreign currency bank balances and available-for-sale investment, which expose the Group to foreign currency risk.

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

	Assets	
	2009 HK$'000	2008 HK$'000
USD	**535**	914

44. FINANCIAL INSTRUMENTS *(Continued)*

44b. Financial risks management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

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

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

(ii) Interest rate risk

Convertible bond and consideration payable for acquisition of subsidiaries at fixed rates expose the Group to fair value interest rate risk.

Details of the Group's interest bearing financial instruments have been disclosed in their respective notes to the consolidated financial statements.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the rate determined by the People's Bank of China arising from the Group's RMB borrowings.

Sensitivity analysis

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

The effect of an increase/decrease in interest rates by 50 basis points, with all other variables held constant, on the Group's loss for both years would be insignificant.

44. FINANCIAL INSTRUMENTS *(Continued)*

44b. Financial risks management objectives and policies *(Continued)*

Market risk (Continued)

(iii) Other price risk

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

Sensitivity analysis

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

If the prices of the respective equity investments had been 5% higher/lower, the Group's loss for the year ended 31st July, 2009 would decrease/increase by HK$1,099,000 (2008: decrease/increase by HK$4,192,000) as a result of the changes in fair value of investments held for trading.

Credit risk

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

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

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

The Group does not expose to significant concentration of credit risk except for its investment in convertible bond issued by an entity listed in the Stock Exchange of Hong Kong Limited. The management continues to monitor the financial performance of the listed company for the purpose of monitoring its credit risk exposure.

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

44. FINANCIAL INSTRUMENTS *(Continued)*

44b. Financial risks management objectives and policies *(Continued)*

Liquidity risk

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

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

Liquidity and interest risk tables

	Contractual interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.7.2009 HK$'000
2009							
Non-derivative financial liabilities							
Trade and other payables	–	8,369	–	–	–	8,369	8,369
Bank borrowings	5.68	–	1,196	5,261	152,570	159,027	150,487
Consideration payable for acquisition of subsidiaries	2.00	–	–	–	115,865	115,865	113,593
		8,369	1,196	5,261	268,435	283,261	272,449
Derivative financial liabilities – net settlement							
Derivative financial instruments	–	–	1,056	–	–	1,056	1,056

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

44. FINANCIAL INSTRUMENTS *(Continued)*

44c. 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 derivative instruments), with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively; and

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

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

RESULTS

	Year ended 31st July,				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
Revenue	**48,174**	898	567	411	10,522
(Losses) gains on financial investment	**(38,934)**	(188,836)	154,133	72,456	10,251
Estate agency income	**—**	—	—	—	4,940
	9,240	(187,938)	154,700	72,867	25,713
(Loss) profit before taxation	**(228,343)**	(201,535)	110,464	40,278	6,849
Taxation	**—**	22	(22,770)	(11,539)	(210)
	(228,343)	(201,513)	87,694	28,739	6,639
Discontinued operation					
(Loss) profit for the year from discontinued operations	**—**	—	(2,386)	243	—
(Loss) profit for the year	**(228,343)**	(201,513)	85,308	28,982	6,639
Attributable to:					
Equity holders of the Company	**(227,224)**	(201,507)	85,140	28,900	6,398
Minority interests	**(1,119)**	(6)	168	82	241
	(228,343)	(201,513)	85,308	28,982	6,639

ASSETS AND LIABILITIES

	At 31st July,				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,362,475**	1,045,518	929,895	522,647	182,993
Total liabilities	**(381,813)**	(39,902)	(47,460)	(32,468)	(22,562)
	980,662	1,005,616	882,435	490,179	160,431
Equity attributable to equity holders of the Company	**977,916**	1,001,851	882,435	488,961	159,305
Minority interests	**2,746**	3,765	—	1,218	1,126
	980,662	1,005,616	882,435	490,179	160,431

Major Properties

Particulars of major properties held by the Group at 31st July, 2009 are as follows:

(a) Investment properties:

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

(b) Properties for development:

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