THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

G·PROP (HOLDINGS) LIMITED

G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

(1) SPECIAL DEAL, MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL; (2) PROPOSED AMENDMENT TO THE CONDITION OF THE CONVERTIBLE BONDS; (3) PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY; AND (4) NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company

BNP PARIBAS
CORPORATE & INVESTMENT BANKING

BNP Paribas Capital (Asia Pacific) Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

GD 粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Terms used in this cover page shall have the same meaning as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 7 to 20 of this circular. A letter from the Independent Board Committee is set out on page 21 to 22 of this circular. A letter from Guangdong Securities containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 36 of this circular.

A notice convening the SGM to be held at Concord Room 2 & 3, 8/F Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on Tuesday, 22 July 2008 is set out on pages 121 to 124 of this circular. If you are not able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

30 June 2008

CONTENT

Page

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

"Acetic Acid Project"	the proposal for the construction of acetic acid factory and the production and sale of acetic acid to be undertaken by Hebei Chungshun and Hebei Yingdu as announced by the Company in its announcement dated 21 January 2008
"acting in concert"	the meaning ascribed to it under the Takeovers Code
"AK Bond"	the Convertible Bonds with principal amount of HK$72,000,000 issued by the Company to Asian Kingdom Limited, a company wholly-owned by Mr. Lau, pursuant to the Subscription
"Announcement"	the announcement of the Company dated 31 March 2008 in relation to, among other things, (i) the proposed Disposal; and (ii) the Proposed CB Amendment
"Big Winner"	Big Winner Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
"Big Winner Group"	Big Winner and its subsidiaries
"Board"	the board of Directors
"Bondholder(s)"	the bondholder(s) of the Convertible Bonds
"Bye-laws"	the bye-laws of the Company (as amended from time to time)
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"CE"	Chinese Estates Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange, being the Controlling Shareholder and the holding company of the Company as at the Latest Practicable Date

"CE Group"	CE and its subsidiaries, which for the purpose of this circular excludes the Group
"Company"	G-Prop (Holdings) Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
"Controlling Shareholder(s)"	the meaning ascribed to it under the Listing Rules
"Convertible Bonds"	the zero coupon convertible bonds due 2010 issued by the Company in the aggregate principal amount of HK$180,000,000 which was created by an instrument executed by the Company by way of a deed poll on 25 October 2007, all of which remained outstanding as at the Latest Practicable Date
"Directors"	the directors of the Company
"Disposal"	the disposal of the entire issued share capital of Big Winner and the shareholder's loan owed by Big Winner Group to the Company pursuant to the Disposal Agreement
"Disposal Agreement"	the agreement dated 1 February 2008 and entered into between the Company (as vendor) and Fame Ascent (as purchaser) in relation to the Disposal as varied and supplemented by the Supplemental Disposal Agreements
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"Fame Ascent"	Fame Ascent Investments Limited, an investment holding company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of KB, and was a Controlling Shareholder of the Company as at the date of the Disposal Agreement and immediately before the completion of the sale and purchase of the Sale Shares
"Grade Crystal"	Grade Crystal Investments Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries

"Guangdong Securities" or "Independent Financial Adviser"	Guangdong Securities Limited, a corporation licensed to carry on type 1 (dealings in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal and the Proposed CB Amendment
"Hebei Chungshun"	河北忠信化工有限公司(Hebei Chung Shun Chemical Co., Ltd.), a sino-foreign equity joint venture proposed to be established in the Hebei Province in the PRC pursuant to the Master Agreement
"Hebei Yingdu"	河北英都氣化有限公司(Hebei Ying Du Gasification Co., Ltd.), a sino-foreign equity joint venture proposed to be established in the Hebei Province in the PRC pursuant to the Master Agreement
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the Board committee comprising Mr. Leung, Yun-fai, Mr. Lam, Yat-fai and Dr. David Chain, Chi-woo, being the independent non-executive Directors, established by the Board for the purpose of advising the Independent Shareholders in relation to the Disposal and the Proposed CB Amendment
"Independent Shareholder(s)"	Shareholder(s) other than (i) Asian Kingdom Limited, Mass Rise, CE Group, KB and Fame Ascent, their respective associates and parties acting in concert with any of them and (ii) those who are interested in or involved in the Disposal or the Proposed CB Amendment
"KB"	Kingboard Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and was a Controlling Shareholder of the Company as at the date of the Disposal Agreement and immediately before the completion of the sale and purchase of the Sale Shares
"KB Group"	KB and its subsidiaries

"Latest Practicable Date"	27 June 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Mass Rise"	Mass Rise Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CE
"Master Agreement"	the agreement dated 17 January 2008 and entered into between the Company and KB in relation to a possible formation of joint venture companies with KB Group for the purpose of undertaking the Acetic Acid Project
"Methanol Project"	the project of setting up a plant in Erdos（鄂爾多斯）in Inner Mongolia of the PRC for manufacturing methanol products using coal as raw material as currently undertaken by the PRC Company, further details of which are set out in the Subscription Announcement and the Subscription Circular
"Mr. Lau"	Mr. Joseph Lau, Luen-hung, the sole ultimate beneficial owner of Asian Kingdom Limited and is a director and the Controlling Shareholder of CE, which is in turn a Controlling Shareholder of the Company
"Offers"	the mandatory unconditional cash offers for (i) all the issued Shares not already owned or agreed to be acquired by Mass Rise and parties acting in concert with it; and (ii) the Convertible Bonds (other than the AK Bond) made by Get Nice Securities Limited on behalf of Mass Rise in accordance with the Takeovers Code, details of which are set out in the composite offer and response document jointly issued by Mass Rise and the Company and the accompanying form(s) of acceptance dated 15 April 2008
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, Macau and Taiwan

"PRC Company"	內蒙古伊澤礦業投資有限公司 (unofficial English translation as Inner Mongolia Yize Mining Investment Co., Ltd.), a company established in the PRC on 16 November 2004 and an indirect wholly-owned subsidiary of the Company, further details of which are set out in the Subscription Announcement and the Subscription Circular
"Proposed CB Amendment"	the proposed amendment to the condition of the Convertible Bonds, the details of which are set out in the paragraph headed "Proposed amendment to the condition of the Convertible Bonds" in the section headed "Letter from the Board" in this circular
"Sale and Purchase Agreement"	the sale and purchase agreement dated 1 February 2008 and entered into between Mass Rise (as purchaser) and Fame Ascent (as vendor) in relation to, amongst other matters, the sale and purchase of the Sale Shares, the transfer of which has triggered the Offers
"Sale Share(s)"	740,518,325 Shares acquired by Mass Rise from Fame Ascent pursuant to the Sale and Purchase Agreement
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company convened to be held on Tuesday, 22 July 2008 for the purposes of considering, and if thought fit, approving, the Disposal, the Proposed CB Amendment and the proposed amendments to the Bye-laws
"Share Repurchases Code"	the Code on Share Repurchases of Hong Kong
"Shareholder(s)"	shareholder(s) of the Company
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Subscription"	collectively, the subscription of an aggregate of 1,234,197,208 Shares and the Convertible Bonds by Asian Kingdom Limited and Fame Ascent, further details of which are set out in the Subscription Announcement and the Subscription Circular
"Subscription Announcement"	the joint announcement dated 7 August 2007 and issued by the Company, Asian Kingdom Limited, KB and Fame Ascent in relation to, among other matters, the Subscription
"Subscription Circular"	the circular of the Company dated 28 August 2007 in relation to, among other matters, the Subscription
"Subscription Proceeds"	the proceeds of approximately HK$373 million net of expenses received by the Company from the Subscription which was completed in October 2007
"Supplemental Deed Poll"	the supplemental deed poll executed by the Company on 24 June 2008 in relation to the Proposed CB Amendment
"Supplemental Disposal Agreements"	the supplemental agreement dated 28 March 2008 and the second supplemental agreement dated 24 June 2008 entered into between the Company and Fame Ascent to vary and supplement certain terms of the Disposal Agreement
"Takeovers Code"	the Code on Takeovers and Mergers of Hong Kong
"Termination Deed"	the deed of termination dated 1 February 2008 and executed by the Company and KB in relation to the termination of the Master Agreement
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

In this circular, amounts quoted in US$ have been converted into HK$ at the rate of US$1.00 to HK$7.80 and amounts quoted in RMB have been converted into HK$ at the rate of RMB1.00 to HK$1.11. Such exchange rates have been used, where applicable, for purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at these or any other rates or at all.

G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

Executive Directors:
Mr. Leung, Wing-pong *(Chief Executive Officer)*
Mr. Kong, Chi-ming *(Deputy Chairman)*

Independent non-executive Directors:
Mr. Leung, Yun-fai
Mr. Lam, Yat-fai
Dr. David Chain, Chi-woo

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
26th Floor
MassMutual Tower
38 Gloucester Road
Wanchai
Hong Kong

30 June 2008

To the Shareholders and the Bondholders

Dear Sir or Madam

(1) SPECIAL DEAL, MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL; (2) PROPOSED AMENDMENT TO THE CONDITION OF THE CONVERTIBLE BONDS; AND (3) PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY

1. INTRODUCTION

On 31 March 2008, the Company announced in the Announcement that, among other matters, the Group had entered into the Disposal Agreement and the Company proposed to amend the condition of the Convertible Bonds.

Pursuant to Rule 14.38 and Rule 14A.49 of the Listing Rules, the Company must arrange for the publication of this circular within 21 days after the publication of the Announcement, being no later than 21 April 2008.

As more time is required for finalisation of certain information contained in this circular, including the indebtedness information and the sufficiency of working capital statement of the Group and the valuation of the property interests of the Group, the despatch of this circular was postponed.

The Company has applied to the Stock Exchange for waivers from strict compliance with Rule 14.38 and Rule 14A.49 of the Listing Rules for an extension of time for the despatch date of this circular to no later than 30 June 2008.

On 27 June 2008, the Company announced that, among other matters, (i) the Company and Fame Ascent entered into a second supplemental agreement on 24 June 2008 to extend the longstop date of the Disposal Agreement to 25 July 2008; (ii) the Company has utilised Subscription Proceeds of HK$163 million to acquire various floating rate notes; (iii) the net proceeds from the Disposal will be used to redeem the entire principal amount of the Convertible Bonds if so requested by the Bondholders. The Company also announced that it proposed to amend the Bye-laws to the effect that (i) a clearing house which is a Shareholder can appoint multiple proxies to attend general meetings and class meetings of the Company and (ii) on a poll, a Shareholder (which is a corporation) present by its duly authorised representative shall have one vote for every fully paid Share of which it is the holder.

The Disposal constitutes a connected and major transaction for the Company and is subject to reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules. The Disposal also constitutes a special deal under Rule 25 of the Takeovers Code and therefore requires the consent of the Executive and such consent, if granted, will be conditional upon the approval of the Independent Shareholders voting by way of a poll at the SGM.

The purpose of this circular is to give you further information regarding, among others, the Disposal which constitutes a special deal, the Proposed CB Amendment and the proposed amendments to the Bye-laws, the advice of the Independent Board Committee to the Independent Shareholders and the advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders, and to give you notice of the SGM at which the ordinary resolutions will be proposed to seek the Independent Shareholders' approval of the Disposal which constitutes a special deal and the Proposed CB Amendment and a special resolution will be proposed to seek the Shareholders' approval of the proposed amendments to the Bye-laws.

2. BACKGROUND

At present, the Group is principally engaged in property investment and leasing in Hong Kong. In addition, the Group owns the Methanol Project which is now in its preliminary development stage of designing the layout of the plant in Inner Mongolia of the PRC. On 21 January 2008, the Company announced that the Company had entered into the Master Agreement.

As disclosed in the "Letter from the Independent Financial Adviser" in the Subscription Circular, the Directors estimated that the total investment for the Methanol Project within the first three years after the acquisition of the PRC Company would be approximately HK$4,120 million. The Company only received Subscription Proceeds of approximately HK$373 million, which is sufficient for the first year operation of the Methanol Project. At that time, the Directors expected that future capital commitment would be funded by way of project financing, bank borrowings, shareholders' loan, equity financing and/or a combination of all. The recent change in the performance and sentiment of the capital market (in particular, the change after November 2007) has led to a more difficult environment for the Group to raise additional capital for the development of the Methanol Project and the Acetic Acid Project in the medium to long term. Hence, the Board, having considered the medium to long term business plan, decided to cease to take part in the Methanol Project and the Acetic Acid Project and on 1 February 2008, the Company and KB Group entered into the Disposal Agreement and the Termination Deed. On 28 March 2008, the Company and Fame Ascent also entered into the Supplemental Disposal Agreement. Details of the Disposal Agreement are summarised below.

3. DISPOSAL AGREEMENT

3.1 Date

1 February 2008 (as amended by the Supplemental Disposal Agreements)

3.2 Parties

(1) Vendor: The Company.

(2) Purchaser: Fame Ascent. As at the date of the Disposal Agreement, Fame Ascent was interested in approximately 36.51% of the entire issued Share and was a Controlling Shareholder of the Company.

3.3 Subject matter

Pursuant to the Disposal Agreement, the Company had conditionally agreed to sell, and Fame Ascent had conditionally agreed to purchase:

(1) the two ordinary shares with a par value of US$1 each of Big Winner, representing 100% issued share capital of Big Winner; and

(2) the shareholder's loan due from Big Winner Group to the Company, representing HK$183,698,970.40 as at the date of the Disposal Agreement.

3.4 Consideration

The aggregate consideration payable by Fame Ascent to the Company is HK$183,698,986 and shall be payable by Fame Ascent to the Company in cash at completion of the Disposal.

The consideration was determined after arm's length negotiation between the Company and Fame Ascent and on normal commercial terms with reference to the par value of the entire issued share capital of Big Winner (i.e. HK$15.60) and the face value of the shareholders' loan advanced by the Company to Big Winner Group as at 15 January 2008.

The Group's original acquisition cost of Big Winner Group is approximately HK$184 million, including, among other things, payment of the consideration for the acquisition of the PRC Company (approximately HK$62.4 million), deposit payment for development cost of methanol plant (approximately HK$11.1 million) and water usage right in Inner Mongolia (approximately HK$95.7 million), working capital of the PRC Company (approximately HK$8.0 million) and the preliminary administrative and taxation expenses of the PRC Company (approximately HK$6.8 million).

3.5 Completion of the Disposal

Completion of the Disposal is conditional upon:

(1) the completion of the sale and purchase of the Sale Shares as contemplated under the Sale and Purchase Agreement having taken place;

(2) the receipt by Fame Ascent of the offer price for the Convertible Bonds held by it pursuant to the Offers;

(3) the Disposal Agreement being consented to by the Executive for the purpose of Rule 25 of the Takeovers Code;

(4) the passing of the necessary resolution by the Shareholders in general meeting (if necessary, by poll) who are permitted by the Executive and the Stock Exchange to vote on the relevant resolution to approve the Disposal Agreement; and

(5) if necessary, all approvals, consents, authorisations and licences in relation to the change of beneficial ownership of Big Winner as contemplated by the Disposal Agreement having been obtained from the requisite government or regulatory authorities or any third parties.

None of the above conditions can be waived and the completion of the Disposal is not conditional upon the Termination Deed becoming effective. As at the Latest Practicable Date, conditions (1) and (2) had been fulfilled. If any of the above conditions has not been satisfied on or before 5:00 p.m. on 25 July 2008, the Disposal Agreement shall cease and determine and none of the parties shall have any obligations and liabilities hereunder save for any prior breaches of the terms thereof.

3.6 Information of Big Winner, Grade Crystal and the PRC Company

Big Winner is the sole legal and beneficial owner of the entire issued share capital of Grade Crystal. Grade Crystal is the sole legal and beneficial owner of the entire paid up registered capital of the PRC Company.

According to the existing Business Licence (企業法人營業執照) of the PRC Company, the business scope of the PRC Company is production and sale of methanol. The PRC Company is currently developing the Methanol Project solely.

Given that (i) the Methanol Project is only at a preliminary development stage which only involves the design of the layout of the plant of the Methanol Project; (ii) the PRC Company has not obtained all the relevant approvals required for the Methanol Project; (iii) the principal asset of the PRC Company comprises a vacant site in Inner Mongolia and no construction work has been undertaken so far; and (iv) the PRC Company has not yet commenced its business and has no sales, marketing, purchasing activities for generation of revenue and has not recorded any revenue, sales or turnover, and is not expected to generate any significant production until 2010 the earliest, the Directors consider that the Methanol Project does not constitute an existing business of the Group at present.

As at 30 April 2008, the unaudited total asset value and total liabilities of Big Winner and Grade Crystal are as follows:

	Big Winner	**Grade Crystal**
Unaudited total asset value	HK$8,522	HK$183,426,944
Unaudited total liabilities	HK$16,792	HK$183,682,180
Net liabilities	HK$8,270	HK$255,236

As stated above, Big Winner Group has not recorded any revenue during the two years ended 31 December 2007. For the period from 5 July 2007 (being the date of incorporation of Big Winner) to 31 December 2007, the unaudited net loss of Big Winner was HK$7,586. For the period from 12 June 2007 (being the date of incorporation of Grade Crystal) to 31 December 2007, the unaudited net loss of Grade Crystal was HK$30,028.

3.7 Directors' view

The Directors consider that the terms of the Disposal Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

3.8 Listing Rules implications

The Disposal constitutes a connected and major transaction for the Company and is subject to reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

3.9 Special deal

Since the Disposal Agreement, which has favourable conditions not extended to all Shareholders, was entered into during the period where the period of the Offers have commenced, the Disposal constitutes a special deal under Rule 25 of the Takeovers Code and therefore requires the consent of the Executive. An application for obtaining such consent has been submitted to the Executive. Such consent, if granted, will be subject to the approval by the Independent Shareholders by way of a poll at the SGM.

3.10 Financial effect to the Group

After completion of the Disposal, the Company will cease to have any interest in each member of Big Winner Group and each such company will cease to be a subsidiary of the Company.

Without taking into account the expenses to be incurred in connection with the Disposal and based on the unaudited consolidated accounts of the Group for the four months ended 30 April 2008, the Group is expected to record a gain of approximately HK$2.8 million as a result of the Disposal which is mainly attributable to the additional expenses incurred by the PRC Company during the period from the date of the Disposal Agreement up to 30 April 2008 and the foreign exchange gain to the Group as a result of the Disposal. It is estimated that the Group will receive net proceeds of approximately HK$182 million under the Disposal which is intended to be used to redeem the entire amount of the Convertible Bonds of HK$180 million if so requested by the Bondholders.

Based on the unaudited consolidated accounts of the Group for the four months ended 30 April 2008, the unaudited consolidated net assets value of the Company is expected to be reduced by approximately HK$11 million as a result of the completion of the Disposal.

The Directors do not expect any effect on the earnings of the Group as a result of the Disposal since the Big Winner Group has not recorded any revenue yet.

3.11 Financial and trading prospects of the Group

The Group will continue to focus on property investment and leasing in Hong Kong. The Group has also allocated resources to develop its investment and finance business segment. Following completion of the Disposal, the Group will have greater financial flexibility for other investment opportunities, and the Group will continue to look for attractive investment(s) and/or business(es) to enhance return to the Shareholders.

4. PROPOSED AMENDMENT TO THE CONDITION OF THE CONVERTIBLE BONDS

4.1 Background

At the special general meeting of the Company held on 12 September 2007, the Subscription, which constituted a connected transaction for the Company, was approved by the independent Shareholders of the Company. The Company issued the Convertible Bonds to Fame Ascent (in the principal amount of HK$108,000,000) and Asian Kingdom Limited (in the principal amount of HK$72,000,000) at completion of the Subscription.

Pursuant to the Offers, Fame Ascent tendered its Convertible Bonds in the principal amount of HK$108,000,000 to Mass Rise for acceptance. As at the Latest Practicable Date, the Convertible Bonds were owned by Mass Rise (in the principal amount of HK$108,000,000) and Asian Kingdom Limited (in the principal amount of HK$72,000,000).

Currently, it is a condition of the Convertible Bonds that subject to the Company's cash position, the Bondholders may only during the period commencing from the day immediately after the second anniversary of the issue date of the Convertible Bonds and expiring on the maturity date of the Convertible Bonds request the Company to redeem the outstanding principal amount of the Convertible Bonds. Such provision was then designed in view of the capital intensive nature of the Methanol Project. In light of the Disposal, the Group does not have any immediate need for the capital received from the issue of the Convertible Bonds which was originally allocated for the Methanol Project. Accordingly, it is proposed that subject to the completion of the Disposal, such condition will be amended so as to allow the Bondholder(s) to request the Company to redeem the outstanding principal amount of the Convertible Bonds at any time up to the maturity date of the Convertible Bonds.

4.2 The Supplemental Deed Poll

Pursuant to the conditions of the Convertible Bonds, any amendment to the conditions of the Convertible Bonds may be effected only by deed poll, executed by the Company only if it shall first have been sanctioned by a resolution of the Bondholders holding not less than 75% of the votes cast.

On 24 June 2008, all Bondholders holding 100% of the outstanding principal amount of the Convertible Bonds passed a resolution pursuant to which conditional on:

(i) the completion of the Disposal;

(ii) the approval of the Proposed CB Amendment by the Independent Shareholders at the SGM in accordance with the Listing Rules; and

(iii) the Stock Exchange granting the approval of the Proposed CB Amendment,

the relevant condition of the Convertible Bonds shall be amended to the effect that a Bondholder may, at any time during the period commencing from the date of issue of the Convertible Bonds and expiring on the date falling three years after the date of issue or, if that is not a business Day, the first business Day thereafter; by giving the Company seven business days' prior notice, request the Company to redeem the outstanding principal amount of the Convertible Bonds held by it provided that the Bondholder shall only make such redemption request after making prior consultation with the Company and is reasonably satisfied that after making the redemption as requested by such Bondholder, the Company will be able to pay its other debts when they fall due and provided further that any redemption shall be made in amounts of not less than a whole multiple of HK$500,000 (save that if at any time the outstanding principal amount of the Bond held by such Bondholder is less than HK$500,000).

On 24 June 2008, with the sanction of the Bondholders, the Company executed the Supplemental Deed Poll to amend the condition of the Convertible Bonds as referred to above. The Supplemental Deed Poll shall only become effective upon all conditions referred to above having been fulfilled.

4.3 Implications on Listing Rules and Share Repurchases Code

The Proposed CB Amendment is subject to Independent Shareholders' approval pursuant to the Listing Rules and the approval of the Stock Exchange.

Given that the rights of the Bondholders to redeem the outstanding principal amount of the Convertible Bonds are contained in the conditions of the Convertible Bonds if the Proposed CB Amendment becomes unconditional and any redemption, if made, will be in accordance with the conditions of the Convertible Bonds as amended by the Proposed CB Amendment, the Executive takes the view that the proposed redemption of the outstanding principal amount of the Convertible Bonds by the Bondholders is an exempt share repurchase pursuant to the Share Repurchases Code.

4.4 Directors' view

In view of the fact that (i) the gearing position of the Group may be relieved after the redemption of the outstanding principal amount of the Convertible Bonds; and (ii) the Shareholders' shareholding interests in the Company would not be diluted if the Convertible Bonds are redeemed before conversion, the Directors consider that the Proposed CB Amendment is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4.5 Shareholding structure

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date.

Name of Shareholders	Shareholding as at the Latest Practicable Date	
	Number of Shares	*%*
Mass Rise *(Note 1)*	740,521,829	36.51
High Victory Limited *(Note 1)*	113,818,911	5.61
Million Point Limited *(Note 1)*	50,000,000	2.47
Luckpoint Investment Limited *(Note 1)*	76,877,685	3.79
Great Empire International Ltd. *(Note 1)*	37,162,165	1.83
Asian Kingdom Limited *(Note 2)*	493,678,883	24.34
	1,512,059,473	74.55
Public	516,195,535	25.45
Total	2,028,255,008	100.00

Notes:

1. These companies are subsidiaries of CE and being fellow subsidiaries of Mass Rise, these companies are parties acting in concert with Mass Rise for the purpose of the Takeovers Code.

2. Asian Kingdom Limited is a company ultimately and wholly-owned by Mr. Lau, a director and the Controlling Shareholder of CE, which is in turn the Controlling Shareholder of the Company.

As at the Latest Practicable Date, Mass Rise and Asian Kingdom Limited owned the Convertible Bonds in the principal amount of HK$108,000,000 and HK$72,000,000 respectively. Based on the initial conversion price of HK$0.162 per Share, an aggregate of 666,666,666 Shares and 444,444,444 Shares will be allotted and issued by the Company to Mass Rise and Asian Kingdom Limited respectively if the conversion rights attached to such Convertible Bonds are exercised in full.

On the assumption that the Proposed CB Amendment becoming effective, there will not be any change to the shareholding structure and the percentage of voting rights of the Company unless any Bondholder exercises the conversion rights attached to the Convertible Bonds it held.

5. USE OF PROCEEDS FROM THE SUBSCRIPTION

Completion of the Subscription took place in October 2007 and the Company has received the Subscription Proceeds of approximately HK$373 million which the Directors intended to use for the construction of the production plant of the Methanol Project.

The Group had used approximately HK$121 million from the Subscription Proceeds for the Methanol Project. In order to better utilise the unused Subscription Proceeds, the Group had utilised approximately HK$163 million to acquire various floating rate notes. The remaining unused Subscription Proceeds of approximately HK$89 million will be used as the Group's general working capital and/or for acquisition of suitable investment(s) and/or business(es).

6. IMPLICATIONS ON RULE 14.82 OF THE LISTING RULES

Under the requirement of Rule 14.82 of the Listing Rules, the Company shall not consist wholly or substantially of cash. As at the date of the Announcement, the percentages of cash total assets and net assets of the Company were approximately 58.4% and 85.0% respectively. After the date of the Announcement, the Company has identified and acquired suitable investment to strengthen its investment and finance business segment. The Group has acquired various floating rate notes with principal amount of approximately HK$163 million. The maturity date of these floating rate notes is more than 12 months from the date of acquisition. These floating rate notes are treated as non-current assets in the books of the Group. As at the Latest Practicable Date, the percentages of cash to total assets and net assets of the Group were approximately 27.88% and 40.76% respectively.

After completion of the Disposal Agreement but before any redemption of the principal amount of the Convertible Bonds, the percentages of cash to total assets and net assets of the Group will be 61.34% and 88.59% respectively. Accordingly, the Company will continue to satisfy the requirements of Rule 14.82 of the Listing Rules. A further announcement will be made by the Company on the date of completion of the Disposal to update the Shareholders on whether the requirement under Rule 14.82 of the Listing Rules has been satisfied.

7. PROPOSED AMENDMENTS TO THE BYE-LAWS

To cater for the increasing demand from investors holding securities in listed companies through CCASS for attending the shareholders' meetings in person or appointing proxies to vote on their behalf, listed issuers are required to include in their articles of association or bye-laws provisions allowing HKSCC Nominees Limited (or any successor thereto) to appoint multiple proxies/corporate representatives to attend general meetings of the listed issuers.

On 27 June 2008, the Company announced that the Company proposed to amend the Bye-laws to the effect that (i) a clearing house which is a Shareholder can appoint multiple proxies to attend general meetings and class meetings of the Company (ii) on a poll, a Shareholder (which is a corporation) present by its duly authorised representative shall have one vote for every fully paid Share of which it is the holder. A full text of the proposed amendments to the Bye-laws is set out in resolution number 3 in the notice of the SGM as set out in pages 121 to 124 of this circular.

8. RECONCILIATION STATEMENT

Disclosure of the reconciliation of the Group's properties from the audited consolidated financial statements of the Group as at 31 December 2007 to the valuation as at 30 April 2008 as required under Rule 5.07 of the Listing Rules is set out below:

	HK$'000
Valuation of properties owned by the Group as at 30 April 2008 as set out in the property valuation report on the Group's property interests in Appendix II to this circular	102,430
Net book value of the properties owned by the Group as at 31 December 2007 as set out in the audited consolidated balance sheet of the Group as at 31 December 2007	94,581
Less: Depreciation and amortisation	(440)
Add: Exchange adjustment	2,675
Fair value changes on investment properties	2,500
Net book value as at 30 April 2008	99,316
Revaluation surplus	3,114

9. SGM

The Company will convene the SGM at 10:00 a.m. on Tuesday, 22 July 2008 for the purposes of considering, if thought fit, approving the Disposal Agreement, the Proposed CB Amendment and the proposed amendments to the Bye-laws. The resolutions in respect of the resolutions approving the Disposal and the Proposed CB Amendment will be put to the vote at the SGM by poll and the resolution in respect of the proposed amendments to the Bye-laws will be put to the vote at the SGM by a show of hands unless a poll is demanded at the SGM. A notice of the SGM is set out on pages 121 to 124 of this circular.

To the best knowledge of the Directors having made all reasonable enquiries, the KB Group (including Fame Ascent) does not hold any Shares as at the Latest Practicable Date. On such basis, other than Mass Rise, its associates and parties acting in concert with it (including CE Group and Asian Kingdom Limited) holding approximately 74.55% of the entire issued share capital of the Company as at the Latest Practicable Date who will abstain from voting in respect of the resolutions approving the Disposal and the Proposed CB Amendment at the SGM, there is no other Shareholder who has a material interest or is involved in the Disposal Agreement and the Proposed CB Amendment who is required to abstain from voting in respect of the resolutions approving the Disposal and the Proposed CB Amendment at the SGM. There is no Shareholder who is required to abstain from voting in respect of the resolution approving the proposed amendments to the Bye-laws.

A form of proxy for use at the SGM is also enclosed. If you are not able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

10. PROCEDURES FOR DEMANDING A POLL

Under the Bye-laws, a poll can be demanded at the SGM by:

(a) the chairman of the SGM; or

(b) at least three members present in person or by proxy for the time being entitled to vote at the SGM; or

(c) any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the SGM; or

(d) any member or members present in person or by proxy and holding Shares conferring a right to vote at the SGM being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or

(e) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at the SGM.

11. RECOMMENDATION

Your attention is drawn to the advice of the Independent Board Committee in its letter set out on pages 21 to 22 of this circular and the letter of advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders in connection with the Disposal Agreement which constitutes a special deal and the Proposed CB Amendment and the principal factors and reasons considered by it in arriving at such advice set out on pages 23 to 36 in this circular.

The Independent Board Committee, having taken into account the advice of Guangdong Securities, considers that the Disposal Agreement and the Proposed CB Amendment are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to vote in favour of the resolutions approving the Disposal Agreement which constitutes a special deal and the Proposed CB Amendment to be proposed at the SGM.

The Board considers that the Disposal, the Proposed CB Amendment and the proposed amendments to the Bye-laws are in the interests of the Shareholders and the Company as a whole and recommend the Shareholders to vote in favour of all resolutions to be proposed at the SGM.

12. ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Lam, Kwong-wai
Company Secretary

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular:

G·PROP
(HOLDINGS) LIMITED

G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

30 June 2008

To the Independent Shareholders

Dear Sir or Madam

(1) SPECIAL DEAL, MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL; AND (2) PROPOSED AMENDMENT TO THE CONDITION OF THE CONVERTIBLE BONDS

We refer to the circular issued by the Company to the Shareholders and the Bondholders and dated 30 June 2008 ("**Circular**") of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board to consider the terms of the Disposal Agreement which constitutes a special deal and the Proposed CB Amendment. Guangdong Securities has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from Guangdong Securities as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Guangdong Securities as set out in its letter of advice, we consider that (i) the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Disposal which constitutes a special deal even though is not in the ordinary and usual course of business of the Company, is still in the interests of the Company and the Shareholders as a whole; (iii) the terms of the Proposed CB Amendment are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iv) although the Proposed CB Amendment is not in the ordinary and usual course of business of the Company, it is still in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions approving the Disposal Agreement which constitutes a special deal and the Proposed CB Amendment to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Independent Board Committee
Leung, Yun-fai **Lam, Yat-fai** **David Chain, Chi-woo**
Independent non-executive Directors

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Disposal and the Proposed CB Amendment for the purpose of inclusion in this circular.

GD 粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

30 June 2008

To: The independent board committee and the independent shareholders of G-Prop (Holdings) Limited

Dear Sirs,

(I) SPECIAL DEAL, MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL; AND (II) PROPOSED AMENDMENT TO THE CONDITION OF THE CONVERTIBLE BONDS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal and the Proposed CB Amendment (collectively, the "Transactions"), details of which are set out in the letter from the Board (the "Board Letter") contained in the circular dated 30 June 2008 issued by the Company to the Shareholders (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Board announced on 31 March 2008 that on 1 February 2008, the Company (as vendor) and Fame Ascent (as purchaser) entered into the Disposal Agreement (as amended by the Supplemental Disposal Agreements dated 28 March 2008 and 24 June 2008) pursuant to which the Company has conditionally agreed to sell, and Fame Ascent has conditionally agreed to purchase, the entire issued share capital of Big Winner and all the shareholders' loan due from the Big Winner Group to the Company at an aggregate consideration of HK$183,698,986 (the "Consideration"). The Consideration will be paid by Fame Ascent to the Company in cash at completion of the Disposal.

As at the date of the Disposal Agreement, Fame Ascent was interested in approximately 36.51% of the entire issued share capital of the Company and was a controlling shareholder of the Company. The Disposal therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to approval of the Independent Shareholders by way of poll at the SGM. Based on the applicable percentage ratios as set out in Chapter 14 of the Listing Rules, the Disposal also constitutes a major transaction for the Company. In addition, pursuant to Rule 25 of the Takeovers Code, the Disposal constitutes a special deal arrangement (the "Special Deal") and thus requires the consent of the Executive. Such consent, if granted, will be conditional upon, among other things, the approval of the Independent Shareholders by way of poll at the SGM.

In light of the Disposal, the Group does not have any immediate need for the capital received from the issue of the Convertible Bonds which was originally allocated for the Methanol Project. Accordingly, the Board proposed that subject to the completion of the Disposal, the condition of the Convertible Bonds will be amended so as to allow the Bondholder(s) to request the Company to redeem the outstanding principal amount of the Convertible Bonds at any time after the Proposed CB Amendment becoming effective up to the maturity date of the Convertible Bonds.

In accordance with the conditions of the Convertible Bonds, the Proposed CB Amendment may be effected only by deed poll, executed by the Company only if it shall first have been sanctioned by a resolution of the Bondholders holding not less than 75% of the votes cast. In addition, the Proposed CB Amendment is subject to the Independent Shareholders and the Stock Exchange's approval pursuant to the Listing Rules and is also conditional on the completion of the Disposal. In this relation, as referred to in the Board Letter, subject to the fulfillment of various conditions as specified under the section headed "The Supplemental Deed Poll" of the Board Letter, on 24 June 2008, a relevant resolution was passed by all Bondholders holding 100% of the outstanding principal amount of the Convertible Bonds. With the sanction of the Bondholders, the Company also executed the Supplemental Deed Poll on 24 June 2008 to amend the condition of the Convertible Bond as also detailed under the aforesaid section of the Board Letter.

An Independent Board Committee comprising Mr. Leung, Yun-fai, Mr. Lam, Yat-fai and Dr. David Chain, Chi-woo (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Disposal Agreement (which constitute a Special Deal), the Supplemental Disposal Agreements and the Proposed CB Amendment are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal and the Proposed CB Amendment are in the interests of the Company and the Shareholders as a whole; (iii) whether the Disposal and the Proposed CB

Amendment are in the ordinary and usual course of business of the Company; and (iv) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Disposal Agreement, the Supplemental Disposal Agreements, the Proposed CB Amendment and the respective transactions contemplated therein at the SGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the aforementioned respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date hereof. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Big Winner, Grade Crystal and the PRC Company, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal and the Proposed CB Amendment. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

I. THE DISPOSAL

Principal factors and reasons considered

In arriving at our opinion in respect of the Disposal, we have taken into consideration the following principal factors and reasons:

(1) Background of and reasons for the Disposal

Business overview of the Group

The principal businesses of the Group are property investments, and investment and finance. Tabulated below are the audited financial results of the Group for the three years ended 31 December 2007 as extracted from the annual report of the Company for the year ended 31 December 2007 (the "2007 Annual Report") and the annual report of the Company for the year ended 31 December 2006 (the "2006 Annual Report") respectively:

	For the year ended 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	2,812	3,512	4,698
– Rental income	2,782	3,227	4,189
– Income from finance	30	285	509
Gross profit	2,498	1,823	2,661
Profit for the year	15,193	4,819	7,092

It is noted that the Group's total turnover had dropped continuously since the year ended 31 December 2005. Furthermore, the Group's profitability was relatively unstable. For each of the three years ended 31 December 2007, rental income, which was being derived from the leasing out of commercial and industrial properties owned by the Group, had been the Group's largest revenue source. As stated in the 2006 Annual Report and the 2007 Annual Report respectively, the significant deterioration of the Group's profitability in 2006 was due to the loss on disposal of investment properties whereas the bounce back of the Group's profitability in 2007 was mainly attributed by factors such as the gains on disposal of an intangible asset and other investment properties of the Group, which were all considered by the Directors as one-off and non-recurrent in nature. Moreover, upon our further enquiry, the Company also advised us that given that the Group mainly concentrates on property investments and investment and finance in Hong Kong, the business performance of the Group is dependent on the property market condition and the market interest rate trend in the future. In addition, although the Company acquired approximately HK$163 million of various floating rate notes which will generate relative stable income for the Group in the future, the Directors confirmed that the interest income deriving from the floating rate notes is not enough to support the development of the Methanol Project. For the above reasons, the Directors expected that the Group's business prospects will remain unstable in the near future, and the Group may not be able to support the development of the Methanol Project with its future possible income.

Assets and liabilities position of the Group

The following table summaries the audited assets and liabilities position of the Group as at 31 December 2007 and 31 December 2006 respectively as extracted from the 2007 Annual Report:

	As at 31 December	
	2007	**2006**
	HK$'000	*HK$'000*
Total assets	532,342	133,813
– time deposits, bank balances and cash	354,015	88,062
Total liabilities	166,683	5,137
– the Convertible Bonds	143,678	Nil
Net asset value ("NAV")	365,659	128,676
Gearing level (= Total debt/total equity)	0.39 times	–

It is demonstrated that the Group's net asset position strengthened from 31 December 2006 to 31 December 2007. As referred to in the 2007 Annual Report, the Group retained most of its profits derived during the same said year as "time deposits, bank balances and cash". The Directors further confirmed that the Group did not have any debt liabilities other than the Convertible Bonds. As at 31 December 2007, the Group's gearing level was approximately 0.39 times resulting from solely the issue of the Convertible Bonds.

Information on Big Winner, Grade Crystal and the PRC Company

Big Winner is the sole legal and beneficial owner of the entire issued share capital of Grade Crystal. Grade Crystal is the sole legal and beneficial owner of the entire paid up registered capital of the PRC Company. Save and except for the indirect/direct ownership of the PRC Company, the Directors further confirmed that both of Big Winner and Grade Crystal do not have any significant business operation since their respective date of incorporation.

As put forth in the Board Letter, the business scope of the PRC Company is the production and sale of methanol. Currently, the PRC Company is the sole developer of the Methanol Project and it has no other future business development plan besides the Methanol Project.

As extracted from the Board Letter, the unaudited total assets and total liabilities of Big Winner and Grade Crystal as at 30 April 2008, and the unaudited net losses incurred by these two companies from their respective date of incorporation (Big Winner: 5 July 2007; Grade Crystal: 12 June 2007) to 31 December 2007 are as follows:

As at 30 April 2008	**Big Winner**	**Grade Crystal**
	HK$	*HK$*
Total assets	8,522	183,426,944
Total liabilities	16,792	183,682,180
Net liabilities	(8,270)	(255,236)
For the period from date of incorporation to 31 December 2007		
	HK$	*HK$*
Net loss	(7,586)	(30,028)

The Methanol Project

Regarding the development of the Methanol Project, we have further enquired into the Directors and we noted from the Directors that the Methanol Project is at a preliminary development stage at which only the plans on the construction of the production plants have been formulated. In order to carry out the Methanol Project, the PRC Company is required to obtain various approvals from the relevant PRC government authorities. The PRC Company has not yet completed the relevant application process. The Directors expected that the application process could be lengthy and the operation of the Methanol Project will be pending until the PRC Company is able to obtain all the relevant government approvals. As at the Latest Practicable Date, the principal asset of the PRC Company comprised a vacant site in Inner Mongolia and no construction work had been undertaken so far.

As noted from the Board Letter, the PRC Company has not yet commenced any business and has no sales, marketing, purchasing activities for generation of revenue and has not recorded any revenue, sales or turnover. In view of that as aforesaid no construction work for the Methanol Project has been undertaken so far and the operation of the Methanol Project will be pending until the PRC Company has obtained all the relevant government approvals in the PRC, the Directors expected that the PRC Company will not implement any significant production until 2010 the earliest. Based also on the initial forecast of the Company, the estimated total capital requirement of the PRC Company is approximately HK$4,120 million within the first three years after the acquisition of the PRC Company for the construction of the first phase of the Methanol Project.

Having considered the above, we concur with the Directors that the Methanol Project does not constitute an existing business of the Group, and hence the Disposal is not in the ordinary and usual course of business of the Company.

Reasons for the Disposal

In accordance with the Board Letter and as mentioned above, the Directors estimated that the total investment for the Methanol Project within the first three years after the acquisition of the PRC Company would be approximately HK$4,120 million. The Company received net proceeds of approximately HK$373 million from the Subscription and the Group had used approximately HK$121 million for the Methanol Project. With regard to the same, we have enquired into the Directors and were advised by the Directors that the Group had time deposits, bank balances and cash of approximately HK$313 million as at 30 April 2008. Accordingly, the Group shall need to raise for additional funds for the development of the Methanol Project in the coming three years and it is the original intention of the Directors to obtain the said additional funding by way of project financing, bank borrowings, shareholders' loan, equity financing and/or a combination of all. Nevertheless, the recent change in the performance and sentiment of the capital market (in particular, the change after November 2007) has led to a more difficult environment for the Group to raise additional capital. The Directors, having also taken into account the future business plan of the Group, decided to quit the Methanol Project and enter into the Disposal Agreement with Fame Ascent for the Disposal.

In respect of the above, we have further enquired into the Directors regarding the fund raising opportunities available to the Group and the Company advised us that (i) despite the increase in NAV of the Group from 2006 to 2007, the Group has limited assets to pledge for bank borrowings and hence the banks would likely to offer a relatively high interest rate or even refuse to provide any loan to the Group; (ii) equity financing exercises may be impractical given the recent shrinking Share price and the generally low historical trading liquidity of the Shares; and (iii) most forms of equity financing, e.g. placing of new Shares, would lead to a dilution effect on the shareholding interests of the existing Shareholders in the Company.

In view of that (i) the Group's future business prospects will probably be unstable judging from its historical financial results and the Directors are uncertain on whether the Group can support the development of the Methanol Project with its future possible income; (ii) the Methanol Project is only at a preliminary development stage and the PRC Company is unlikely to obtain all the approvals from the relevant PRC government authorities as required for carrying out the Methanol Project within a short period of time; (iii) the PRC Company has not commenced its business and has not recorded any revenue, sales or turnover, and is not expected to implement any significant production until 2010 the earliest; (iv) the substantial capital requirement of the PRC Company for implementing the Methanol Project; and (v) the difficulties which the Group may face when trying to raise for additional funding and the drawbacks of the fund raising activities which are available to the Group as well as the Shareholders, we are of the opinion that the Disposal, which can relieve the Group's future liquidity burden but without creating any material adverse effect to the Group's earning position in the near term, is in the interests of the Company and the Shareholders as a whole.

(2) Principal terms of the Disposal Agreement

Pursuant to the Disposal Agreement (as amended by the Supplemental Disposal Agreements), the Company has conditionally agreed to sell, and Fame Ascent has conditionally agreed to purchase (i) the two ordinary shares with a par value of US$1.0 each of Big Winner, representing 100% of the issued share capital of Big Winner; and (ii) the shareholder's loan due from the Big Winner Group to the Company of HK$183,698,970.40 as at the date of the Disposal Agreement (the "Shareholder's Loan"), at the Consideration of HK$183,698,986. The Consideration will be paid by Fame Ascent to the Company in cash at completion of the Disposal.

The Directors intended to apply the net proceeds from the Disposal to redeem the entire amount of the Convertible Bonds of HK$180 million if so requested by the Bondholders.

Basis of the Consideration

As referred to in the Board Letter, the Consideration was determined after arm's length negotiation between the Company and Fame Ascent on normal commercial terms with reference to the par value of the entire issued share capital of Big Winner (i.e. US$2.0 ~ HK$15.60) and the face value of the Shareholder's Loan. We note that the Consideration equals to the sum of the par value of the entire issued share capital of Big Winner and the face value of the Shareholder's Loan.

Without taking into account the expenses to be incurred in connection with the Disposal, and as confirmed by the Directors, the Group is expected to record a gain of approximately HK$2.8 million as a result of the Disposal. The gain is mainly attributable to the additional expenses incurred by the PRC Company during the period from the date of the Disposal Agreement up to 30 April 2008 and the foreign exchange gain to the Group as a result of the Disposal.

Given that (i) Big Winner was at net deficit position as at 30 April 2008; (ii) net loss was incurred by Big Winner for the period from 5 July 2007 to 31 December 2007; and (iii) Big Winner had not declared any dividends to its shareholders during the period from 5 July 2007 to 31 December 2007, the trading multiple analysis (which is consisted of the price to earnings and price to book ratio) and the dividend yield analysis, being the commonly used approaches to assess the consideration of an acquisition or disposal transaction, are inapplicable in assessing the fairness and reasonableness of the Consideration.

Having considered that (i) the Consideration equals to the sum of the par value of the entire issued share capital of Big Winner and the face value of the Shareholder's Loan; and (ii) the Disposal is expected to lead to a gain of approximately HK$2.8 million to the Group, we are of the opinion that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

We have also reviewed the other major terms of the Disposal Agreement and the Supplemental Disposal Agreements (including but not limited to "Warranties", "Rescission", "Confidentiality and announcements") and are not aware of any uncommon terms. Based on the above, we are of the view that the terms of the Disposal Agreement and the Supplemental Disposal Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(3) Financial effects of the Disposal

Effect on NAV

From the 2007 Annual Report, the audited consolidated net asset value of the Group was approximately HK$365.66 million as at 31 December 2007. As confirmed by the Directors, the consolidated net asset value of the Group would be reduced as a result of the completion of the Disposal. The said reduction in net asset value is mainly due to the realisation of translated reserve which soared up by accelerated increase of exchange rate of Renminbi in the past few months.

Effect on earnings

In light of that the PRC Company has not commenced its business and has no sales, marketing, purchasing activities for generation of revenue and has not recorded any revenue, sales or turnover, and is not expected to generate any significant production until 2010 the earliest, the Directors expected that the Disposal would not have any immediate impact on the earning position of the Group.

Effect on gearing

As at 31 December 2007, the Group's gearing level (being calculated as total debt over total equity of the Group) was approximately 0.39 times. The Directors expected that the Group's gearing level would be higher upon completion of the Disposal due to the realisation of translation reserves of the Big Winner Group in the book of the Group.

Effect on working capital and liquidity

As aforementioned, the Directors intended to apply the net proceeds from the Disposal to redeem the entire amount of the Convertible Bonds of HK$180 million if so requested by the Bondholders. The Disposal would therefore lead to an increase in the Group's working capital by the amount of the net proceeds from the Disposal which as estimated by the Directors are of approximately HK$182 million if the Bondholders do not require any redemption of the Convertible Bonds.

Moreover, since the Group will not be required to inject further capital into the PRC Company upon completion of the Disposal, the Directors expected that the Group's overall liquidity position would be improved.

Conclusion

We are aware of that the Disposal would lead to a reduction in the NAV of the Group and an increase in the Group's gearing level while having no immediate impact on the earning position of the Group. Nevertheless, we note that the aforementioned possible adverse financial effects of the Disposal to the Group would also be balanced by the probable improvement in the current working capital position as well as the future liquidity of the Group since the Group would be freed up from the capital requirement for implementing the Methanol Project.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Disposal.

The Special Deal

Since the Disposal Agreement, which has favourable conditions not extended to all Shareholders, was entered into during the period when the period of the Offers has commenced, the Disposal constitutes the Special Deal under Rule 25 of the Takeovers Code.

As confirmed by the Directors, only Fame Ascent had expressed an interest on the Disposal up to the date of the Disposal Agreement. The Company hence entered into the Disposal Agreement with Fame Ascent with an intention to use the net proceeds to redeem the entire amount of the Convertible Bonds of HK$180 million if so requested by the Bondholders. Based on the foregoing, together with the fact that (i) the Disposal as concluded above is in the interests of the Company and the Shareholders as a whole given the prolonged future development process and the substantial capital requirement of the Methanol Project; and (ii) the terms of Disposal Agreement and the Supplemental Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the Special Deal is also fair and reasonable so far as the Independent Shareholders are concerned.

Recommendation on the Disposal and the Special Deal

Having considered the above factors and reasons, we are of the opinion that (i) the terms of the Disposal Agreement (which constitute a Special Deal) and the Supplemental Disposal Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Disposal even though is not in the ordinary and usual course of business of the Company, is still in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the SGM to approve the Disposal Agreement and the Supplemental Disposal Agreements, and the transactions contemplated therein and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

II. THE PROPOSED CB AMENDMENT

Principal factors and reasons considered

In arriving at our opinion in respect of the Proposed CB Amendment, we have taken into consideration the following principal factors and reasons:

The Convertible Bonds, being a zero coupon convertible bonds due in 2010 and in the aggregate principal amount of HK$180 million, were issued and created by the Company by way of a deed poll on 25 October 2007. As at the Latest Practicable Date, all the Convertible Bonds were remained outstanding.

It is a condition of the Convertible Bonds that subject to the Company's cash position, the Bondholder(s) may only during the period commencing from the day immediately after the second anniversary of the issue date of the Convertible Bonds and expiring on the maturity date of the Convertible Bonds request the Company to redeem the outstanding principal amount of the Convertible Bonds. The Directors advised that such provision was then designed in view of the capital intensive nature of the Methanol Project. Upon completion of the Disposal, the Group shall not have any immediate need for the capital received from the issue of the Convertible Bonds which was originally allocated to the Methanol Project. Accordingly, it is proposed that subject to the completion of the Disposal, such condition will be amended so as to allow the Bondholder(s) to request the Company to redeem the outstanding principal amount of the Convertible Bonds at any time after the Proposed CB Amendment becoming effective up to the maturity date of the Convertible Bonds.

Pursuant to the conditions of the Convertible Bonds, any amendment to such conditions may be effected only by deed poll. In this regard, on 24 June 2008 (after the passing of a resolution subject to the fulfilment of various conditions on even date by all Bondholders holding 100% of the outstanding principal amount of the Convertible Bonds), with the sanction of the Bondholders, the Company executed the Supplemental Deed Poll to amend the condition of the Convertible Bonds as detailed below:

"A Bondholder may, at any time during the period from the date of issue of the Convertible Bonds and expiring on the date falling three years after the date of issue or, if that is not a business day, the first business day thereafter; by giving the Company seven business days' prior notice, request the Company to redeem the outstanding principal amount of the Convertible Bonds held by it provided that the Bondholder(s) shall only make such redemption request after making prior consultation with the Company and is reasonably satisfied that after making the redemption as requested by such Bondholder, the Company will be able to pay its other debts when they fall due and provided further that any redemption shall be made in amounts of not less than a whole multiple of HK$500,000 (save that if at any time the outstanding principal amount of the Convertible Bonds held by such Bondholder is less than HK$500,000)."

Given the above reason for the Proposed CB Amendment, we consider that the terms of the Proposed CB Amendment are fair and reasonable so far as the Independent Shareholders are concerned.

In the event that the condition of the Convertible Bonds is amended so as to allow the Bondholder(s) to request the Company to redeem the outstanding principal amount of the Convertible Bonds at any time after the Proposed CB Amendment becoming effective up to the maturity date of the Convertible Bonds and upon the request of Bondholder(s), it is the intention of the Company to redeem the entire principal amount of the Convertible Bonds of HK$180 million by using the net proceeds from the Disposal.

Since (i) the Group shall not have any immediate need for the capital received from the issue of the Convertible Bonds which was originally allocated to the Methanol Project upon completion of the Disposal; (ii) under the Supplemental Deed Poll, the Bondholder(s) shall only request the Company to redeem the outstanding Convertible Bonds after consulting the Company in advance and is reasonably satisfied that after making its intended redemption, the Company will be able to pay its other debts when they fall due; and (iii) the Group would have sufficient cash on hand for redemption of the Convertible Bonds, we consider that the Proposed CB Amendment would unlikely to cause any detrimental impact on the liquidity position of the Group. In view of also that (i) the gearing position of the Group may be relieved after the redemption of the Convertible Bonds; and (ii) the Shareholders' shareholding interests in the Company would not be diluted if the Convertible Bonds are redeemed before conversion, we consider that the Proposed CB Amendment which allows the Convertible Bonds to be redeemed at an earlier time is in the interests of the Company and the Shareholders as a whole even though it is not in the ordinary and usual course of business of the Company.

Recommendation on the Proposed CB Amendment

Having considered the above factors and reasons, we are of the opinion that (i) the terms of the Proposed CB Amendment are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Proposed CB Amendment is not in the ordinary and usual course of business of the Company, it is still in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the SGM to approve the Proposed CB Amendment and the transactions contemplated therein and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following financial information has been prepared by the Directors based on the audited consolidated financial statements of the Group for each of the three years ended 31 December 2005, 2006 and 2007. Deloitte Touche Tohmatsu, the auditors of the Company for the year ended 31 December 2005, and HLB Hodgson Impey Cheng, the auditors of the Company for the two years ended 31 December 2006 and 2007, expressed unqualified opinions on the consolidated financial statements of the Company for each of the three years ended 31 December 2005, 2006 and 2007.

	For the year ended 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	4,698	3,512	2,812
Profit before tax	9,216	5,511	13,859
Income tax credit/(expense)	(2,124)	(692)	1,334
Profit attributable to the Shareholders	7,092	4,819	15,193
Final dividend paid	7,941	7,941	–
Final dividend per Share	HK$0.01	HK$0.01	–
Earnings per Share			
– Basic (HK cents per share)	0.9	0.6	1.5
– Diluted (HK cents per share)	0.9	0.6	1.4

	As at 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Assets and Liabilities			
Total assets	136,107	133,813	532,342
Total liabilities	(4,309)	(5,137)	(166,683)
Equity attributable to the Shareholders	131,798	128,676	365,659
Equity attributable to the Shareholders per Share (HK$)	0.166	0.162	0.180

The Directors confirm that there has been no minority interests nor extraordinary/exceptional items recorded in the consolidated financial statements of the Company for the three financial years ended 31 December 2007.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is extracted from the annual report of the Company for the year ended 31 December 2007:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	6	2,812	3,512
Direct costs		(314)	(1,689)
Gross profit		2,498	1,823
Other operating income	8	5,584	2,409
Administrative expenses		(4,979)	(3,293)
Finance cost	9	(2,169)	–
Gain/(loss) on disposal of investment properties		580	(746)
Gain on disposal of an intangible asset		11,865	–
Impairment loss of goodwill		(1,470)	–
Fair value changes on investment properties		1,950	5,318
Profit before tax	10	13,859	5,511
Income tax credit/(expense)	12	1,334	(692)
Profit for the year		15,193	4,819
Dividends	13	–	7,941
Earnings per share	14		
Basic *(HK cents per share)*		1.5	0.6
Diluted *(HK cents per share)*		1.4	0.6

CONSOLIDATED BALANCE SHEET
As at 31 December 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
Non-current assets			
Investment properties	*15*	31,000	35,600
Intangible asset	*16*	–	–
Goodwill	*17*	10,459	–
Property, plant and equipment	*18*	4,250	–
Prepaid lease payments	*19*	60,397	–
Interests in associates	*20*	–	–
Interests in jointly controlled entities	*21*	–	–
Available-for-sale financial assets	*22*	–	220
		106,106	35,820
Current assets			
Trade and other receivables	*23*	438	312
Deposits and prepayments	*24*	70,424	281
Short-term loans receivable	*25*	–	–
Prepaid lease payments	*19*	1,253	–
Tax prepaid		106	–
Time deposits, bank balances and cash	*26*	354,015	88,062
		426,236	88,655
Assets classified as held for sale	*27*	–	9,338
		426,236	97,993
Current liabilities			
Trade and other payables	*28*	888	639
Accruals and deposits received		1,965	2,590
Tax payable		463	–
Amounts due to fellow subsidiaries	*29*	–	185
		3,316	3,414
Net current assets		422,920	94,579
Total assets less current liabilities		529,026	130,399
Non-current liabilities			
Convertible bonds	*30*	143,678	–
Deferred tax liabilities	*31*	19,689	1,723
		163,367	1,723
Total assets and liabilities		365,659	128,676
Capital and reserves			
Share capital	*32*	20,282	7,940
Share premium and reserves		345,377	120,736
Total equity		365,659	128,676

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Share capital	Share premium	Convertible bonds equity reserve	Translation reserve	Retained Profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	7,940	24,764	–	234	98,860	131,798
Dividend paid	–	–	–	–	(7,941)	(7,941)
Profit for the year	–	–	–	–	4,819	4,819
At 31 December 2006 and 1 January 2007	7,940	24,764	–	234	95,738	128,676
Profit for the year	–	–	–	–	15,193	15,193
Exchange reserve	–	–	–	2,118	–	2,118
Total income recognised for the year	–	–	–	2,118	15,193	17,311
Shares issued *(Note 32)*	12,342	185,404	–	–	–	197,746
Issue of convertible bonds	–	–	36,297	–	–	36,297
Deferred tax	–	–	(6,430)	–	–	(6,430)
Dividend paid	–	–	–	–	(7,941)	(7,941)
At 31 December 2007	20,282	210,168	29,867	2,352	102,990	365,659

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	2007	2006
	HK$'000	*HK$'000*
Operating activities		
Profit before tax	13,859	5,511
Adjustments for:		
Interest income	(5,532)	(1,846)
Profit on disposal of an intangible asset	(11,865)	–
Fair value changes on investment properties	(1,950)	(5,318)
(Gain)/loss on disposal of investment properties	(580)	746
Gain on disposal of a subsidiary	(33)	–
Impairment loss of goodwill	1,470	–
Depreciation on property, plant and equipment	11	–
Amortisation of prepaid lease payments	4	–
Impairment on available-for-sale assets	220	–
Interest expenses	2,169	–
Write-back of allowance for bad and doubtful debts	–	(327)
Operating cash flows before movements in working capital	(2,227)	(1,234)
(Increase)/decrease in trade and other receivables	(100)	209
(Increase)/decrease in deposits and prepayments	(64,903)	133
Decrease in trade and other payables	(3,487)	(188)
(Decrease)/increase in accruals and deposits received	(625)	285
(Decrease)/increase in amounts due to fellow subsidiaries	(185)	39
Cash used in operations	(71,527)	(756)
Income taxes paid	(108)	–
Net cash used in operating activities	(71,635)	(756)
Investing activities		
Interest received, other than from loans receivable	5,532	1,846
Proceeds on disposal of a subsidiary	8	–
Proceeds on disposal of an intangible asset	11,865	–
Acquisition of subsidiaries	(93,620)	–
Purchase of property, plant and equipment	(238)	–
Proceeds from disposal of investment properties	45,518	67,354
Net cash (used in)/generated from investing activities	(30,935)	69,200

	2007	2006
	HK$'000	*HK$'000*
Financing activities		
Net Proceeds from issue of convertible bonds	177,806	–
Net proceeds from issue of shares	197,746	–
Dividends paid	(7,941)	(7,941)
Net cash generated from/(used in) financing activities	367,611	(7,941)
Net increase in cash and cash equivalents	265,041	60,503
Effect of foreign exchange rate changes	912	–
Cash and cash equivalents at the beginning of the year	88,062	27,559
Cash and cash equivalents at the end of the year	354,015	88,062
Analysis of the balance of cash and cash equivalents		
Time deposits, bank balances and cash	354,015	88,062

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. General information

The Company is incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

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

The Company's principal activity is investment holding and the principal activities of its principal subsidiaries and jointly controlled entities are set out in Notes 41 and 42 respectively.

2. Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for current accounting periods of the Group and the Company.

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 except for the additional disclosures requirements under the Hong Kong Financial Reporting Standard ("HKFRS") 7 Financial instruments: Disclosures and the amendment to Hong Kong Accounting Standard ("HKAS") 1 Presentation of financial statements: Capital disclosures.

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 *Effective for annual periods beginning on or after 1 January 2009.*

2 *Effective for annual periods beginning on or after 1 March 2007.*

3 *Effective for annual periods beginning on or after 1 January 2008.*

4 *Effective for annual periods beginning on or after 1 July 2008.*

3. Summary of significant accounting policies

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules").

The measurement basis used in the preparation of the consolidated financial statements is historical cost as modified by the revaluation of certain investment properties and certain financial instruments which are carried at fair value.

The preparation of the consolidated financial statements requires the management of the Group to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements were disclosed in Note 5.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries

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

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

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

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

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Interests in associates are accounted by the equity method of accounting and are initially recognised at cost. The Group's interests in associates includes goodwill (net of any impairment losses) identified in acquisition.

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

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.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), 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 jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

(b) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, associates and jointly controlled entities at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the balance sheet. Goodwill on acquisitions of associates or jointly controlled entities is included in interests in associates or jointly controlled entities and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

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 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. The recoverable amount of goodwill is the higher of its fair value less cost of sale and value in used. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, jointly-controlled entities and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

(c) 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 by the Company on the basis of dividend received or receivables.

(d) Revenue recognition

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the period of the respective leases.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(e) Investments properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Any gain or loss arising from the fair value changes on the investment properties is recognised directly in the income statement in which they arise.

(f) Property, plant and equipment

Property, plant and equipment other than leasehold land and land use right are stated at cost less subsequent depreciation and impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment (other than leasehold land and land use right) over their estimated useful lives and after taking into account their estimated residual value using the straight-line method, at the following rate per annum:

Buildings	Over the remaining unexpired terms of the leases
Leasehold improvement	5 to 10 years
Furniture, fixtures and equipments	5 to 10 years
Motor vehicles	5 years

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 which the item is derecongnised.

When the leasehold land and land use right and buildings are in the course of construction for production, supply of goods or services, or for administrative purpose, the leasehold land and land use right component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land and land use right is included as part of cost of buildings under construction. Buildings under construction are carried as cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management of the Group).

(g) Interest in leasehold land and land use right

Interest in leasehold land and land use right represents prepaid lease payments made and are amortised over the lease term on a straight-line basis.

(h) Patent

Patent is stated at cost less amortisation and accumulated impairment losses. Amortisation is calculated to write off the cost of patent over its estimated useful life, using the straight-line method.

(i) Impairment of tangible and intangible assets other than goodwill

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. In additions, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. 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, in which the recoverable amount is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

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

The Group as lessee

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivables 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.

(k) 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 exchange 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 item, and on the translation of monetary items, are recognised in the income statement in the period in which they arise, except for exchange differences arising on monetary items that form part of the Group's net investment in a foreign operation, in which case such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period 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.

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 rates 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 period, 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 translation reserve). Such exchange differences are recognised in the income statement in the period in which the foreign operation is disposed of.

(l) 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 income statement because it excludes items of income or expenses 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 by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base 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 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, and interests in joint ventures, 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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised based on sales that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those asset. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised into the income statement in the period in which they are incurred.

(n) Retirement benefits scheme contributions

The pension cost charged in the income statement represents the contributions payable in respect of the current year to the defined contribution schemes.

(o) Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The Group's major financial assets are trade and other receivables, deposits and prepayments, short-term loans receivable, time deposits, bank balances and cash which fall within the category of loans and receivables and available-for-sale financial assets respectively and the accounting policies adopted are set out below.

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 are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories under HKAS 39. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in the income statement. Any impairment losses on available-for-sale financial assets are recognised in the income statement. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. 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 asset of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Group's financial liabilities are mainly comprised of other financial liabilities which include trade and other payables, accruals and deposits received which fall within the category of other financial liabilities. These financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Convertible bonds

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

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

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

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

If the convertible bonds are converted, the convertible bond equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, the capital reserve is released directly to retained profits.

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 the income statement.

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 is recognised in the income statement.

(p) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(q) Provision

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

(r) Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to the employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in equity (share option reserve) will be transferred to retained earnings.

(s) Related parties transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control or common significant influences.

A transaction is considered to be a related party transaction where there is a transfer of resources or obligations between related parties.

(t) Assets classified as held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in its present condition.

Assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

4. Financial risk management objectives and policies

4.1 Financial risk management objectives and policies

The Group's major financial instruments include loan receivables, trade receivables, trade payables, convertible bonds, time deposits and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual 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.

Interest rate risk management

The Group's fair value interest rate risk relates primarily to fixed-rate financial liabilities. The Group's cash flow interest rate risk relates primarily to short-term bank deposits. The Group monitors the interest risk exposure on a continuous basis and adjusts the portfolio of interest-bearing financial assets and liabilities when necessary. If a general increase or decrease of 20 basis points in interest rates, with all other variables held constant, would increase or decrease the group's profit after tax for the year ended 31 December 2007 by approximately HK$7,080,000 (2006: HK$1,761,000).

Foreign currency risk management

The main operations of the Group were in the People's Republic of China other Hong Kong and Macau (the "PRC") and Hong Kong and majority of the transactions were denominated in Renminbi and Hong Kong dollars. The Group did not use any derivative financial instruments to hedge for its foreign exchange risk exposure during the years.

The Renminbi has appreciated against Hong Kong dollar by approximately 6% for the year of 2007. The sensitivity analysis includes only outstanding Renminbi denominated monetary item (Bank balance, receivable and payables) and adjust their translation at the year end for a 6% change in foreign currency rates. If Renminbi had strengthened by 6% against Hong Kong dollar, the effect of the change would increase the group's profit after tax by approximately HK$4,328,000 (2006: HK$ Nil).

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves and consider obtaining banking facilities to support the Group's short, medium and long-term funding and liquidity management requirements. The management of the Group continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group's financial liabilities (including trade payables, other payables and accruals) are matured within one months and no interest bearing for the both years' balance sheet date, excepted the three year's zero coupon convertible bonds with face value of HK$180,000,000 which should be matured after two years from 31 December 2007.

4.2 Fair value of financial instruments

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

1. the fair value of financial assets and financial liabilities with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

2. the fair value of other financial assets and financial liabilities 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.

Except for the liability component of convertible bonds which recorded at amortised cost as below, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate to their fair values:

	2007		**2006**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Convertible bonds*	143,678	140,845	–	–

* *The fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without conversion option.*

4.3 Capital risk management

The Group's objectives when managing capital are:

– To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for the shareholders of the Company ("Shareholders") and benefits for other stakeholders;

– To support the Group's stability and growth; and

– To maintain an optimal capital structure to reduce the costs of capital.

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and the Shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy. The management of the Group regards total equity as capital, for capital management purpose.

During the years, the Group's overall strategy remains unchanged.

5. Critical accounting judgments and key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in Note 3, the management of the Group has made the following judgment that have most significantly effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Income taxes

As at 31 December 2007, a deferred tax asset has been recognised in relation to the unused tax losses of approximately HK$101,000 (2006: HK$2,077,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal takes place.

Estimated impairment of goodwill

Determining whether goodwill is impaired according to the recoverable amount which requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the balance date was HK$10,459,000 after an impairment loss of HK$1,470,000 was recognised in the income statement for the year ended 31 December 2007.

Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on method of valuation which involves certain estimates. In relying on the valuation report, the management of the Group has exercised their judgment and are satisfied that the method of valuation is reflective of the current market conditions. Should there are changes in assumptions due to change of market conditions, the fair value of the investment properties will change in future.

6. Turnover

Turnover represents the net amounts received and receivables from third parties and is summarised as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Rental income	2,782	3,227
Income from finance	30	285
	2,812	3,512

7. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into three operating divisions – (i) investment and finance; (ii) properties investment; and (iii) methanol. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Investment and finance	–	investing and financing activities
Properties investment	–	property leasing
Methanol	–	development, manufacture and sales of methanol product and by-products

For the year ended 31 December 2007

	Investment and finance *HK$'000*	Properties investment *HK$'000*	Methanol *HK$'000*	Consolidated *HK$'000*
Income statement				
Turnover				
External sales	30	2,782	–	2,812
Segment result	26	6,420	(1,438)	5,008
Interest income				5,532
Unallocated income				11,870
Unallocated corporate expenses				(6,382)
Finance cost				(2,169)
Profit before tax				13,859
Income tax credit				1,334
Profit for the year				15,193
Balance sheet				
Assets				
Segment assets	35	34,615	167,187	201,837
Unallocated corporate assets				330,505
Consolidated total assets				532,342
Liabilities				
Segment liabilities	(10)	(4,289)	(11,315)	(15,614)
Unallocated corporate liabilities				(151,069)
Consolidated total liabilities				(166,683)
Other segment information				
Fair value changes on investment properties	–	1,950	–	1,950
Depreciation and amortisation	–	–	15	15
Capital additions	–	–	341	341
Impairment loss of goodwill	–	–	1,470	1,470

For the year ended 31 December 2006

	Investment and finance	Properties investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Income statement			
Turnover			
External sales	285	3,227	3,512
Segment result	612	6,264	6,876
Interest income			1,846
Unallocated corporate expenses			(3,211)
Profit before tax			5,511
Income tax expense			(692)
Profit for the year			4,819
Balance sheet			
Assets			
Segment assets	–	44,679	44,679
Unallocated corporate assets			89,134
Consolidated total assets			133,813
Liabilities			
Segment liabilities	–	3,810	3,810
Unallocated corporate liabilities			1,327
Consolidated total liabilities			5,137
Other segment information			
Fair value changes on investment properties	–	5,318	5,318
Impairment losses reversed in the income statement	327	–	327
Other non-cash expenses	–	(12)	(12)

Geographical segments

The Group's operations are located in Hong Kong and the PRC.

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

	Hong Kong		**The PRC**		**Consolidated**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amounts of segment assets	393,451	133,813	138,891	–	532,342	133,813
Additions to property, plant and equipment	–	–	341	–	341	–

8. Other operating income

	2007	**2006**
	HK$'000	*HK$'000*
Other operating income included the followings:		
Interest income	5,532	1,846
Written back of allowance for bad and doubtful debts	–	327
Gain on disposal of a subsidiary *(Note 35)*	33	–

9. Finance cost

	2007	**2006**
	HK$'000	*HK$'000*
Effective interest expense on convertible bonds	2,169	–

10. Profit before tax

Profit before tax has been arrived at after charging:

	2007	2006
	HK$'000	*HK$'000*
Staff costs:		
Directors' remuneration *(Note 11)*	234	204
Salaries and other benefits	809	1,066
Retirement benefit scheme contributions excluding directors and after forfeited contribution of HK$12,000 (2006: HK$9,000)	16	52
	1,059	1,322
Auditors' remuneration	420	300
Impairment loss on available-for-sale financial assets	220	–
Depreciation on property, plant and equipment	11	–
Amortisation on prepaid lease payments	4	–

and after crediting:

Gross rental income from investment property	2,782	3,227
Less: direct operating expenses from investment properties that generated rental income during the year	(285)	(965)
direct operating expenses from investment properties that did not generate rental income during the year	(29)	–
	2,468	2,262

11. Directors' emoluments and employees' emoluments

(a) Directors' emoluments

The aggregate amount of emoluments payable to the directors of the Company for the year was HK$234,000 (2006: HK$204,000).

The remuneration of every director for the year ended 31 December 2007 and 2006 is shown as below:

	Directors' fees		Salaries and benefits-in-kind		Retirement scheme contributions		Total	
Name of directors	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors								
Halina Hung, Shi-wei #	2	4	–	–	–	–	2	4
Lau, Ming-wai ##	2	–	–	–	–	–	2	–
Chan, Wing Kwan ###	–	–	–	–	–	–	–	–
Chang, Wing Yiu ###	–	–	–	–	–	–	–	–
Aaron Tam, Chong-cheong ####	–	–	–	–	–	–	–	–
Leung, Wing-pong	10	10	–	–	–	–	10	10
Kong, Chi-ming	10	10	–	–	–	–	10	10
	24	24	–	–	–	–	24	24
Independent non-executive directors								
Leung, Yun-fai	70	60	–	–	–	–	70	60
Lam, Yat-fai	70	60	–	–	–	–	70	60
David Chain, Chi-woo	70	60	–	–	–	–	70	60
	210	180	–	–	–	–	210	180
	234	204	–	–	–	–	234	204

appointed on 11 August 2006 and resigned on 1 March 2007

appointed on 1 March 2007 and resigned on 31 May 2007

appointed on 25 October 2007

resigned on 11 August 2006

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2006: one) were independent non-executive directors of the Company whose emoluments are included in (a) above. The emoluments of the remaining three (2006: four) individuals were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other benefits	748	1,125
Retirement benefit scheme contributions	14	52
	762	1,177

The emoluments of each individual were within the emolument band of less than HK$1,000,000.

For the year ended 31 December 2007 and 2006, 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. No directors waived any emoluments in the year ended 31 December 2007 and 2006.

12. Income tax (credit)/expense

	2007	**2006**
	HK$'000	*HK$'000*
The tax (credit)/charge comprises:		
Current tax – Hong Kong	467	–
Deferred tax *(Note 31)*	(1,801)	692
	(1,334)	692

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for the year ended 31 December 2007. No provision for the Hong Kong Profits Tax has been made for the year ended 31 December 2006 as the group companies which are subject to Hong Kong Profits Tax either incurred tax losses or have tax losses brought forward to set off assessable profits.

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

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

	2007		**2006**	
	HK$'000	*%*	*HK$'000*	*%*
Profit before tax	13,859		5,511	
Tax at the Hong Kong Profits tax rate of 17.5%	2,425	17.5	965	17.5
Tax effect of income not taxable for tax purpose	(3,143)	(22.7)	(1,264)	(22.9)
Tax effect of expenses not deductible for tax purposes	388	2.8	977	17.7
Tax effect of tax losses/deferred tax assets not recognised	531	3.8	1,850	33.6
Utilisation of tax losses previously not recognised	(1,535)	(11.1)	(1,836)	(33.3)
Income tax (credit)/expense	(1,334)	(9.7)	692	12.6

Details of deferred taxation are set out in Note 31.

13. Dividends

	2007	**2006**
	HK$'000	*HK$'000*
Proposed final dividend of HK$ Nil (2006: HK$0.01) per share	–	7,941

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2007 (2006: HK$0.01 per share).

The proposed final dividend for the year ended 31 December 2006 of HK$0.01 per share was approved by the Shareholders in general meeting and paid during the year.

14. Earnings per share

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

Earnings:

	2007	**2006**
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share	15,193	4,819
Effect of dilutive potential ordinary shares:		
– effective interest expense on convertible bonds	2,169	–
– deferred tax relating to effective interest expense on convertible bonds	(380)	–
	16,982	4,819

Number of shares

	2007	**2006**
Weighted average number of ordinary shares in issue	1,020,609,068	794,057,800
Adjustment for assumed exercise of convertible bonds	203,957,382	–
	1,224,566,450	794,057,800

15. Investment properties

	HK$'000
Fair value	
At 1 January 2006	107,720
Disposals	(68,100)
Increase in fair value recognised in income statement	5,318
Reclassification to assets classified as held for sale	(9,338)
At 31 December 2006 and 1 January 2007	35,600
Disposals	(35,600)
Acquisitions of subsidiaries	29,050
Increase in fair value recognised in income statement	1,950
At 31 December 2007	31,000

The carrying value of investment properties shown above comprises properties in Hong Kong held under:

	2007	**2006**
	HK$'000	*HK$'000*
– Long lease	31,000	–
– Medium-term lease	–	35,600
	31,000	35,600

The fair value of the Group's investment properties as at 31 December 2007 has been arrived at on the basis of a valuation carried out on the date by Norton Appraisals Limited, independent qualified professional surveyors not connected with the Group. Norton Appraisals Limited has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation, which conformed to The Hong Kong Institute of Surveyors Valuation Standards on Properties (1st Edition) published by the Hong Kong Institute of Surveyors was based on open market value basis.

All of the Group's investment properties held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

16. Intangible asset

	Patent
	HK$'000
Cost	
At 1 January 2006, 31 December 2006 and 1 January 2007	29,670
Disposal	(29,670)
At 31 December 2007	–
Amortisation and impairment	
At 1 January 2006, 31 December 2006 and 1 January 2007	29,670
Disposal	(29,670)
	–
At 31 December 2007 and 2006	–

17. Goodwill

	HK$'000
Cost	
At 1 January 2006, 31 December 2006 and 1 January 2007	–
Additions arising from acquisition of subsidiaries	11,929
At 31 December 2007	11,929
Impairment	
At 1 January 2006, 31 December 2006 and 1 January 2007	–
Impairment loss recognised for the year	1,470
	1,470
At 31 December 2007	10,459
At 31 December 2006	–

For the year ended 31 December 2007, the additions of goodwill of approximately HK$11,929,000 attributed to the acquisition of the entire interest in Minkind Development Limited ("Minkind"), Remson Investment Limited and its subsidiary ("Remson Group") and 內蒙古伊澤礦業投資有限公司 ("Inner-Mongolia Yize").

During the financial year, the Group assessed the recoverable amount of goodwill, and determined that the goodwill associated with the Group's methanol operation was impaired by HK$1,470,000. The recoverable amount of the methanol operations was assessed by reference to expected recoverable amount from sale proceeds.

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to the following cash generated units ("CGUS"). The carrying amount of goodwill (net of accumulated impairment losses) as at 31 December 2007 is allocated as follows:

	HK$'000
Investment properties	2,939
Methanol	7,520
	10,459

Investment properties

The recoverable amount of the investment properties operations is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a twenty-five years period, and a discount rate of 16% per annum. Cash flows beyond that twenty-five years period have been extrapolated using a steady 16% per annum growth rate. The management of the Group believes that discount rate used is reasonable and no impairment loss should be charged for the year.

Methanol

The management has assessed recoverable amount of the methanol operations by reference to the expected sale proceeds and determined that the goodwill associated with the Group's methanol operations was impaired by HK$1,470,000.

18. Property, plant and equipment

	Buildings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2006, 31 December 2006 and 1 January 2007	–	–	–	–	–
Additions	–	–	–	341	341
Acquisition of a subsidiary	1,900	3	175	1,768	3,846
Exchange alignment	36	–	3	35	74
At 31 December 2007	1,936	3	178	2,144	4,261
Accumulated depreciation and impairment					
At 1 January 2006, 31 December 2006 and 1 January 2007	–	–	–	–	–
Charge for the year	5	–	6	–	11
At 31 December 2007	5	–	6	–	11
Net book value					
At 31 December 2007	1,931	3	172	2,144	4,250
At 31 December 2006	–	–	–	–	–

The Group's buildings are situated in the PRC and held under long lease.

19. Prepaid lease payments

All of the Group's prepaid lease payments are prepaid for leasehold land outside Hong Kong.

Analysed for reporting purposes as:

	2007	2006
	HK$'000	*HK$'000*
Current asset	1,253	–
Non-current asset	60,397	–
	61,650	–

The Group's prepaid lease payments comprise:

	2007	2006
	HK$'000	*HK$'000*
Long lease	1,423	–
Medium-term lease	60,227	–
	61,650	–

20. Interests in associates

	2007	2006
	HK$'000	*HK$'000*
Share of net assets of associates	–	–

The Group's associates have been disposed of for the year ended 31 December 2007.

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

	2007	2006
	HK$'000	*HK$'000*
Turnover	–	1,395
Loss for the year	–	(12,678)
Loss attributable to the Group	–	–
Total assets	–	15,633
Total liabilities	–	(75,196)
Net liabilities	–	(59,563)
Net assets attributable to the Group	–	–

21. Interests in jointly controlled entities

	2007	2006
	HK$'000	*HK$'000*
Share of net assets of jointly controlled entities	–	–

Details of the Group's jointly controlled entities at 31 December 2007 are set out in Note 42.

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

	2007	2006
	HK$'000	*HK$'000*
Turnover	–	–
Loss for the year	(13)	(20)
Loss attributable to the Group	–	–
Total assets	4,242	4,314
Total liabilities	(160,367)	(160,497)
Net liabilities	(156,125)	(156,183)
Net assets attributable to the Group	–	–

22. Available-for-sale financial assets

	2007	2006
	HK$'000	*HK$'000*
Club debentures	–	220

As at 31 December 2007, the directors of the Company reassessed the recoverable amount of the club debentures. In the opinion of the directors of the Company, the full amount of HK$220,000 was impaired.

23. Trade and other receivables

Included in trade and other receivables of the Group are trade receivables of HK$ Nil (2006: HK$271,000). Its aged analysis at the balance sheet date is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within 30 days	–	215
31 – 60 days	–	38
Over 60 days	–	18
	–	271

The average credit period on the trade receivable is 30 days. The carrying amounts of the trade receivables are denominated in Hong Kong Dollar. The age of trade receivables which are past due but not impaired as followings:

	2007	**2006**
	HK$'000	*HK$'000*
31 – 60 days	–	38
Over 60 days	–	18
	–	56

The directors of the Company consider that the carrying amounts of HK$56,000 as at 31 December 2006 was past due but not provided for impairment as there has not been a significant change in credit quality and the amount due are still considered recoverable. The directors of the Company consider that the carrying amounts of the Group's trade and other receivables at 31 December 2007 approximate to their fair value.

24. Deposits and prepayments

	2007	2006
	HK$'000	*HK$'000*
Deposits	69,970	6
Prepayments	454	275
	70,424	281

The directors of the Company consider that the carrying amounts of the Group's deposits and prepayments at 31 December 2007 approximate to their fair value.

25. Short-term loans receivable

	2007	2006
	HK$'000	*HK$'000*
Loans receivable	3,203	3,203
Less: Allowance for bad and doubtful debts	(3,203)	(3,203)
	–	–

Movement in the allowance for doubtful debts

	2007	2006
	HK$'000	*HK$'000*
Balance at beginning of the year	3,203	3,530
Amount recovered during the year	–	(327)
Balance at end of the year	3,203	3,203

The Group maintained a defined credit policy in accordance with respective loan agreements. The age of loans receivable of the Group at the balance sheet date was over due.

26. Time deposits, bank balances and cash

The deposits carry interest rate at prevailing bank savings deposits rate and mature with one month. The directors of the Company consider that the carrying amount of the time deposits, bank balances and cash at the balance date approximates to the fair value.

27. Assets classified as held for sale

On 27 December 2006 and 8 December 2006, Superkey Development Limited and Boria Enterprises Limited, indirect wholly owned subsidiaries of the Company, entered into two sale and purchase agreements with two independent third parties ("the Purchasers") in relation to the disposal of a car park of location No. 4106, 4/F., Bank of America Tower, 12 Harcourt Road, Hong Kong (the "Car Park") and a property located at 3th Floor, Chung Kiu Godown Building, 63-71 Lei Muk Road, Kwai Chung, New Territories, Hong Kong (the "Property") at considerations of HK$538,000 and HK$8,800,000 respectively. The Car Park was satisfied by the Purchasers in cash and the transaction was completed on 19 January 2007. The Property was satisfied in cash and the transaction was completed on 31 May 2007. In accordance with HKFRS 5, the above investment properties have been presented as assets classified as held for sale in the balance sheet for the year ended 31 December 2006.

28. Trade and other payables

Included in trade and other payables of the Group are trade payables of HK$Nil (2006: HK$10,000). Its aged analysis at the balance sheet date is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within 30 days	–	4
31 – 60 days	–	–
Over 60 days	–	6
	–	10

The directors of the Company consider that the carrying amounts of the Group's trade and other payables at 31 December 2007 approximate to their fair value.

29. Amounts due to fellow subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand.

30. Convertible bonds

The Company issued 180 million Hong Kong dollar denominated zero coupon convertible bonds (the "Convertible Bonds") to Asian Kingdom Limited and Fame Ascent Investments Limited (the "Bondholders") at an issue price of HK$0.162 on 25 October 2007.

Each bond entitles the Bondholders to convert to one ordinary share at a conversion price of HK$0.162. Conversion may occur at any time between 25 October 2007 and 24 October 2010. Bondholders may redeem the Convertible Bonds starting from 25 October 2009. If the bonds have not been converted, they will be redeemed on 25 October 2010 at HK$180,000,000.

The Convertible Bonds contain two components, liabilities and equity elements. The liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The remaining balance represented the equity conversion component, is included in shareholders' equity named as convertible bonds equity reserves.

	HK$'000
Proceeds of issue	177,806
Equity component	(36,297)
Liability component at date of issue	141,509
Effective interest charged for the year	2,169
Liability component at 31 December 2007	143,678

The effective interest rate on the liability component of the Convertible Bonds is approximately 8.35%.

31. Deferred tax liabilities/(assets)

The following are the major deferred tax liabilities/(assets) provided/(recognised) by the Group and movements thereon during the current and prior reporting periods:

	Convertible bonds	Revaluation of investment properties	Accelerated tax depreciation	Fair value adjustment on acquisition of a subsidiary	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	–	(1,199)	3,370	–	(1,140)	1,031
Charge to income statement for the year	–	945	130	–	(937)	138
Realised on disposal of investment properties	–	1,514	(960)	–	–	554
At 31 December 2006 and 1 January 2007	–	1,260	2,540	–	(2,077)	1,723
Charge to equity for the year	6,430	–	–	–	–	6,430
Acquisition of a subsidiary	–	2,949	–	10,450	(62)	13,337
Realised on disposal of investment properties	–	(1,260)	(2,540)	–	2,077	(1,723)
Charge to income statement for the year	(380)	341	–	–	(39)	(78)
At 31 December 2007	6,050	3,290	–	10,450	(101)	19,689

At 31 December 2007, the Group has unused tax losses of HK$714,004,000 (2006: HK$709,818,000) available for offset against future profits. A deferred tax asset of approximately HK$101,000 (2006: HK$2,077,000) has been recognised in respect of HK$577,000 (2006: HK$11,869,000) tax losses. No deferred tax assets have been recognised in respect of the remaining tax losses of HK$713,427,000 (2006: HK$697,949,000) due to the unpredictability of future profit streams. All unused tax losses may be carried forward indefinitely.

32. Share capital

	Number ordinary shares	Amount *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 December 2007 and 2006	80,000,000,000	800,000
Issued and fully paid:		
At 1 January 2006, 31 December 2006 and 1 January 2007	794,057,800	7,940
Issue of shares *(note)*	1,234,197,208	12,342
At 31 December 2007	2,028,255,008	20,282

Note:

Pursuant to a subscription shares agreement dated 1 August 2007, the Company issued 1,234,197,208 ordinary shares at price of HK$0.162 per share on 25 October 2007. The proceeds were mainly used to finance the methanol project in the PRC. The new shares issued for the year rank pari passu with the then existing shares in all respect.

33. Share option scheme

The Company had adopted a share option scheme since 15 February 2002 (the "2002 Scheme") for the primary purpose of providing incentives to directors and eligible employees. Details are as set out below:

Pursuant to the terms of the 2002 Scheme which will expire on 14 February 2012, the Company may grant options to the directors and full time employees of the Company or its subsidiaries to subscribe for shares in the Company at a consideration of HK$10 per grant. The subscription price for the shares under the 2002 Scheme shall be a price determined by the directors of the Company being at least the higher of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, or the average closing price of the shares stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant. Options granted are exercisable at any time during a period to be notified by the board of directors of the Company but limited to a maximum period of ten years after the date the options are granted. Options granted should be accepted within 21 days from date of offer.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and the other schemes shall not exceed 10% of the shares in issue at the date on which the 2002 Scheme becomes unconditional (the "Mandate Limit"). Options lapsed will not be counted for the purpose of calculating the Mandate Limit. For the avoidance of doubt, the share underlying the options which have been cancelled and have not lapsed will be counted as part of the Mandate Limit.

The Mandate Limit may be refreshed at any time by the approval of the Shareholders in general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and the other share option schemes must not exceed 10% of the shares in issue at the date of such Shareholders' approval. For the avoidance of doubt, options previously granted under the 2002 Scheme and the other share option schemes (including those outstanding, cancelled, lapsed in accordance with the 2002 Scheme and the other share option schemes of the Company or exercised options) will not be counted for the purpose of calculating the refreshed 10%.

The Company may, by the approval of the Shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to employees specifically identified by the Company before Shareholders' approval is sought.

Unless approved by the Shareholders as set out herein, the total number of shares issued and to be issued upon exercise of the options granted to each employee (including both exercised and outstanding options) in any twelve-month period must not exceed 1% of the shares of the Company in issue. Where any further grant of options to an employee would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the twelve month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such employee and his associates abstaining from voting.

However, the overall limit on the number of shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

No options were outstanding at 31 December 2007 and 2006 under the 2002 Scheme. No options were granted, exercised, cancelled or lapsed during the two years.

34. Acquisition of subsidiaries

	Date of acquisition	Proportion of equity interest acquired	Cost of acquisition *HK$'000*	Principal activity
Minkind Development Limited	31 July 2007	100%	6,963	Property investment
Remson Investment Limited and its subsidiary	31 July 2007	100%	(6,921)	Property investment
內蒙古伊澤礦業投資有限公司	14 November 2007	100%	64,729	Manufacturing and sale of methanol products

(a) Acquisition of Minkind Development Limited

The fair value of the identifiable assets and liabilities of Minkind Development Limited ("Minkind") as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Carrying amounts before the acquisition	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Investment properties	7,800	–	7,800
Trade and other receivables	3	–	3
Tax prepaid	2	–	2
Cash and cash equivalents	98	–	98
Trade and other payables	(54)	–	(54)
Loan from an intermediate holding company acquired	(914)		(914)
Deferred tax liabilities	(1,255)	–	(1,255)
Net assets acquired	5,680	–	5,680
Goodwill			1,283
Total consideration			6,963
Consideration satisfied by cash			7,849
Acquisition of loan from an intermediate holding company			(914)
Expenses incurred for the acquisition			28
			6,963
Net cash outflow in respect of the acquisition of Minkind			
Cash consideration paid			(7,849)
Cash and bank acquired			98
Expenses paid for the acquisition			(28)
			(7,779)

For the year ended 31 December 2007, Minkind contributed approximately HK$1,072,000 to the Group's profit for the year.

(b) Acquisition of Remson Investment Limited and its subsidiary

The fair value of the identifiable assets and liabilities of Remson Investment Limited and its subsidiary (the "Remson Group") as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Carrying amounts before the acquisition	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Investment properties	21,250	–	21,250
Trade and other receivables	23	–	23
Cash and cash equivalents	343	–	343
Trade and other payables	(185)	–	(185)
Loan from an intermediate holding company	(28,376)	–	(28,376)
Deferred tax liabilities	(1,632)	–	(1,632)
Net liabilities acquired	(8,577)	–	(8,577)
Goodwill			1,656
Total consideration			(6,921)
Consideration satisfied by cash			21,431
Acquisition of loan from an intermediate holding company			(28,376)
Expenses incurred for the acquisition			24
			(6,921)
Net cash outflow in respect of the acquisition of Remson Group			
Cash consideration paid			(21,431)
Cash and bank acquired			343
Expenses paid for the acquisition			(24)
			(21,112)

For the year ended 31 December 2007, the Remson Group contributed approximately HK$406,000 to the Group's profit for the year.

(c) Acquisition of 內蒙古伊澤礦業投資有限公司

The fair value of the identifiable assets and liabilities of 內蒙古伊澤礦業投資有限公司 (the "Inner-Mongolia Yize") as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Carrying amounts before the acquisition	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	3,322	524	3,846
Prepaid lease payments	19,326	41,274	60,600
Deposits and prepayments	5,240	–	5,240
Other payables	(3,497)	–	(3,497)
Deferred tax liabilities	–	(10,450)	(10,450)
Net assets acquired	24,391	31,348	55,739
Goodwill			8,990
Total consideration			64,729
Consideration satisfied by cash			62,406
Expenses incurred for the acquisition			2,323
			64,729
Net cash outflow in respect of the acquisition of Inner-Mongolia Yize			
Cash consideration paid			(62,406)
Expenses paid for the acquisition			(2,323)
			(64,729)

For the year ended 31 December 2007, the Inner-Mongolia Yize generated loss of approximately HK$171,000 deducting from the Group's profit for the year.

Goodwill arose in the acquisitions because the cost of the acquisitions included control premium paid for the acquisitions. In addition, the consideration paid for the acquisitions effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

If the above acquisitions had been completed on 1 January 2007, total restated group turnover for the year 2007 would have been HK$3,575,000 and restated profit for the year 2007 would have been HK$16,936,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue an results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

35. Disposal of a subsidiary

For the year ended 31 December 2007, the Group entered into a sale and purchase agreement to dispose of its subsidiary to independent third party for a total consideration of HK$7,800. Summary of the effect of the disposal of a subsidiary is as follows:

	2007
	HK$'000
Net assets disposed of:	
Investment in associates	–
Amount due to a fellow subsidiary	(25)
	(25)
Gain on disposal	33
Total consideration	8
Satisfied by:	
Cash	8
Net cash inflow arising on disposal:	
Cash consideration	8

36. Operating lease arrangements

The Group as lessee

	2007	2006
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases	–	56

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

	2007	2006
	HK$'000	*HK$'000*
Within one year	–	59

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

The Group as lessor

Property rental income earned for the year was HK$2,782,000 (2006: HK$3,227,000) with a rental yields of approximately 8.98% (2006: 7.18%). Certain properties have committed tenants for the next two years.

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

	2007	2006
	HK$'000	*HK$'000*
Within one year	–	2,334
In the second to fifth year inclusive	–	632
	–	2,966

37. Capital commitments

Authorised and contracted for:

	2007	**2006**
	HK$'000	*HK$'000*
Development cost of methanol plant	44,856	–

38. Retirement benefit schemes

The Group operates defined contribution schemes for all eligible employees. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost charged to the consolidated income statement represents contributions payable to those schemes by the Group for the year.

The total cost charged to consolidated income statement of HK$16,000 (2006: HK$52,000) after forfeited contribution for HK$12,000 (2006: HK$9,000) represents contributions payable to these schemes by the Group for the year.

39. Related party transactions and balances

(a) Transactions

For the year ended 31 December 2007:

(i) The Group paid rent of HK$60,000 (2006: HK$42,000) to a fellow subsidiary of the Group, for the lease of office premises to the Group. The amount paid was based on terms agreed by both parties.

(ii) The Group acquired two subsidiaries and loans due from its indirect wholly owned subsidiaries of the Group's controlling shareholder at a total consideration of HK$29,280,000. The consideration for the acquisition was fully settled in cash on 31 July 2007.

(iii) Compensation of key management personnel

Compensation for key management personnel, including amount paid to the Company's directors and the senior executives is as follows:–

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other short-term benefits	351	463
Pension scheme contributions	2	22
	353	485

Further details of directors' emoluments are included in Note 11 to the consolidated financial statements.

(b) Balance

Details of balances with related parties at the balance sheet date are set out in Note 29.

40. Balance sheet of the company

The Company's balance sheet at the balance sheet dates are as follows:

	Notes	2007 HK$'000	2006 HK$'000
Non-current Assets			
Interests in subsidiaries		155,366	59,057
Club debenture		–	100
		155,366	59,157
Current Assets			
Prepayment and other receivables		868	309
Bank balances and cash		329,576	86,995
		330,444	87,304
Current Liabilities			
Accruals and other payables		526	467
Amount due to a fellow subsidiary		2,118	122
		2,644	589
Net current assets		327,800	86,715
Total assets less current liabilities		483,166	145,872
Non-current Liability			
Amounts due to subsidiaries		–	36,150
Deferred tax liabilities		6,050	–
Convertible bonds		143,678	–
		149,728	36,150
Total assets and liabilities		333,438	109,722
Capital and Reserves			
Share capital		20,282	7,940
Share premium and reserves	*(a)*	313,156	101,782
		333,438	109,722

Note:

(a) Share premium and reserves

	Share premium	Convertible bonds equity reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Company				
At 1 January 2006	24,764	–	82,899	107,663
Dividend	–	–	(7,941)	(7,941)
Profit for the year	–	–	2,060	2,060
At 31 December 2006 and 1 January 2007	24,764	–	77,018	101,782
Shares issued	185,404	–	–	185,404
Issue of convertible bonds	–	36,297	–	36,297
Deferred tax	–	(6,430)	–	(6,430)
Dividend	–	–	(7,941)	(7,941)
Profit for the year	–	–	4,044	4,044
At 31 December 2007	210,168	29,867	73,121	313,156

41. Principal subsidiaries

Details of the Company's principal subsidiaries at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporated	Fully paid share capital/ registered capital	Attributable proportion of nominal value of issued share capital held by the Company		Principal activity
			Directly	Indirectly	
Boria Enterprises Limited	Hong Kong	HK$20	–	100%	Property investment
Gold Concept Limited	Hong Kong	HK$2	–	100%	Property investment
Great King Limited	Hong Kong	HK$2	–	100%	Property investment
Legend Power Ltd. *(note)*	British Virgin Islands	US$2,000	–	100%	Investment holding
Superkey Development Limited	Hong Kong	HK$2	–	100%	Property investment
Minkind Development Limited	Hong Kong	HK$2	–	100%	Property investment
Grow Wealth Company Limited	Liberia	US$1	–	100%	Property investment
內蒙古伊澤礦業投資有限公司	The PRC	RMB90,746,633	–	100%	Development, manufacturing and sales of methanol products

Note: Pursuant to the debt restructuring in July 2003, Koga Limited (a creditor of the Group previously) was granted a call option to acquire 50% interest in Legend Power Ltd., within the next 5 years from the date of the completion (January, 2004) of the transfer of the equity interest in Legend Power Ltd. from Koga Limited to the Group under the debt restructuring, at a consideration of the higher of HK$150,000 and 50% of the consolidated net tangible assets of Legend Power Ltd. when the call option is exercised. Such option has not been exercised during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affects 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.

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

42. Jointly controlled entities

Details of the Group's jointly controlled entities which are held indirectly by the Company at 31 December 2007 are as follows:

Name of jointly controlled entity	Form of business and structure	Place of incorporation	Proportion of nominal value of issued share capital held	Principal activities
Golden Royce Investment Limited	Incorporated	Hong Kong	40%	Property investments
Top Grade Assets Limited	Incorporated	British Virgin Islands	50%	Property investments
Upgrade Properties Limited	Incorporated	British Virgin Islands	50%	Property investments

43. Post balance sheet event

On 1 February 2008, the Group had entered into (i) a conditional agreement for the disposal of its entire interest in certain of its indirectly wholly owned subsidiaries, which constitutes a major and connected transaction of the Company; and (ii) a conditional agreement for the termination of a possible joint venture cooperation which is related to the formation of PRC joint venture companies as disclosed in the announcement of the Company on 21 January 2008. Besides, the Group had been informed that an agreement for sales and purchase of the shares and convertible securities of the Company was signed and as result, the purchaser of such securities is required to make mandatory unconditional cash offers (other than those already owned by or agreed to be acquired by it or parties acting in concert with it) under the Hong Kong Code on Takeovers and Mergers. Since more time is required for the negotiation between the Company and the counterparty in relation to certain amendments to the terms of the signed agreements for the purpose of compliance with the Listing Rules and for the finalisation of the content of the further announcement related to change of business plan. At the date of this annual report, the matters are still in progress. Details are set out on the announcement dated 1 February 2008 and 7 March 2008.

44. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

45. Authorisation for issue of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 7 March 2008.

3. INDEBTEDNESS STATEMENT

As at the close of business on 30 April 2008, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had the Convertible Bonds with principal amount of HK$180,000,000 outstanding. The liability component of the Convertible Bonds as recorded in the Group's books as at 30 April 2008 was approximately HK$147,596,000.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business of the Group, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings, mortgages and charges and other material contingent liabilities as at the close of business on 30 April 2008.

4. WORKING CAPITAL

The Directors are of the opinion that after taking into account the Group's cashflow generated from operating activities and the proceeds to be received from the Disposal, the Group has sufficient working capital for its present requirements.

5. MATERIAL CHANGE

The Directors confirm that there were no material adverse changes in the financial or trading position of the Group since 31 December 2007, the date to which the last published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date.

The following is the text of the letter and valuation certificates received from Norton Appraisals Limited, an independent property valuer, prepared for the purpose of incorporation in this circular in connection with their valuation of the property interests held by the Group as at 30 April 2008.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

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

30 June 2008

The Directors
G-Prop (Holdings) Limited
26/F MassMutual Tower
No. 38 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with the instructions from G-Prop (Holdings) Limited (hereinafter referred to as the "Company"), its subsidiaries and associated companies (hereinafter together referred to as the "Group") for us to value the property interests located in Hong Kong Special Administrative Region (hereinafter referred to as "Hong Kong") and the People's Republic of China (hereinafter referred to as the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of the property interests in their existing states as at 30 April 2008 (hereinafter referred to as the "date of valuation") for public documentation purpose.

BASIS OF VALUATION

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

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

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

VALUATION METHODOLOGIES

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

In valuing the property interests under Groups II and III which are held for future development and held for owner-occupied by the Group in the PRC, we have adopted Direct Comparison Approach assuming such property interests are capable of being sold in their existing states on a strata-titled basis with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets.

VALUATION ASSUMPTIONS

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

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

TITLE INVESTIGATION

For those properties located in Hong Kong, we have, as agreed with the Group, caused sampling title searches at the relevant Land Registries and no title search has been made for the properties which are located in the PRC. We have not searched the original documents to verify the ownership or to determine the existence of any lease amendments which do not appear on the copies handed to us. We have, however assumed that transferable land use rights for the specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the advice given by the Group and its PRC legal adviser, Jingtian & Gongcheng Attorneys At Law (the "PRC legal adviser"), as at the date of valuation.

LIMITING CONDITIONS

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

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

Furthermore, we have not carried out any site investigation to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services, etc. for future development.

We have relied to a considerable extent on the information provided by the Group and have accepted advice on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, lettings and site/floor areas and all other relevant matters in the identification of the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have been also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Our valuation has been prepared in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors and all the requirements contained in the Chapter 5, the Practice Note 12 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and the Codes on Takeover and Mergers and Share Repurchase of The Securities and Futures Commission.

REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation certificates are in Hong Kong dollars. The exchange rate adopted in our valuations is approximately RMB1 = HK$1.11 which was approximately the prevailing exchange rate as at the date of valuation.

Our Summary of Values and Valuation Certificates are enclosed herewith.

Yours faithfully,
For and on behalf of
Norton Appraisals Limited

Paul M. K. Wong *MRICS, MHKIS, RPS (G.P.)*
Director

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

SUMMARY OF VALUES

	Property	Capital Value in existing state as at 30 April 2008 *HK$*	Interest attributable to the Group	Capital Value attributable to the Group as at 30 April 2008 *HK$*
Group I – Property interests held by the Group for investment in Hong Kong				
1.	25 Car Parking Spaces on various Floors and 5 Adjoining Spaces at the 2nd and 4th Floors of the Bank of East Asia Harbour View Centre, No. 56 Gloucester Road, Wan Chai, Hong Kong	$23,000,000	100%	$23,000,000
2.	Six Parking Spaces and Carport Basement of No. 9 Queen's Road Central, Central, Hong Kong	$10,500,000	100%	$10,500,000
	Sub-total:	$33,500,000		$33,500,000
Group II – Property interest held by the Group for future development in the PRC				
3.	A parcel of land located at Da Qi San Shang Liang Industrial District, Shu Lin Zhao Xiang Guan Nian Fung Village, Da La Te Qi County, Erdos City, Inner Mongolia Autonomous Region, the PRC	$65,200,000	100%	$65,200,000
	Sub-total:	$65,200,000		$65,200,000

	Property	Capital Value in existing state as at 30 April 2008 *HK$*	Interest attributable to the Group	Capital Value attributable to the Group as at 30 April 2008 *HK$*
Group III – Property interest held for owner-occupied by the Group in the PRC				
4.	The whole of Block 2 and Unit Nos. 451 and 452 on 5th Floor of Block 4, Yu Long Garden (“裕隆花園”), Wen Yuan Street South, Jin Peng Road West, Da Qi Shu Village, Da La Te Qi County, Erdos City, Inner Mongolia Autonomous Region, the PRC	$3,730,000	100%	$3,730,000
	Sub-total:	$3,730,000		$3,730,000
	GRAND TOTAL:	$102,430,000		$102,430,000

VALUATION CERTIFICATE

Group I – Property interests held by the Group for investment in Hong Kong

	Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 30 April 2008
1.	25 Car Parking Spaces on various Floors and 5 Adjoining Spaces at the 2nd and 4th Floors of the Bank of East Asia Harbour View Centre, No. 56 Gloucester Road, Wan Chai, Hong Kong 683,040/19,581,678th equal and undivided shares of and in the Remaining Portion of Inland Lot No. 2818. The Remaining Portion of Section D of Inland Lot No. 2818. The Remaining Portion of Section F of Inland Lot No. 2817 and Section M of Inland Lot No. 2817	Bank of East Asia Harbour View Centre (the "Building") is a 31-storey commercial building with ancillary carparking facilities completed in 1990. The property comprises 25 car parking spaces scattered on Ground to 4th floors together with 5 adjoining spaces at the 2nd and 4th floors of the Building which are also occupied as car parking spaces. Inland Lot Nos. 2817 and 2818 are each held under two Government Leases for a common term of 99 years commencing from 26 March 1929 and 25 May 1929 respectively each renewable for a further term of 99 years.	21 out of 25 car parking spaces are subject to various monthly licences, yielding a total monthly income of $79,900 inclusive of rates and services charges whilst the remaining 4 car parking spaces are currently vacant. 5 adjoining spaces are subject to 5 separate licences yielding a total monthly income of $18,800 inclusive of rates and services charges.	$23,000,000 *(see Note ii below)* (100% interest attributable to the Group: $23,000,000)

Notes:

i) The property comprises:

a) carparking spaces nos. L1, L2 and L3 on Ground Floor, L4 and L5 on the 1st floor, 1, 2, 4, 5, 10, 11 and 12 on the 2nd floor, 1 and 2 on the 3rd floor and 1 to 11 on the 4th floor of the Building; and

b) 5 adjoining spaces on the 2nd and 4th floors of the Building.

ii) Since no undivided share has been allocated to the 5 adjoining spaces on the 2nd and 4th floors of the Building, we are of the opinion that there is no commercial value for those 5 adjoining spaces.

iii) The registered owner of the property is Grow Wealth Property Investment Limited, which is a wholly-owned subsidiary of the Group, vide Memorial No. UB4911385 dated 28 June 1991.

iv) The property is subject to the Memorandum of Change of Name of Building vide Memorial No. UB8646782 dated 15 March 2002.

v) The Group advised that the property at the time of disposal at the amount of its market value as at 30 April 2008 will be subject to profits tax in Hong Kong. The precise tax implication will be subject to formal tax advice, prevailing rules and regulations at the time of disposal. However, in light of the future plan of the Offeror as set out in the sub-paragraph of "Intention of the Offeror regarding the Group" at the heading of Letter from Get Nice Securities of the composite offer and response document relating to mandatory unconditional cash offers by Get Nice Securities Limited on behalf of Mass Rise for (1) all the issued shares (other than those already owned or agreed to be acquired by Mass Rise and parties acting in concert with it); and (2) the convertible bonds (other than the AK bond) published on 15 April 2008 the likelihood of any tax liability being crystallized is remote since Offeror has no intention to dispose of or redeploy the assets of the Group. For indicative purpose and based on prevailing rules and information available as at the Latest Practicable Date, the potential tax obligation arising from the disposal of this property is estimated to be HK$1,700,000.

	Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 30 April 2008
2.	Six Parking Spaces and Carport Basement of No. 9 Queen's Road Central, Central, Hong Kong 9/23,086th equal and undivided shares of and in Sections A and B and the Remaining Portion of Section C and the Remaining Portion of Marine Lot No. 101, the Remaining Portion of Section A of Marine Lot No. 102, Section C of Marine Lot No. 103 and the Remaining Portion of Inland Lot No. 514	No. 9 Queen's Road Central (the "Building") is a 35-storey commercial building completed in 1992. The property comprises six parking spaces and the loading/unloading area on the carport basement of the Building. Marine Lot Nos. 101, 102 and 103 are held under respective Government Leases for a common term of 999 years commencing from 16 November 1855 whilst Inland Lot No. 514 is held under another Government Lease for a term of 999 years commencing from 21 January 1857.	6 parking spaces are subject to 6 separate monthly licences yielding a total monthly income of $39,600 exclusive of rates and service charges. The Carport Basement are subject to 2 separate monthly licences yielding a total monthly income of $13,200 exclusive of rates and service charges.	$10,500,000 (100% interest attributable to the Group: $10,500,000)

Notes:

i) The registered owner of the property is Minkind Development Limited, which is a wholly-owned subsidiary of the Group, vide Memorial No. UB5740877 dated 30 June 1993.

ii) The property is subject to the Deed of Grant of Easements vide Memorial No. UB8614256 dated 21 January 2002.

iii) The Group advised that the property at the time of disposal at the amount of its market value as at 30 April 2008 will be subject to profits tax in Hong Kong. The precise tax implication will be subject to formal tax advice, prevailing rules and regulations at the time of disposal. However, in light of the future plan of the Offeror as set out in the sub-paragraph of "Intention of the Offeror regarding the Group" at the heading of Letter from Get Nice Securities of the composite offer and response document relating to mandatory unconditional cash offers by Get Nice Securities Limited on behalf of Mass Rise for (1) all the issued shares (other than those already owned or agreed to be acquired by Mass Rise and parties acting in concert with it); and (2) the convertible bonds (other than the AK bond) published on 15 April 2008 the likelihood of any tax liability being crystallized is remote since Offeror has no intention to dispose of or redeploy the assets of the Group. For indicative purpose and based on prevailing rules and information available as at the Latest Practicable Date, the potential tax obligation arising from the disposal of this property is estimated to be HK$300,000.

Group II – Property interest held by the Group for future development in the PRC

	Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 30 April 2008
3.	A parcel of land located at Da Qi San Shang Liang Industrial District, Shu Lin Zhao Xiang Guan Nian Fung Village, Da La Te Qi County, Erdos City, Inner Mongolia Autonomous Region, the PRC	The property comprises a parcel of land with a registered site area of approximately 666,670 sq.m. (7,176,036 sq.ft.) and is planned to be developed into a industrial complex known as "魯能煤電化循環經濟產業園" (Lu Neng Coal and Electricity Cycle Economic Development Zone). The land use rights of the property are to be granted for a term of 50 years from the issuance date of the Certificate for State-owned Land Use Rights for industrial use.	The property is currently a vacant site. As advised by the Group, no development proposal is formulated as at the date of valuation.	$65,200,000 (100% interest attributable to the Group: $65,200,000)

Notes:

i) Pursuant to the Contract for Grant of State-owned Land Use Rights No. Da La Te Qi Shi Guo Rang (He) Zi (2006) Di 26 Hao and the Supplemental Agreement for Contract for Grant of State-owned Land Use Rights (the "Contracts") entered into between Da La Te Qi County Land Resources Bureau (the "Bureau") and Inner Mongolia Yize Mine Investment Co., Ltd. ("Inner Mongolia Yize"), an indirect wholly-owned subsidiary of the Group, on 12 July 2006 and 1 August 2006 respectively. The Bureau agreed to grant the land use rights of the property to Inner Mongolia Yize. The salient conditions stipulated in the Contracts are summarized as follows:

a)	Site area	:	666,670 sq.m.
b)	Use	:	industrial
c)	Land use term	:	50 years
d)	Plot ratio	:	not less than 0.8
e)	Total investment	:	not less than RMB9,115,400,000

ii) Pursuant to the Business Licence No. 1527222000976(1-1) dated 23 April 2007, Inner Mongolia Yize has a registered capital of RMB100,000,000 with an operation period commencing from 16 November 2004 and expiring on 15 November 2054. The main scope of business is confined to coal mining, exploration works, coal and electricity investment, construction materials, plant and machineries, raw coal processing industry, etc (not allowed to perform any commercial and production activities without prior approval by the Government).

iii) Pursuant to the Approval Letter for Land Use Construction No. E Er Duo Si Shi Da La Te Qi Xian (2006) Zi Di 12 Hao dated on 29 December 2006, the property, having a site area of approximately 666,670 sq.m., is approved for industrial use. The proposed development is known as Lu Neng Coal and Electricity Cycle Economic Development Zone.

iv) Pursuant to the Certificate for Construction Land Usage Planning Permit No. 2007003 dated 9 February 2007, the development of the property, having a site area of approximately 666,670 sq.m., is permitted for industrial use.

v) The Group advised that the property at the time of disposal at the amount of its market value as at 30 April 2008 will be subject to business tax, PRC land capital gain tax and PRC Corporate income tax. The precise tax implication will be subject to formal tax advice, prevailing rules and regulations at the time of disposal. However, pursuant to the Disposal Agreement, the likelihood of any tax liability being crystallized is remote since the disposal of the property through a disposal a direct wholly-owned subsidiary. For indicative purpose and based on prevailing rules and information available as at the Latest Practicable Date, the potential tax obligation arising from the disposal of this property is estimated to be HK$28,340,000.

vi) The opinion of the Group's legal adviser on PRC law states that:

a) After payments of the outstanding land premium of RMB330,355.70 and the related stamp duty/tax incurred and the completion of the land grant procedure, Inner Mongolia Yize is entitled to obtain the land use rights of the property for a term of 50 years for industrial use from the issuance of the Certificate for State-Owned Land Use Rights and there is no foreseeable legal impediment for the aforesaid application;

b) Pursuant to the note (vi) (a) above, the land use rights of the property are freely transferable by way of transfer, mortgage or letting without the need to pay any further land premium or other sums other than of a nominal nature upon more than 25% of the total investment amount (other than land premium) having been invested; and

c) Inner Mongolia Yize has been duly incorporated and has full corporate power and legal capacity to carry out on the business specified in the Business Licence of the company.

vii) As advised by the Group, the said outstanding land premium of RMB330,355.70 has been fully settled as at the date of valuation.

viii) In the course of our valuation, we have prepared our valuation on the following assumptions:

a) Inner Mongolia Yize is in possession of a proper legal title to the property and is entitled to transfer the property together with the residual term of its land use rights at no extra land premium and other onerous charges payable to the government;

b) All land premium and other costs of resettlement and public utilities services, if any, have already been fully settled; and

c) All the consents, approvals and licences from relevant government authorities for the development of the property have been granted without any onerous conditions or undue delay which might affect the value.

Group III – Property interest held for owner-occupied by the Group in the PRC

	Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 30 April 2008
4.	The whole of Block 2 and Unit Nos. 451 and 452 on 5th Floor of Block 4, Yu Long Garden (“裕隆花園”), Wen Yuan Street South, Jin Peng Road West, Da Qi Shu Village, Da La Te Qi County, Erdos City, Inner Mongolia Autonomous Region, the PRC	Yu Long Garden (the “Development”) is a large scale low-rise residential development completed in about 2005. The property comprises the whole of Block 2 which accommodating ten residential units and two residential units on the 5th Floor of Block 4 of the Development. The total gross floor area of the property is approximately 1,614.99 sq.m.. The land use rights of the property have been granted for common terms up to 1 September 2073 for residential use.	The property is currently owner-occupied.	$3,730,000 (100% interest attributable to the Group: $3,730,000)

Notes:

i) Pursuant to the 12 Certificates for State-owned Land Use Rights, the land use rights of the property have been granted to Inner Mongolia Yize Mining Investment Co., Ltd. (“Inner Mongolia Yize”) for common terms up to 1 September 2073 for residential use. Details of the Certificates are summarized as follows:

No.	Unit	Certificate No.	Date of Issuance	Land Use Right Area *(sq.m.)*
1	211	Da Guo Yong (2005) Di 5663 Hao	2 December 2005	24.87
2	212	Da Guo Yong (2005) Di 5668 Hao	2 December 2005	24.87
3	221	Da Guo Yong (2005) Di 5665 Hao	2 December 2005	24.87
4	222	Da Guo Yong (2005) Di 5659 Hao	2 December 2005	24.87
5	231	Da Guo Yong (2005) Di 5664 Hao	2 December 2005	24.87
6	232	Da Guo Yong (2005) Di 5667 Hao	2 December 2005	24.87
7	241	Da Guo Yong (2005) Di 5662 Hao	2 December 2005	24.87
8	242	Da Guo Yong (2005) Di 5658 Hao	2 December 2005	24.87
9	251	Da Guo Yong (2005) Di 5666 Hao	2 December 2005	24.87
10	252	Da Guo Yong (2005) Di 5661 Hao	2 December 2005	24.87
11	451	Da Guo Yong (2005) Di 6123 Hao	2 March 2006	25.03
12	452	Da Guo Yong (2005) Di 6122 Hao	2 March 2006	24.87

ii) Pursuant to the 12 Certificates for Building Ownership, the titles of the property, having a total gross floor area of approximately 1,614.99 sq.m., are vested in Inner Mongolia Yize with common terms expiring on 1 September 2073 for residential use. Details of the Certificates are summarized as follows:

No.	Unit	Certificate No.	Date of Issuance	Gross Floor Area *(sq.m.)*
1	211	Fang Quan Zheng 2005 Zi Di 17319 Hao	14 December 2005	134.51
2	212	Fang Quan Zheng 2005 Zi Di 17325 Hao	14 December 2005	134.51
3	221	Fang Quan Zheng 2005 Zi Di 17317 Hao	14 December 2005	134.51
4	222	Fang Quan Zheng 2005 Zi Di 17322 Hao	14 December 2005	134.51
5	231	Fang Quan Zheng 2005 Zi Di 17323 Hao	14 December 2005	134.51
6	232	Fang Quan Zheng 2005 Zi Di 17314 Hao	14 December 2005	134.51
7	241	Fang Quan Zheng 2005 Zi Di 17327 Hao	14 December 2005	134.51
8	242	Fang Quan Zheng 2005 Zi Di 17316 Hao	14 December 2005	134.51
9	251	Fang Quan Zheng 2005 Zi Di 17315 Hao	14 December 2005	134.51
10	252	Fang Quan Zheng 2005 Zi Di 17318 Hao	14 December 2005	134.51
11	451	Fang Quan Zheng 2005 Zi Di 17724 Hao	22 March 2006	135.38
12	452	Fang Quan Zheng 2005 Zi Di 17723 Hao	22 March 2006	134.51
			Total:	1,614.99

iii) Pursuant to the Business Licence No. 1527222000976(1-1) dated 23 April 2007, Inner Mongolia Yize has a registered capital of RMB100,000,000 with an operation period commencing from 16 November 2004 and expiring on 15 November 2054. The main scope of business is confined to coal mining, exploration works, coal and electricity investment, construction materials, plant and machineries, raw coal processing industry, etc (not allowed to perform any commercial and production activities without prior approval by the Government).

iv) The Group advised that the property at the time of disposal at the amount of its market value as at 30 April 2008 will be subject to business tax, PRC land capital gain tax and PRC Corporate income tax. The precise tax implication will be subject to formal tax advice, prevailing rules and regulations at the time of disposal. However, pursuant to the Disposal Agreement, the likelihood of any tax liability being crystallized is remote since the disposal of the property through a disposal a direct wholly-owned subsidiary. For indicative purpose and based on prevailing rules and information available as at the Latest Practicable Date, the potential tax obligation arising from the disposal of this property is estimated to be HK$1,024,000.

v) The opinion of the Group's legal adviser on PRC law states that:

a) According to the Certificates for Building Ownership and the Certificates for State-owned Land Use Rights, Inner Mongolia Yize has duly obtained the land use rights of the property for the common term up to 1st September, 2073 for residential use;

b) Inner Mongolia Yize is in possession of a proper legal title to the property and is entitled to transfer the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

c) The land use rights of the property are freely transferable by way of transfer, mortgage or letting; and

d) Inner Mongolia Yize has been duly incorporated and has full corporate power and legal capacity to carry out on the business specified in the Business Licence of the company.

vi) In the course of our valuation, we have prepared our valuation on the following assumptions:

a) Inner Mongolia Yize is in possession of a proper legal title to the property and is entitled to transfer the property together with the residual term of its land use rights at no extra land premium and other onerous charges payable to the government;

b) All land premium and other costs of resettlement and public utilities services, if any, have already been fully settled; and

c) The designs and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities.

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date,

(a) none of the Directors or chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange;

(b) none of the Directors had any interest, direct or indirect, in any asset which have since 31 December 2007, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2007, being the date to which the latest published audited financial statements of the Group were made up, and which was significant in relation to the business of the Group; and

(d) none of the Directors or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Long positions in the Company:–

Name of Shareholder	Number of Shares held	Number of underlying Shares to be allotted and issued pursuant to the exercise of the Convertible Bonds	Capacity	*Notes*	Percentage of shareholding (%)
Mr. Lau	1,512,059,473	1,111,111,110	Founder of trust, beneficiary of trust and interest of controlled corporations	*1 & 3*	129.33
Asian Kingdom Limited	493,678,883	444,444,444	Beneficial owner	*1*	46.25
Crown Jade Limited	493,678,883	444,444,444	Interest of controlled corporation	*1*	46.25
Global King Ltd.	1,018,380,590	666,666,666	Trustee	*2*	83.07
GZ Trust Corporation	1,018,380,590	666,666,666	Trustee, beneficiary of trust and interest of controlled corporation	*2*	83.07
CE	1,018,380,590	666,666,666	Interest of controlled corporations	*4*	83.07
Chinese Estates, Limited	904,340,740	666,666,666	Interest of controlled corporations	*5*	77.45
Mass Rise	740,521,829	666,666,666	Beneficial owner	*4 & 5*	69.37
High Victory Limited	113,818,911	–	Beneficial owner	*4 & 5*	5.61

Notes:

1. The entire issued share capital of Asian Kingdom Limited was owned by Crown Jade Limited, the entire issued share capital of which was wholly-owned by Mr. Lau. Mr. Lau and Crown Jade Limited were deemed to be interested in the same parcel of Shares in which Asian Kingdom Limited was interested.

2. GZ Trust Corporation as trustee of a discretionary trust held units in a unit trust of which Global King Ltd. was the trustee. Global King Ltd. was entitled to exercise more than one-third of the voting power at general meetings of CE. Accordingly, Global King Ltd. and GZ Trust Corporation were deemed to be interested in the same interests stated against CE.

3. Mr. Lau, by virtue of his 53.52% interest in the issued share capital of CE, was deemed to be interested in the same interests stated against CE.

4. These Shares comprised of 1,407,188,495 Shares beneficially owned by Mass Rise, 113,818,911 Shares beneficially owned by High Victory Limited, 76,877,685 Shares beneficially owned by Luckpoint Investment Limited, 50,000,000 Shares beneficially owned by Million Point Limited and 37,162,165 Shares beneficially owned by Great Empire International Ltd.. Each of Mass Rise, High Victory Limited, Luckpoint Investment Limited, Million Point Limited and Great Empire International Ltd. was an indirect wholly-owned subsidiary of CE and therefore, CE was deemed to be interested in the same parcel of Shares in which each of such companies was interested.

5. These Shares comprised of 1,407,188,495 Shares beneficially owned by Mass Rise, 113,818,911 Shares beneficially owned by High Victory Limited and 50,000,000 Shares beneficially owned by Million Point Limited. Each of Mass Rise and High Victory Limited was a direct wholly-owned subsidiary of Chinese Estates, Limited and Million Point Limited was an indirect wholly-owned subsidiary of Chinese Estates, Limited. Chinese Estates, Limited was deemed to be interested in the same parcel of Shares in which each of such companies was interested.

Save as disclosed in this circular, as at the Latest Practicable Date, so far as was known to the Directors and chief executives of the Company, there was no other person who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

4. DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

6. MATERIAL CONTRACTS

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

(a) a preliminary sale and purchase agreement and a formal sale and purchase agreement between Boria Enterprises Limited ("**Boria**"), an indirect wholly-owned subsidiary of the Company, as vendor and Ching Sum, Chik Kin Yuen, Tam Kam Wu and Tam Woon Chee, independent third parties, as purchasers in respect of 3rd Floor, Chung Kiu Godown Building, Nos. 63-71 Lei Muk Road, Kwai Chung, New Territories at the consideration of HK$8.8 million dated 8 December 2006 and 29 December 2006 respectively;

(b) a preliminary sale and purchase agreement between Boria as vendor and Hang Cheong Luggage Co. Ltd., an independent third party, as purchaser in respect of 11th Floor, Chung Kiu Godown Building, Nos. 63-71 Lei Muk Road, Kwai Chung, New Territories at the consideration of HK$5.18 million dated 4 January 2007;

(c) a preliminary sale and purchase agreement between Boria as vendor and Truly Billion (Hong Kong) Limited, an independent third party, as purchaser in respect of 7th Floor to 10th Floor, Chung Kiu Godown Building, Nos. 63-71 Lei Muk Road, Kwai Chung, New Territories at the consideration of HK$20.66 million dated 16 January 2007;

(d) a preliminary sale and purchase agreement between Boria as vendor and Best World Enterprises Limited, an independent third party, as purchaser in respect of 4th Floor (including the Flat Rood thereof), 5th Floor and Ground Floor Car parking space no. 25, Chung Kiu Godown Building, Nos. 63-71 Lei Muk Road, Kwai Chung, New Territories at the consideration of HK$10.805 million dated 24 March 2007;

(e) an agreement dated 1 August 2007 entered into between Grade Crystal as purchaser, 山東魯能礦業集團有限公司 (unofficial English translation as Shandong Luneng Mining Group Ltd.) as vendor and Fame Ascent as guarantor in relation to the acquisition of the entire equity interests in 內蒙古伊澤礦業投資有限公司(unofficial English translation as Inner Mongolia Yize Mining Investment Co., Ltd.) at the consideration of RMB59,962,900;

(f) a subscription agreement dated 1 August 2007 entered into between the Company as issuer and Asian Kingdom Limited and Fame Ascent as subscribers in relation to the Subscription;

(g) the deed poll constituting the Convertible Bonds dated 25 October 2007;

(h) the Master Agreement;

(i) the Disposal Agreement;

(j) the Termination Deed; and

(k) the Supplemental Deed Poll.

7. QUALIFICATIONS OF EXPERTS

(a) The following are the qualifications of the experts who has given opinion or, advice contained in this circular:

Name	Qualification
Guangdong Securities	a corporation licensed to carry on type 1 (dealings in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
Norton Appraisals Limited	Independent professional property valuer

(b) As at the Latest Practicable Date, none of Guangdong Securities and Norton Appraisals Limited was beneficially interested in the share capital of any member of the Group nor had it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) As at the Latest Practicable Date, none of Guangdong Securities and Norton Appraisals Limited had any direct or indirect interest in any assets which had, since 31 December 2007, being the date of the latest published audited financial statements of the Group, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and

(d) As at the Latest Practicable Date, none of Guangdong Securities and Norton Appraisals Limited was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

8. CONSENTS

Guangdong Securities and Norton Appraisals Limited have given and have not withdrawn their written consents as to the issue of this circular with the inclusion herein of their respective opinions or letters and/or reference to their names, opinions or letters in the form and context in which they respectively appear.

9. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor his associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company in Hong Kong at Ground Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong during normal business hours from 9:00 a.m. to 12:30 p.m. and from 1:30 p.m. to 5:30 p.m. (other than Saturdays, Sundays, and public holidays) from 30 June 2008 up to and including 14 July 2008:

(1) the memorandum and bye-laws of the Company;

(2) the annual reports of the Company for the two financial years ended 31 December 2006 and 31 December 2007;

(3) the letter from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;

(4) the letter from Guangdong Securities, the text of which is set out on pages 23 to 36 of this circular;

(5) the letter, summary of values and valuation certificates relating to the property interests of the Group prepared by Norton Appraisals Limited, the texts of which are set out in Appendix II to this circular;

(6) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(7) the written consents of Guangdong Securities and Norton Appraisals Limited referred to in the paragraph headed "Consents" in this appendix; and

(8) the Subscription Circular and this circular.

11. MISCELLANEOUS

(1) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office of the Company is at 26th Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong.

(2) The branch share registrar and the transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(3) The registered address of Guangdong Securities is Units 2505-06 25/F Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

(4) Mr. Lam, Kwong-wai, a member of the Hong Kong Institute of Certified Public Accountants, is the company secretary of the Company.

(5) Miss Wong Yuet-ying, a member of Hong Kong Institute of Certified Public Accountants, is the qualified accountant of the Company.

G·PROP
(HOLDINGS) LIMITED

G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 286)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**Meeting**") of G-Prop (Holdings) Limited ("**Company**") will be held at 10:00 a.m. on Tuesday, 22 July 2008 at Concord Room 2 & 3, 8/F, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, with or without amendments, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the sale and purchase agreement dated 1 February 2008 entered into by the Company and Fame Ascent Investments Limited in relation to, among other matters, the sale and purchase of the entire issued share capital of Big Winner Limited and all shareholders' loan due from Big Winner Limited and its subsidiaries to the Company (as varied and supplemented by a supplemental agreement dated 28 March 2008 a second supplemental agreement dated 24 June 2008, both entered into between the Company and Fame Ascent Investments Limited) (the "**Disposal Agreement**") (a copy of the Disposal Agreement marked "**A**" and initialed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) which constitutes a special deal under Rule 25 of the Codes on Takeovers and Merger of Hong Kong be and are hereby confirmed, approved and ratified; and

(b) the directors of the Company (the "**Directors**") or a duly authorised committee of the board of Directors be and are hereby authorised to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivery of all agreements, documents and instruments,) which are in their opinion necessary, appropriate, desirable or expedient to implement or to give effect to the terms of the Disposal Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith that are, in the opinion of the Directors, not material to the terms of the Disposal Agreement and all transactions contemplated thereunder and are in the interests of the Company."

2. "**THAT**:

(a) the amendment to the condition of the zero coupon convertible bonds due 2010 issued by the Company as contemplated by the supplemental deed poll executed by the Company on 24 June 2008 (the "**Supplemental Deed Poll**") (a copy of the Supplemental Deed Poll marked "**B**" and initialed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) be and are hereby confirmed, approved and ratified; and

(b) the Directors or a duly authorised committee of the board of Directors be and are hereby authorised to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivery of all agreements, documents and instruments,) which are in their opinion necessary, appropriate, desirable or expedient to implement or to give effect to the terms of the Supplemental Deed Poll and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith that are, in the opinion of the Directors, not material to the terms of the Supplemental Deed Poll and all transactions contemplated thereunder and are in the interests of the Company."

and the following resolution as a special resolution:

SPECIAL RESOLUTION

3. "**THAT** the bye-laws of the Company ("**Bye-laws**") be and they are hereby amended in the following manner:

   (a) the words "(or, in the case of a member being a corporation, by its duly authorised representative)" be added between the phrase "on a poll every member present in person" and "or by proxy" in the first sentence of Bye-law 66;

   (b) sub-paragraph (1) of Bye-law 78 be amended by adding the following sentence at the end:

   "A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at any meeting of any class of Members."; and

   (c) Bye-law 84A be amended by deleting the first sentence and substituting thereof by the following sentence:

   "If a clearing house (or its nominee(s)) is a Member, it may authorise such person or persons as it thinks fit to act as its representative or representatives, to the extent permitted by the Companies Act, or proxy or proxies at any meeting of the Company or at any meeting of any class of Members provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which such person is so authorised.""

Yours faithfully,
For and on behalf of the Board
G-Prop (Holdings) Limited
Lam, Kwong-wai
Company Secretary

Hong Kong, 30 June 2008

Head office and principal place of business in Hong Kong:
26th Floor
MassMutual Tower
38 Gloucester Road
Wanchai
Hong Kong

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

(1) Any member entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.

(2) In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting (or any adjournment thereof).

(3) Completion and deposit of the form of proxy will not preclude members from attending and voting at the Meeting or any adjournment thereof should they so wish, and in such event, the form of proxy will be deemed to be revoked.

(4) Where there are joint registered holders of any share(s) of the Company, any one of such joint holders may attend and vote at the Meeting, either in person or by proxy, in respect of such share(s) as it he/she were solely entitled thereto, but if more than one of such joint holders are present, the vote of the senior who tenders a vote, where in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stated in the registered of members of the Company in respect of the joint holding.

As at the date hereof, the board of Directors comprises of Mr. Leung, Wing-pong and Mr. Kong, Chi-ming as executive Directors and Mr. Leung, Yun-fai, Mr. Lam, Yat-fai and Dr. David Chain, Chi-woo as independent non-executive Directors.