THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in COL Capital Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

COL Capital Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00383)

(1) PROPOSED RIGHTS ISSUE OF NOT LESS THAN 275,622,494 RIGHTS SHARES AND NOT MORE THAN 330,842,256 RIGHTS SHARES AT HK$0.40 EACH ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY EXISTING SHARE HELD ON THE RECORD DATE
(2) PLACING OF NINE PER CENT. CONVERTIBLE BONDS DUE 2012 UNDER SPECIFIC MANDATE
(3) APPLICATION FOR GRANTING OF WHITEWASH WAIVER
AND
(4) PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE SHARES

UNDERWRITER OF THE RIGHTS ISSUE
VIGOR ONLINE OFFSHORE LIMITED

PLACING AGENT

新鴻基金融集團

SUN HUNG KAI FINANCIAL

INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT SHAREHOLDERS

亞洲資產管理

ASIA INVESTMENT MANAGEMENT

A letter from the Board is set out on pages 9 to 37 of this circular. A letter from the Independent Board Committee is set out on pages 38 to 39 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee on the Rights Issue and the Whitewash Waiver is set out on pages 40 to 64 of this circular.

Shareholders should note that the Shares will be dealt on an ex-entitlement basis commencing from Friday, 9th January, 2009 and that dealings in such Shares may be subject to termination of the Underwriting Agreement or any of the conditions of the Underwriting Agreement not being fulfilled.

To qualify for the Rights Issue, any transfer of Shares (with the relevant share certificates) must be lodged with the registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. (Hong Kong time) on Monday, 12th January, 2009.

A notice convening the special general meeting of the Company (the "SGM") to be held at 10:30 a.m. on Friday, 16th January, 2009 at Plaza V, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong is set out on pages 176 to 179 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof if they so wish.

Shareholders should note that if prior to 4:00 p.m. on the Latest Time for Termination, in the sole and absolute opinion of the Underwriter:

(a) the success of the Rights Issue would be affected by:

- (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national and international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or

(b) any material adverse change in market conditions (including without limitation, a change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or restriction or trading in securities) occurs which in the sole and absolute opinion of the Underwriter is likely to materially and adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue;

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if prior to the Latest Time for Termination:

(a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(b) any event occurring or matter arising after the Underwriting Agreement but before the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties in the Underwriting Agreement untrue or incorrect in material respect.

31st December, 2008

CONTENTS

The expected timetable for the Rights Issue is set out below:

EXPECTED TIMETABLE

	2009
Last day of dealings in the Shares on a cum-rights basis	Thursday, 8th January
Commencement of dealings in the Shares on an ex-rights basis	Friday, 9th January
Latest time for lodging transfer of the Shares in order to be qualified for the Rights Issue	4:30 p.m. on Monday, 12th January
Register of members and warrantholders closes	Tuesday, 13th January to Friday, 16th January (both days inclusive)
Date of SGM	Friday, 16th January
Record Date	Friday, 16th January
Register of members and warrantholders re-opens	Monday, 19th January
Posting Date	Monday, 19th January
First day of dealings in nil-paid Rights Shares	Wednesday, 21st January
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Friday, 23rd January
Last day of dealings in nil-paid Rights Shares	Monday, 2nd February
Latest Time for Acceptance	4:00 p.m. on Thursday, 5th February
Latest time for Termination	4:00 p.m. on Monday, 9th February

EXPECTED TIMETABLE

Announcement of results of the Rights Issue . . . . Thursday, 12th February

Refund cheques in respect of wholly or partially
unsuccessful applications for excess Rights Shares
expected to be posted on or before . . . . .Friday, 13th February

Certificates for the Rights Shares expected
to be despatched on or before. . . . . .Friday, 13th February

Dealing in fully-paid Rights Shares commence on . . . . Tuesday, 17th February

Dates or deadlines specified in this circular are indicative only and may be varied by agreement between the Company and Vigor. Any consequential changes to the expected timetable will be published or notified to Shareholders appropriately.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of, and payment for, the Rights Shares will not take place if there is:–

(i) a tropical cyclone warning signal number 8 or above; or

(ii) a "black" rainstorm warning:–

– in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on 5th February, 2009. Instead the latest time for acceptance of, and payment for, the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

– in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 5th February, 2009. Instead the latest time for acceptance of, and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of, and payment for, the Rights Shares does not take place on 5th February, 2009, the dates mentioned in the expected timetable above may be affected. An announcement will be made by the Company in such event.

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

"Announcement"	the announcement of the Company dated 1st December, 2008;
"associates"	has the meaning ascribed thereto in the Listing Rules;
"Board"	board of Directors;
"Business Day"	any day (other than Saturday and Sunday), on which banks in Hong Kong are open for business;
"Company"	COL Capital Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on Main Board of the Stock Exchange;
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
"connected persons"	has the meaning ascribed thereto in the Listing Rules;
"Convertible Bond(s)"	HK$300,000,000 in aggregate principal amount of the convertible bonds due 2012 at an issue price of HK$0.75 per unit of the Convertible Bond at an interest rate of 9% per annum convertible into Shares;
"Conversion Period"	the period commencing from the Issue Date up to a date falling three years from the Issue Date and including the Maturity Date;
"Conversion Price"	HK$0.75 per Share;
"Conversion Shares"	Shares to be allotted and issued upon conversion of the Convertible Bonds being 400,000,000 Shares;
"Director(s)"	director(s) of the Company;
"EAF(s)"	the forms of application for excess Rights Shares;

"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates;
"Excluded Shareholders"	Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date and whose addresses as shown on such register are outside Hong Kong where the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place;
"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Shareholders"	Shareholders other than those who are interested in or involved in the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder;
"Independent Board Committee"	an independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. Lo Wai On, Mr. Lau Siu Ki and Mr. Zhang Jian, formed for the purpose of advising the Independent Shareholders in relation to the transactions contemplated under the Rights Issue and the Whitewash Waiver;
"Independent Financial Adviser"	Asia Investment Management Limited, a licensed corporation under the SFO to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO;

"Irrevocable Undertaking"	the irrevocable undertaking dated 23rd November, 2008 given by Vigor to, inter alia, take up all its entitlement under the Rights Issue, being 106,484,400 Rights Shares and any additional Rights Shares allotted and issued to it as a result of the exercise of the rights attached to Warrants held by it, being 21,296,880 Rights Shares, representing approximately 38.63 per cent. and 7.73 per cent. of the existing issued share capital of the Company respectively;
"Issue Date"	the date on which the Convertible Bonds are issued;
"Issue Price"	the issue price of HK$0.75 per unit of the Convertible Bonds;
"Latest Practicable Date"	24th December, 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
"Last Trading Date"	21st November, 2008, being the last full trading day for the Shares before the date of the Announcement;
"Latest Time for Acceptance"	4:00 p.m. on Thursday, 5th February, 2009 (or such other date as may be agreed by the Company and the Underwriter in writing and specified in the Prospectus Documents as the latest time for acceptance of and payment for, the Right Shares and application for excess Right Shares);
"Latest Time for Termination"	4:00 p.m. on the second business day immediately following the Latest Time for Acceptance, being the latest time to terminate the Underwriting Agreement;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Maturity Date"	the date falling three years from the Issue Date;
"PAL(s)"	the provisional allotment letters in connection with the Rights Issue;

"Placees"	any institutional, corporate or independent individual investors procured by the Placing Agent to subscribe for the Convertible Bonds pursuant to the Placing Agent's obligations under the Placing Agreement;
"Placing"	placing of HK$300,000,000 Convertible Bonds due 2012 pursuant to the terms of the Placing Agreement;
"Placing Agent"	Sun Hung Kai International Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance respectively) under the SFO;
"Placing Agreement"	the agreement dated 23rd November, 2008 and entered into between the Company and the Placing Agent in relation to the Placing;
"Posting Date"	Monday, 19th January, 2009 or such other date as Vigor may agree in writing with the Company for the despatch of the Prospectus Documents;
"Prospectus"	the prospectus to be issued by the Company in relation to the Rights Issue;
"Prospectus Documents"	the Prospectus, the PALs and the EAFs;
"Qualifying Shareholder(s)"	Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date, other than the Excluded Shareholders;
"Record Date"	Friday, 16th January, 2009, the record date to determine entitlements to the Rights Issue;
"Rights Issue"	the issue of not less than 275,622,494 Rights Shares and not more than 330,842,256 Rights Shares at the Subscription Price on the basis of one Rights Share for every existing Share held on the Record Date;
"Rights Shares"	new Share(s) to be allotted and issued in respect of the Rights Issue;

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Rights Issue, the Placing, the Whitewash Waiver and the grant of the Specific Mandate;
"Shares"	ordinary share(s) of HK$0.01 each in the issued and unissued share capital of the Company;
"Shareholder(s)"	holder(s) of the Shares;
"Specific Mandate"	the mandate to be granted to the Directors at the SGM to allot and issue the Rights Shares and the Conversion Shares upon the conversion of the Convertible Bonds;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subscription Price"	the subscription price of HK$0.40 per Rights Shares;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers;
"Underwriting Agreement"	the underwriting agreement dated 23rd November, 2008 entered into between the Company and the Underwriter in relation to the Rights Issue;
"Underwritten Shares"	all the Rights Shares other than those agreed to be taken by Vigor, being not less than 169,138,094 Rights Shares and not more than 203,060,976 Rights Shares;
"Underwriter" or "Vigor"	Vigor Online Offshore Limited, a company incorporated in the British Virgin Islands with limited liability, and the controlling shareholder of the Company. Its ultimate beneficial owner is Ms. Chong Sok Un and directors being Ms. Chong Sok Un and Dato' Wong Peng Chong;
"Warrants"	outstanding warrants that are exercisable during the relevant subscription period in accordance with the terms of the instrument constituting the warrants approved by Shareholders on 26th June, 2008;

"Whitewash Waiver"	the waiver from the obligation of Vigor and parties acting in concert with it to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by Vigor or parties acting in concert with it under Rule 26 of the Takeovers Code, as a result of the transactions contemplated in the Underwriting Agreement and the Irrevocable Undertaking, pursuant to Note 1 on dispensations from Rule 26 of the Takeover Code;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"%"	per cent.

COL Capital Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00383)

Executive Directors:
Ms. Chong Sok Un *(Chairman)*
Dato' Wong Peng Chong
Mr. Kong Muk Yin

Independent Non-Executive Directors:
Mr. Lo Wai On
Mr. Lau Siu Ki
Mr. Zhang Jian

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal Place of Business in Hong Kong:
47th Floor
China Online Centre
333 Lockhart Road
Wan Chai
Hong Kong

31st December, 2008

To the Qualifying Shareholders and,
for information only, the Excluded Shareholders and holders of Warrants

Dear Sir or Madam,

(1) PROPOSED RIGHTS ISSUE OF NOT LESS THAN 275,622,494 RIGHTS SHARES AND NOT MORE THAN 330,842,256 RIGHTS SHARES AT HK$0.40 EACH ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY EXISTING SHARE HELD ON THE RECORD DATE
(2) PLACING OF NINE PER CENT. CONVERTIBLE BONDS DUE 2012 UNDER SPECIFIC MANDATE
(3) APPLICATION FOR GRANTING OF WHITEWASH WAIVER
AND
(4) PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE SHARES

INTRODUCTION

On 1st December, 2008, the Company announced that it proposed to raise not less than approximately HK$110,248,997.60 before expenses by way of a rights issue of not less than 275,622,494 Rights Shares and not more than 330,842,256 Rights Shares at a price of HK$0.40 per Rights Share on the basis of one Rights Share for every existing Share held on the Record Date.

Pursuant to the Underwriting Agreement, the Underwritten Shares will be fully underwritten by Vigor on the terms and subject to the conditions set out in the Underwriting Agreement. If Vigor terminates the Underwriting Agreement (see sub-section headed "Termination of the Underwriting Agreement" below) or the conditions of the Rights Issue are not satisfied or waived in whole or in part by Vigor, the Rights Issue will not proceed.

On 1st December, 2008, the Company announced that the Company and the Placing Agent entered into the Placing Agreement on 23rd November, 2008, whereby the Company has conditionally agreed to place, through the Placing Agent on a fully underwritten basis, a maximum of HK$300,000,000 value of Convertible Bonds to the Placees convertible into Shares at the Conversion Price.

The Rights Issue is subject to the granting of the Whitewash Waiver by the Executive and the Whitewash Waiver is subject to the approval of the Independent Shareholders on a vote taken by way of poll at the SGM. As the Rights Issue will increase the issued Shares of the Company by more than 50%, pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue will be subject to approval by Independent Shareholders at the SGM.

The proposal for grant of Specific Mandate to allot and issue the Conversion Shares upon the conversion of the Convertible Bonds is also subject to approval by the Shareholders at the SGM.

The Independent Board Committee, comprising of Mr. Lo Wai On, Mr. Lau Siu Ki and Mr. Zhang Jian, has been constituted to consider the terms of the Rights Issue and the Whitewash Waiver and to make a recommendation to the Independent Shareholders. The Independent Financial Adviser has been appointed to advise the Independent Board Committee on the fairness and reasonableness of the terms and conditions of the Rights Issue and the transactions contemplated under the Whitewash Waiver.

The purpose of this circular is to provide you with details on, among other things, (i) the Rights Issue, (ii) the Placing; (iii) the Whitewash Waiver; (iv) the grant of Specific Mandate to allot and issue the Rights Shares and the Conversion Shares; (v) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the Whitewash Waiver; (vi) a letter of advice from the Independent Financial Adviser to the Independent Board Committee on the Rights Issue and the Whitewash Waiver; and (vii) a notice to convene the SGM.

THE RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue:	One Rights Share for every existing Share held on the Record Date
Number of existing Shares in issue:	275,622,494 Shares
Number of Rights Shares:	Not less than 275,622,494 Rights Shares (assuming no outstanding Warrants are exercised) and not more than 330,842,256 Rights Shares (assuming all outstanding Warrants are fully exercised)
Underwriter:	Vigor
Number of Underwritten Shares:	not less than 169,138,094 (assuming no outstanding Warrants are exercised) Underwritten Shares and not more than 203,060,976 (assuming all outstanding Warrants are fully exercised) Underwritten Shares. The minimum and maximum number of Rights Shares to be underwritten by Vigor (taking into account the minimum of 106,484,400 Rights Shares and the maximum of 127,781,280 Rights Shares agreed to be taken up by Vigor) are 169,138,094 and 203,060,976 respectively, representing 30.68% of the issued share capital of the Company as enlarged by the Rights Issue and 30.69% of the issued share capital of the Company as enlarged by the Rights Issue and the full exercise of outstanding Warrants on or before the Record Date.

Under the Rights Issue, not less than 275,622,494 nil-paid Rights Shares (assuming no warrants are exercised on or before the Record Date) would be provisionally allotted, representing 100.0% of the existing issued share capital of the Company and 50.0% of the issued share capital of the Company as enlarged by the issue of 275,622,494 Rights Shares

The number of Rights Shares which may be allotted and issued pursuant to the Rights Issue will be increased in proportion to any additional Shares which may be allotted and issued upon the exercise of the Warrants on or before the Record Date. As at the Latest Practicable Date, there are outstanding Warrants entitling holders thereof to subscribe for 55,219,762 Shares. If all of the subscription rights attaching to the outstanding Warrants are exercised in full and the Shares are allotted and issued pursuant to such exercise on or before the Record Date, the number of issued Shares will be increased to 330,842,256 Shares, and the number of Rights Shares which may be issued pursuant to the Rights Issue will be increased to 330,842,256 Rights Shares.

Qualifying Shareholders and Rights of Excluded Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of the Shares must be lodged (together with the relevant share certificate(s)) with the Company's branch share registrars in Hong Kong by 4:30 p.m. (Hong Kong time) on Monday, 12th January, 2009. The branch share registrar of the Company in Hong Kong is:

Tricor Tengis Limited
26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

The Company will send the Prospectus Documents, including the Prospectus, the PALs and the EAFs, to the Qualifying Shareholders. The Company will send the Prospectus only to the Excluded Shareholders and holders of Warrants for information purposes.

Having reviewed the register of members as at the Latest Practicable Date, the Company noted that 9 Shareholders maintained addresses located in the United Kingdom, Switzerland, Malaysia, Singapore, Germany, Koeln, Spain and Thailand. The Company has made enquiries with its legal advisers regarding the feasibility of extending the Rights Issue to the overseas Shareholders, and based on which the Directors have determined that (i) it is expedient for the Rights Issue to be offered to the overseas Shareholders in the United Kingdom, Switzerland, Malaysia, Singapore and Thailand, and (ii) it is inexpedient for the Rights Issue to be offered to the overseas Shareholders in Germany, Koeln and Spain. Accordingly, if the overseas Shareholders in the United Kingdom, Switzerland, Malaysia, Singapore, Germany, Koeln, Spain and Thailand appear in the register of members of the Company as at the Record Date, the Rights Issue will not be extended to 3 overseas Shareholders with registered addresses in Germany, Koeln and Spain (there being in aggregate 0.005% of the issued share capital held by them) and will be extended to 6 overseas Shareholders with registered addresses in the United Kingdom, Switzerland, Malaysia, Singapore and Thailand. The Company will, if necessary, make further enquiries with its legal advisers in other overseas jurisdictions regarding the feasibility of extending the Rights Issue to the overseas Shareholders and the Excluded Shareholders as at the Record Date and make relevant disclosure in the Prospectus.

Closure of register of members and warrantholders

The register of members and warrantholders of the Company will be closed from Tuesday, 13th January, 2009 to Friday, 16th January, 2009, both dates inclusive. No transfers of Shares and Warrants will be registered during this period.

Subscription Price

HK$0.40 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 48.05% to the closing price of HK$0.770 per Share as quoted on the Stock Exchange on the Last Trading Date;

(ii) a discount of approximately 49.49% to the average closing price of HK$0.792 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Date;

(iii) a discount of approximately 52.94% to the average closing price of HK$0.850 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Date;

(iv) a discount of approximately 52.21% to the average closing price of HK$0.837 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Date;

(v) a discount of approximately 31.62% to the theoretical ex-right price of HK$0.585 based on the closing price of HK$0.77 per Share as quoted on the Stock Exchange on the Last Trading Date;

(vi) a discount of approximately 97.31% to the audited consolidated net asset value per Share of approximately HK$14.85 as at 31st December 2007;

(vii) a discount of approximately 95.15% to the unaudited consolidated net asset value per Share of approximately HK$8.25 as at 30th June, 2008; and

(viii) a discount of approximately 32.20% to the closing price of HK$0.590 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Subscription Price was arrived at after arm's length basis between the Company and Vigor with reference to the market price of the Shares under the prevailing market conditions. The Directors consider the terms of the Rights Issue to be fair and reasonable and in the best interests of the Group and the Shareholders given the right to all Shareholders to acquire the Rights Shares at a discount to the market price.

Basis of Provisional Allotments

One Rights Share (in nil-paid form) for every existing Share held by Qualifying Shareholders as at the close of business on the Record Date.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank pari passu with the then existing Shares in issue in all respects. Holders of fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

Certificates for the Rights Shares

Subject to the fulfillment or the waiver in whole or in part by Vigor of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted by Friday, 13th February, 2009 to those Qualifying Shareholders who have paid for and have accepted the Rights Shares, at their own risk.

Fractions of the Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be made available for excess application.

Application for excess Rights Shares

Qualifying Shareholders shall be entitled to apply for, any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. Application may be made by completing the EAFs and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Board will determine the allotment of the excess Rights Shares on a fair and equitable basis on the following principles:

(1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings;

(2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to Qualifying Shareholders who have applied for excess application based on a pro-rata basis to the excess Rights Shares applied by them, with board lot allocations to be made on a best effort's basis; and

(3) in accordance with any further requirements of the Stock Exchange.

Given that the above arrangement has been adopted by other listed companies and the Company will allow for those without board lot to be topped up and thereafter permit Qualifying Shareholders to apply for excess Right Shares pro rata, the Board believes that this arrangement is fair and reasonable.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Nil-paid Rights Shares are expected to be traded in board lots of 4,000 (as the Shares are currently traded on the Stock Exchange in board lots of 1,000). Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Irrevocable Undertaking

As at the Latest Practicable Date, Vigor is interested in an aggregate of 106,484,400 Shares, representing approximately 38.63% of the issued share capital of the Company. Pursuant to the Irrevocable Undertaking, Vigor has irrevocably undertaken to the Company that, subject to the Rights Issue not being terminated, it will subscribe and lodge acceptance for the Rights Shares which will constitute the provisional allotment of Rights Shares in respect of the Shares held by it, being 106,484,400 Rights Shares and any additional Rights Shares which Vigor is entitled as a result of exercise of the Warrants held by it, being 21,296,880 Rights Shares.

UNDERWRITING AGREEMENT

Date:	23rd November, 2008
Underwriter:	Vigor

Number of existing Shares in issue:	275,622,494 Shares as at the date of the Announcement
Number of the Rights Shares:	not less than 275,622,494 Rights Shares (assuming no outstanding Warrants are exercised) and not more than 330,842,256 Rights Shares (assuming all outstanding Warrants are exercised) The Rights Issue complies with Rule 14A.31(3)(c) of the Listing Rules
Number of Underwritten Shares:	not less than 169,138,094 Underwritten Shares (assuming no outstanding Warrants are exercised) and not more than 203,060,976 Underwritten Shares (assuming all outstanding Warrants are fully exercised). The minimum and maximum number of Rights Shares to be underwritten by Vigor (taking into account the minimum of 106,484,400 Rights Shares and the maximum of 127,781,280 Rights Shares agreed to be taken up by Vigor) are 169,138,094 and 203,060,976 respectively, representing 30.68% of the issued share capital of the Company as enlarged by the Rights Issue and 30.69% of the issued share capital of the Company as enlarged by the Rights Issue and the full exercise of outstanding Warrants on or before the Record Date
Commission:	no underwriting commission will be received by Vigor

Vigor and its concert parties have not acquired any voting rights in the Company nor dealt in the Shares, Warrants, options, derivatives and/or securities carry conversion or subscription rights into Shares during the six months period prior to the date of the Announcement save as disclosed on page 31 of this circular under the section headed "Dealings in Shares of the Company during the past six months prior to the date of the Announcement."

Conditions of the Underwriting Agreement

The obligations of Vigor under the Underwriting Agreement are conditional on the fulfillment of, inter alia, the following condition precedents on or before the Latest Time for Termination:

(i) the Independent Shareholders passing resolutions at the SGM to approve the Whitewash Waiver by way of poll;

(ii) the Executive granting the Whitewash Waiver;

(iii) one copy of each of the Prospectus Documents and other documents relating to the Rights Issue being delivered to the Stock Exchange;

(iv) four printed copies of each of the Prospectus Documents being delivered to the Underwriter on or before the Posting Date, each duly certified by two Directors (or by their attorneys duly authorised in writing) as having been approved by resolution of the Board;

(v) permission of the Bermuda Monetary Authority for the allotment and issue of the Rights Shares, if necessary, being obtained;

(vi) the Registrar of Companies in Hong Kong registering the Prospectus Documents, together with all other consents and documents required to be endorsed on or attached to the Prospectus Documents;

(vii) the Prospectus Documents being filed with the Registrar of Companies in Bermuda;

(viii) printed copies of each of the Prospectus Documents being posted to Qualifying Shareholders and printed copies of the Prospectus stamped "For information only" being posted to Excluded Shareholders and holders of Warrants;

(ix) the Listing Committee of the Stock Exchange granting (subject to allotment and other usual conditions) the listing of, and permission to deal in, the Rights Shares and not having withdrawn or revoked such listing and permission as at the Latest Time for Acceptance;

(x) all necessary approvals and consents, if any, of all relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, Bermuda, or elsewhere which are required or appropriate for the entering into and the implementation of the Underwriting Agreement having been given or obtained;

(xi) compliance by the Company with its obligations under the Underwriting Agreement; and

(xii) conditions of the Placing Agreement being satisfied (save as regards any conditions for the Underwriting Agreement to become unconditional) and completion of the Placing Agreement taking effect.

In the event of the conditions not being fulfilled on or before the respective dates aforesaid (or such later date or dates as may be agreed between the Company and Vigor), all obligations and liabilities of the parties under the Underwriting Agreement will forthwith cease and determine and neither party will have any claim against the other (save in respect of any antecedent breaches hereof). None of the conditions are waivable.

Termination of the Underwriting Agreement

If prior to 4:00 p.m. on the Latest Time for Termination, in the sole and absolute opinion of the Underwriter:

(a) the success of the Rights Issue would be affected by:

(i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national and international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes inexpedient or inadvisable to proceed with the Rights Issue; or

(iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or

(b) any material adverse change in market conditions (including without limitation, a change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or restriction or trading in securities) occurs which in the sole and absolute opinion of the Underwriter is likely to materially and adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue;

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreements if prior to the Latest Time for Termination:

(a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(b) any event occurring or matter arising after the Underwriting Agreement but before the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties in the Underwriting Agreements untrue or incorrect in material respect.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Rights Shares not subscribed by the Shareholders on a fully underwritten basis, upon the terms and subject to the conditions of the Underwriting Agreement.

THE PLACING AGREEMENT

Date

23rd November, 2008

Parties involved

The Placing Agent and the Company

Placing Agent

The Placing Agent has conditionally agreed to place up to HK$300,000,000 Convertible Bonds on a fully underwritten basis and will receive a placing commission of 3% of the aggregate value of Convertible Bonds placed. The Directors are of the view that the placing commission is fair and reasonable with reference to the current market norm in relation to similar transaction. The Placing Agent and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Placees

The Placing Agent agreed to place the Convertible Bonds on a fully underwritten basis to not fewer than six Placees who and whose ultimate beneficial owners will be independent of and not be connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules). A further announcement will be made by the Company upon completion of the Placing.

Conversion Shares

The Conversion Shares represent (i) approximately 145.13% of the existing issued share capital of the Company of 275,622,494 Shares; (ii) approximately 59.20% of the Company's issued share capital of 675,622,494 Shares as enlarged by the Conversion Shares; and (iii) approximately 42.05% of the Company's issued share capital of 951,244,988 Shares as enlarged by the Conversion Shares and the Rights Issue (assuming no outstanding Warrants are exercised on or before the Record Date); and (iv) approximately 37.68% of the Company's issued share capital of 1,061,684,512 Shares as enlarged by the allotment and issue of the Conversion Shares and the Rights Issue (assuming all outstanding Warrants are exercised on or before the Record Date).

Ranking of Conversion Shares

The Conversion Shares will rank, upon allotment and issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares.

Conversion Price

The Conversion Price of HK$0.75 represents:

(i) a discount of approximately 2.60% to the closing price of HK$0.770 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 5.30% to the average closing price per Share of HK$0.792 in the last 5 consecutive trading days up to and including the Last Trading Date;

(iii) a discount of approximately 11.76% to the average closing price per Share of HK$0.850 in the last 10 consecutive trading days up to and including the Last Trading Date; and

(iv) a premium of approximately 27.12% to the closing price of HK$0.590 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Conversion Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing

Completion of the Placing is conditional upon:

(i) the passing of a resolution by the Board authorising the issue of the Convertible Bonds and the entering into of the Placing Agreement;

(ii) the approval of the issue of the Convertible Bonds and the entering into of the Placing Agreement by Shareholders at the SGM;

(iii) the Stock Exchange granting listing of, and permission to deal in, the Conversion Shares;

(iv) permission of the Bermuda Monetary Authority for the allotment and issue of the Conversion Shares, if necessary; and

(v) conditions of the Underwriting Agreement being satisfied (save as regards any conditions for the Placing Agreement to become unconditional) and completion of the Underwriting Agreement taking effect.

As at the Latest Practicable Date, condition (i) has been fulfilled.

Termination

The Placing Agreement may be terminated by the Placing Agent if at any time prior to 4:00 p.m. on the day immediately preceding the date of completion of the Placing:

(i) any of the undertakings, warranties or representations contained in the Placing Agreement becomes untrue or incorrect in any material respect; or

(ii) the Placing, in the reasonable opinion of the Placing Agent, would be materially and adversely affected by:

(a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(c) any material adverse change in the business or in the financial or trading position of the Group as a whole;

(iii) the occurrence of any change in market conditions (including without limitation suspension or material restriction on trading in securities) which in the reasonable opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

The Directors are not aware of the occurrence of any of such events as at the Latest Practicable Date.

Completion of the Placing

The conditions set out in the Placing Agreement are expected to be fulfilled on or before 10th February, 2009 or such later date as may be agreed by the Company and the Placing Agent. Completion of the Placing will take place on the second business day after the Placing Agreement becomes unconditional.

Completion of the Placing and the Rights Issue are inter-conditional. Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares and the Warrants.

Given the prevailing economic climate and capital market environment, the Group had considered alternative fund raising methods such as other forms of debt financing and borrowings and considers that it is prudent to secure long term fundings to improve its capital structure so that the Company believes it is reasonable to conduct the Placing simultaneous with the Rights Issue.

THE CONVERTIBLE BONDS

The terms of the Convertible Bonds have been negotiated on arm's length basis and the principal terms of which are summarised below:

Principal amounts

HK$300,000,000

Interest

9% per annum payable semi-annually in arrears. If the Convertible Bonds are converted into Shares before maturity, interest shall accrue and pay on the principal amounts of the Convertible Bonds up to date of conversion.

Maturity

3 years from the date of the issue of the relevant Convertible Bonds.

Conversion Price

HK$0.75 per Share which is subject to adjustment and any dilutive events (if any) as mentioned below.

The Conversion Price of HK$0.75 represents (i) a discount of about 2.60% to the closing price of HK$0.770 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a discount of about 5.30% to the average closing price per Share of about HK$0.792 as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Date; (iii) a discount of about 11.76% to the average closing price per Share of HK$0.850 as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Date; and (iv) a premium of about 27.12% to the closing price of HK$0.590 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Conversion Price may be subject to adjustment for (i) consolidation, subdivision, or reclassification of Shares, (ii) capitalization of profits or reserves of the Company, (iii) distributions made by the Company, (iv) rights issues of Shares or options over Shares, (v) rights issues of other securities of the Company, (vi) issues of Shares or securities to subscribe or purchase Shares at less than market price, (vii) other issues of securities carrying rights of conversion into, or exchange or subscription for Shares, at less than market price (including modification of rights of conversion), (viii) other offers to Shareholders entitled them to participate in arrangements whereby securities may be acquired by them which in the opinion of an approved merchant bank or the auditors of the Company consider is fair and reasonable to make adjustments. The Company will make an announcement when there is any adjustment to the Conversion Price and the adjustment will be certified by the approved merchant bank or Company's auditors.

Conversion

Each holder may convert the whole or part of the principal amount of the relevant Convertible Bonds into new Shares as determined by dividing the principal amount of the relevant Convertible Bonds outstanding at the time of conversion by the Conversion Price.

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bonds at the Conversion Price by all holders of the Convertible Bonds, the Company will issue an aggregate of 400,000,000 Conversion Shares, representing approximately (a) 145.13% of the existing issued share capital of the Company of 275,622,494 Shares; (b) approximately 59.20% of the issued share capital of the Company of 675,622,494 Shares as enlarged by the Conversion Shares; (c) approximately 42.05% of the Company's issued share capital of 951,244,988 Shares as enlarged by the Conversion Shares and the Rights Issue (assuming no outstanding Warrants are exercised on or before the Record Date); and (d) approximately 37.68% of the Company's issued share capital of 1,061,684,512 Shares as enlarged by the Conversion Shares and the Rights Issue (assuming all outstanding Warrants are exercised on or before the Record Date). The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be granted to Directors by the Shareholders at the SGM.

The market value of the total Conversion Shares was in aggregate of HK$236,000,000 based on the closing price of HK$0.590 per Share as at the Latest Practicable Date.

Pursuant to the terms of the Convertible Bonds, no bondholder shall be permitted to convert Convertible Bonds held by it, and the Company shall not allot and issue any Shares to it if, as a result, it and its concert parties shall be interested in 29.9% or more of the voting rights of the Company from time to time.

Conversion period

Each of the holders of the Convertible Bonds shall have the right at any time after the date of issue of the relevant Convertible Bonds to convert all or part of the principal amount of the relevant Convertible Bonds outstanding at any time into new Shares at the Conversion Price.

Ranking

The Conversion Shares will rank pari passu in all respects among themselves and with all other Shares in issue on the date of such allotment and issue.

Redemption

The Company shall be entitled at any time before maturity to redeem the whole or part of the principal amount of the relevant Convertible Bonds. The Convertible Bonds are not redeemable at the request of the holders of Convertible Bonds whatsoever prior to the Maturity Date.

Status of the Convertible Bonds

The Convertible Bonds constitute general and unsecured obligations of the Company and shall rank equally among themselves and pari passu with all other present and future secured and subordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

No application will be made for listing of the Convertible Bonds. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares falling to be issued upon exercise of the conversion rights attached to the Convertible Bonds.

Transferability

The Convertible Bonds are freely transferable (other than to connected persons of the Company) subject to compliance with the conditions of the Convertible Bonds and the Listing Rules, provided that the holders of the Convertible Bonds must inform the Company of each transfer or assignment made by them.

Voting

The holder of the Convertible Bonds shall not be entitled to attend or vote at any meeting of the Company by reason only it being the holder of the Convertible Bonds.

Effects on Shareholding Structure

The shareholding structure of the Company as at the Latest Practicable Date assuming the full conversion rights attached to the Convertible Bonds are exercised as follows:

	As at the Latest Practicable Date		Immediately after conversion of the Convertible Bonds	
	No. of Shares	*%*	*No. of Shares*	*%*
Vigor and its concert parties	106,484,400	38.63	106,484,400	15.76
Placees	–	–	400,000,000	59.20
Public	169,138,094	61.37	169,138,094	25.04
Total	275,622,494	100.00	675,622,494	100.00

Miscellaneous

It is a provision of the Convertible Bonds that the Company shall comply with and procure the compliance with the Listing Rules and all conditions imposed by the Stock Exchange or by any other competent authority (in Hong Kong or elsewhere) for the issue of the Conversion Shares, for approval of the issue of the Bond or for the listing of and permission to deal in the Conversion Shares on the Stock Exchange and the continued compliance thereof and as such the Company shall not do or cause to be done anything to breach this term in the Convertible Bonds.

Reasons for Placing and Use of Proceeds

The maximum proceeds from the Placing will be approximately HK$300,000,000, which are intended to be used for reduction of short-term borrowings (comprising, amongst other things, secured and interest bearing securities margin financing which as at 31st October 2008 was in the aggregate amount of approximately HK$846,540,000) and to the extent not used will be for investment when opportunities arise and for general working capital of the Group. The Directors consider that the Placing provides an opportunity for the Group to raise long term borrowings and to reorganize its capital structure.

Fund Raising

The Company did not have any capital raising activities during the 12 months' period immediately preceding the Latest Practicable Date.

General

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares. Save for the Warrants, there are no other warrants, options, derivatives and/or securities outstanding which carry conversion or subscription rights into Shares.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting on the proposed grant of a Specific Mandate to allot and issue the Conversion Shares at the SGM as no Shareholder has an interest in the Placing different from the other Shareholders.

Dilution Effect On Shareholding

In view of the future dilution to existing Shareholders on the exercise of the conversion rights attached to the Convertible Bonds, the Company will keep the Shareholders informed of the level of dilution and details of conversion as follows:

A. The Company will disclose by way of an announcement all relevant details of the conversion of the Convertible Bonds in the following manner:

The Company will make a monthly announcement ("Monthly Announcement") on the website of the Stock Exchange. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a table form:

(i) whether there is any conversion of the Convertible Bonds during the relevant month. If there is a conversion, details thereof including the conversion date, number of new Shares issued and conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;

(ii) the amount of outstanding Convertible Bonds after the conversion, if any;

(iii) the total number of Shares issued pursuant to other transactions during the relevant month, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company; and

(iv) the total issued share capital of the Company as at the commencement and the last day of the relevant months.

B. in addition to the Monthly Announcement, if the cumulative amount of the Conversion Shares issued pursuant to the conversion of the Convertible Bonds reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be) (and thereafter in multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange including details stated in A. above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds up to the date on which the total number of Conversion Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds; and

C. if the Company forms the view that any issue of Conversion Shares will trigger the disclosure requirements under Rule 13.09 of the Listing Rules, then the Company is obliged to make such disclosures regardless of the issued of any announcements in relation to the Convertible Bonds as mentioned in A and B above.

INFORMATION ABOUT VIGOR, THE PLACING AGENT AND THE COMPANY

Vigor

Vigor is a company incorporated in the British Virgin Islands with limited liability and its principal business is investment holding.

The Placing Agent

The Placing Agent is a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance regulated activities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company

The Company is a company incorporated in Bermuda with limited liability. Its Shares are listed on the Main Board of the Stock Exchange.

The principal business of the Company is investment holding and through its subsidiaries engages in securities trading and investments, provision of financial services, property investment and strategic investment.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

The changes in the shareholding structure of the Company arising from the Rights Issue are as follows:

Scenario 1

Assuming none of the outstanding Warrants are exercised on or before the Record Date:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue on the assumption as set out in Note 1		Immediately after completion of the Rights Issue on the assumption as set out in Note 2	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Vigor	106,484,400	38.63	212,968,800	38.63	382,106,894	69.32
Public	169,138,094	61.37	338,276,188	61.37	169,138,094	30.68
Total	275,622,494	100.00	551,244,988	100.00	551,244,988	100.00

Notes:

1. Assuming all Shareholders take up their respective provisional allotments of the Rights Shares in full.

2. Assuming (i) none of the Shareholders (save for Vigor takes up the Rights Shares provisionally allotted to it) takes up any provisional allotments of the Rights Shares; (ii) the provisional allotments of the Right Shares of all Shareholders (save for Vigor) are taken up by Vigor pursuant to the Underwriting Agreement.

Scenario 2

Assuming all the outstanding Warrants are exercised on or before the Record Date:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue on the assumption as set out in Note 1		Immediately after completion of the Rights Issue on the assumption as set out in Note 2		Immediately after completion of the Rights Issue on the assumption as set out in Note 2 and assuming full conversion of the Convertible Bonds	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Vigor	106,484,400	38.63	255,562,560	38.62	458,623,536	69.31	458,623,536	43.20
Placees	–	–	–	–	–	–	400,000,000	37.68 *Note 3*
Public	169,138,094	61.37	406,121,952	61.38	203,060,976	30.69	203,060,976	19.12 *Note 3*
Total	275,622,494	100.00	661,684,512	100.00	661,684,512	100.00	1,061,684,512	100.00

Notes:

1. Assuming all Shareholders and holders of the Warrants take up their respective provisional allotments of the Rights Shares in full.

2. Assuming (i) none of the Shareholders (save for Vigor takes up the Rights Shares provisionally allotted to it and any additional Rights Shares allotted to it as a result of exercise of the Warrants held by it) takes up any provisional allotments of the Rights Shares; and (ii) the provisional allotments of the Rights Shares of all Shareholders and holder of the Warrants (save for Vigor) are taken up by Vigor pursuant to the Underwriting Agreement.

3. In the event that the conversion of the Convertible Bonds shall lead to the Company failing to maintain a 25% public float, Vigor has undertaken to place down its Shares or procure the place down of Shares prior to the allotment and issue of the Conversion Shares so as to maintain a 25% public float thereafter in compliance with Rule 13.32(1) of the Listing Rules. It is a provision of the Bond that the Company shall comply with and procure the compliance with the Listing Rules and all conditions imposed by the Stock Exchange or by any other competent authority (in Hong Kong or elsewhere) for the issue of the Conversion Shares, for approval of the issue of the Bond or for the listing of and permission to deal in the Conversion Shares on the Stock Exchange and the continued compliance thereof and as such the Company shall not do or cause to be done anything to breach this term in the Convertible Bond.

DEALINGS IN SHARES OF THE COMPANY DURING THE PAST SIX MONTHS PRIOR TO THE DATE OF THE ANNOUNCEMENT

During the period commencing on the date falling 6 months preceding the date of the Announcement up to and including the Latest Practicable Date, the Company repurchased a total of 578,000 of its own shares through on-market transactions on the Stock Exchange at a total purchase price of HK$1,377,680, the latest of which happened on 23rd October, 2008 where 100,000 Shares were purchased by the Company at an aggregate consideration of HK$70,000. These share repurchases have been reported to the Stock Exchange. The shares repurchased have been cancelled and the issued share capital of the Company was reduced by the nominal value thereof.

The repurchases of the Shares during the past six months were effected by the Company pursuant to the general mandate approved by Shareholders with a view to benefiting Shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

An application has been submitted by the Company to the Executive for a ruling that the repurchases of the Company's shares during the last 6 months prior to the Announcement do not constitute disqualifying transactions for the purpose of paragraph 3(a) of Schedule VI to the Takeovers Code.

Vigor's shareholding interest in the Company had proportionately increased from 38.56% to 38.63% as a result of repurchases made of the Company during the last 6 months prior to the Announcement. Save as aforesaid above, none of Vigor or parties acting in concert with it had dealt for value in the securities of the Company during the period commencing on the date falling 6 months preceding the date of the Announcement up to and including the Latest Practicable Date.

WARNING OF THE RISKS OF DEALING IN THE SHARES, WARRANTS AND THE NIL-PAID RIGHTS SHARES

Existing Shares will be dealt with on an ex-rights basis from Friday, 9th January, 2009. The Rights Shares will be dealt with in their nil-paid form from Wednesday, 21st January, 2009 to Monday, 2nd February, 2009 (both dates inclusive). If prior to 4:00 p.m. on Monday, 9th February, 2009 (or such later date as the Underwriter may agree with the Company), Vigor terminates the Underwriting Agreement (see sub-section headed "Termination of the Underwriting Agreement" above) or the conditions of the Rights Issue cannot be fulfilled (or, if appropriate, waived), the Rights Issue will not proceed.

Any dealings in the Shares and the Warrants from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled (or, if appropriate, waived), and any dealings in the Rights Shares in their nil-paid form between Wednesday, 21st January, 2009 to Monday, 2nd February, 2009, both days inclusive, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares, the Warrants or the Rights Shares in their nil-paid forms are recommended to consult their own professional advisers.

The Company will send the Prospectus Documents to all Qualifying Shareholders on Monday, 19th January, 2009.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Directors consider that the Rights Issue provides an opportunity for the Group to raise long term fundings and to reorganize its capital structure.

The estimated net proceeds of the Rights Issue is approximately HK$107,248,997.6 (assuming none of the outstanding Warrants is exercised on or before the Record Date), which is intended to be used for reduction of short term borrowings (comprising, amongst other things, secured and interest bearing securities margin financing) and to the extent not used will be for investment when opportunities arise and for general working capital of the Group. The estimated amount of expenses for the Rights Issue is approximately HK$3,000,000 and is payable to professionals and advisers of the Company in respect of the Rights Issue.

ADJUSTMENT TO THE WARRANTS

Under the terms of the instrument creating the Warrants, adjustments to the exercise price or number of the warrants granted may be required upon the completion of the Rights Issue and the Placing. If necessary, such adjustment(s) will be set out in the Company's announcement of results of acceptance of the Rights Issue and the Placing and the adjustment(s) will be reviewed and confirmed by the auditors of the Company.

APPLICATION FOR GRANTING OF WHITEWASH WAIVER

Assuming Vigor has taken up its maximum underwriting commitment of 169,138,094 Rights Shares assuming no exercise of the rights attached to the Warrants on or before the Record Date pursuant to the Underwriting Agreement, Vigor and the parties acting in concert with it will increase their aggregate shareholding from approximately 38.63 per cent. of the existing issued share capital of the Company to 69.32 per cent. of the issued share capital of the Company of 551,244,988 Shares as enlarged by the issue of Rights Shares. Assuming Vigor has taken up its maximum underwriting commitment of 203,060,976 Rights Shares assuming full exercise of the rights attached to the warrants on or before the Record Date pursuant to the Underwriting Agreement, Vigor and the parties acting in concert with it will increase their aggregate shareholding from approximately 38.63 per cent. of the existing issued share capital of the Company to approximately 69.31 per cent. of the issued share capital of the Company of 661,684,512 Shares as enlarged by the Rights Issue.

Under Rule 26 of the Takeovers Code, Vigor and the parties acting in concert with it will be required to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by Vigor or the parties acting in concert with it. An application has been made by Vigor and the parties acting in concert with it to the Executive for the Whitewash Waiver, which, if granted, would be subject to the approval of the Independent Shareholders on a vote taken by way of a poll. If the Whitewash Waiver is granted and approved by the Independent Shareholders by way of poll, the obligation of Vigor and the parties acting in concert with it to make a mandatory general offer under Rule 26 of the Takeovers Code will be waived. Completion of the Rights Issue is conditional upon, amongst other things, the granting of the Whitewash Waiver by the Executive and such condition cannot be waived. Accordingly, if the Whitewash Waiver is not obtained, the Rights Issue will lapse and will not proceed. Investors are advised to exercise extreme caution in dealing in the Shares and Warrants as the Rights Issue may or may not proceed and will only be made upon fulfillment of the conditions therein. Further announcement will be made by the Company regarding the Rights Issue when appropriate.

Shareholders and investors should also be aware that there is a possibility that, upon completion of the Rights Issue, Vigor, acting as the Underwriter, together with its concert parties will hold more than 50% voting rights in the Company and that Vigor and the parties acting in concert with it may increase their shareholdings without incurring further obligation of making mandatory general offers pursuant to Rule 26 of the Takovers Code.

Save for the Placing Agreement and the underwriting arrangement of Vigor under the Underwriting Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of Vigor or the Shares which might be material to the Rights Issue as required to be disclosed pursuant to Note 8 to Rule 22 of the Takeovers Code. There is no agreement or arrangement to which Vigor is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue. There are no securities in the Company which Vigor or persons acting in concert with it has borrowed or lent.

PROPOSED GRANT OF SPECIFIC MANDATE TO ALLOT AND ISSUE SHARES

The Company will issue the Rights Shares under the Rights Issue and Conversion Shares upon the conversion of the Convertible Bonds. The Rights Shares and Conversion Shares will rank pari passu with all the then existing issued Shares.

The Company will seek the grant of a Specific Mandate from the Independent Shareholders to allot and issue the Rights Shares and a Specific Mandate from the Shareholders to allot and issue the Conversion Shares.

LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

The Rights Issue is subject to the granting of the Whitewash Waiver by the Executive and the Whitewash Waiver is subject to the approval of the Independent Shareholders on a vote taken by way of poll at the SGM.

As the Rights Issue will increase the issued shares of the Company by more than 50%, pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue will be subject to approval by Independent Shareholders at the SGM and any of the controlling Shareholder, i.e. Vigor, and its associates shall abstain from voting in favour of the resolutions approving the Rights Issue, the Whitewash Waiver and the grant of a Specific Mandate to allot and issue the Rights Shares at the SGM.

Vigor and the parties acting in concert with it and its associates and those who were interested in or involved in the Underwriting Agreement and/or the transactions contemplated thereunder will abstain from voting on the resolutions at the SGM for approving the Rights Issue, the Whitewash Waiver and the grant of a Specific Mandate to allot and issue the Rights Shares.

The Independent Board Committee of the Company, comprising of Mr. Lo Wai On, Mr. Lau Siu Ki and Mr. Zhang Jian, has been constituted to consider the terms of the Rights Issue and the Whitewash Wavier and to make a recommendation to the Independent Shareholders. The Independent Financial Adviser has been appointed to advise the Independent Board Committee on the fairness and reasonableness of the terms and condition of the Rights Issue and the transactions contemplated under the Whitewash Waiver.

Subject to the approval of the Rights Issue, the Whitewash Waiver and the grant of a Specific Mandate to allot and issue the Rights Shares by the Independent Shareholders and the approval of the Placing and the grant of a Specific Mandate to allot and issue the Conversion Shares by Shareholders at the SGM, application will be made to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in nil-paid form, the Rights Shares and the Conversion Shares.

INTENTIONS FOR THE GROUP

It is the intention of the existing Directors that the Group will continue with its existing businesses. Vigor does not intend to introduce any major changes to the business of the Group or re-deploy or dispose of any of the assets of the Group other than in the ordinary course of business. With regard to the acquisition by the Group of further assets, Vigor has no intention to do so. Vigor has no intention for redundancies nor similar proposals for employees of the Group notwithstanding current and market conditions.

SGM

A notice convening the SGM is set out on pages 176 to 179 of this circular. Ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, to approve, amongst other things, (i) the Rights Issue, (ii) the Whitewash Waiver, (iii) the Placing, and (iv) the grant of Specific Mandate to issue and allot the Rights Shares and the Conversion Shares upon the conversion of the Convertible Bonds. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof if they so wish.

PROCEDURES FOR DEMANDING A POLL

Pursuant to bye-law 70 of the Bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

(i) by the chairman of the meeting; or

(ii) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(iii) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

(iv) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting 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.

RECOMMENDATION

In relation to the Rights Issue and the Whitewash Waiver, Asia Investment Management Limited, which has been appointed and approved by the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the transactions contemplated under the Whitewash Waiver, considers that the Rights Issue and the terms of the transactions contemplated under the Whitewash Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned.

The Independent Board Committee, having taken into account the advice of Asia Investment Management Limited, considers that the Rights Issue and the terms of the transactions contemplated under the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Rights Issue and the Whitewash Waiver to be proposed at the SGM.

Your attention is drawn to the letter from the Independent Board Committee on pages 38 to 39 of this circular and the letter from Asia Investment Management Limited set out on pages 40 to 64 of this circular.

The Board strongly advises the Independent Shareholders to read each of these letters and the appendices to this circular before reaching a decision in respect of the resolutions of approving the Rights Issue and the Whitewash Waiver to be proposed at the SGM.

The Directors consider that the terms and conditions of the Rights Issue, the Whitewash Waiver, the Placing and the proposed grant of a Specific Mandate to allot and issue the Rights Shares and Conversion Shares upon the conversion of the Convertible Bonds are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Therefore, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions approving the Rights Issue, the Whitewash Waiver, the Placing and the grant of a Specific Mandate to allot and issue the Rights Shares and Conversion Shares to be proposed at the SGM.

ADDITIONAL INFORMATION

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

By Order of the Board
COL CAPITAL LIMITED
Chong Sok Un
Chairman

COL Capital Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00383)

31st December, 2008

To the Independent Shareholders

Dear Sirs,

PROPOSED RIGHTS ISSUE OF NOT LESS THAN 275,622,494 RIGHTS SHARES AND NOT MORE THAN 330,842,256 RIGHTS SHARES AT HK$0.40 EACH ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY EXISTING SHARE HELD ON THE RECORD DATE AND APPLICATION FOR GRANTING OF WHITEWASH WAIVER

We refer to the letter from the Board set out on pages 9 to 37 of the circular dated 31st December, 2008 (the "Circular") of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Rights Issue and the Whitewash Waiver and to advise the Independent Shareholders as to whether or not it would be fair and reasonable and in the interests of the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Rights Issue and the Whitewash Waiver. Asia Investment Management Limited has been appointed as the independent financial adviser to advise the Independent Board Committee of the Company and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board and the letter of advice from Asia Investment Management Limited to the Independent Board Committee and the Independent Shareholders which contains its advice in relation to the Rights Issue and the Whitewash Waiver as set out in the Circular.

Having taken into account the principal factors and reasons considered and the opinion given by Asia Investment Management Limited as stated in its letter of advice as set out on pages 40 to 64 of the Circular, we consider that the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the Rights Issue and the Whitewash Waiver to be proposed at the SGM.

Yours faithfully,
Independent Board Committee of COL Capital Limited

Mr. Lo Wai On
Independent non-executive Director

Mr. Lau Siu Ki, Kevin
Independent non-executive Director

Mr. Zhang Jian
Independent non-executive Director

The following is the text of a letter to the Independent Board Committee from Asia Investment Management Limited ("AIM") in respect of the Rights Issue and the Whitewash Waiver prepared for the purpose of incorporation in this circular.

亞 洲 資 產 管 理
ASIA INVESTMENT MANAGEMENT

Asia Investment Management Limited
Unit B, 14/F, Vulcan House,
21-23 Leighton Road,
Causeway Bay, Hong Kong

31 December 2008

To The Independent Board Committee and
the Independent Shareholders of
COL Capital Limited

Dear Sirs,

(1) PROPOSED RIGHTS ISSUE (the "Rights Issue") OF NOT LESS THAN 275,622,494 RIGHTS SHARES AND NOT MORE THAN 330,842,256 RIGHTS SHARES AT HK$0.40 EACH (the "Rights Shares") ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY EXISTING SHARE (the "Shares") HELD ON THE RECORD DATE

(2) PLACING (the "Placing") OF NINE PER CENT. CONVERTIBLE BONDS DUE 2012 (the "Convertible Bonds") UNDER SPECIFIC MANDATE (the "Specific Mandate")

AND

(3) APPLICATION FOR GRANTING OF WHITEWASH WAIVER

INTRODUCTION

We refer to the circular dated 31 December 2008 (the "Circular") issued by the Company to the Shareholders of which this letter forms part and our appointment as independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Whitewash Waiver, details of which are set out in the letter from the Board contained in the Circular ("Letter from the Board"). Capitalised terms used in this letter shall have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

On 1 December 2008, the Company announced, amongst other things, that the Company proposed to raise not less than approximately HK$110,248,997.60 and not more than approximately HK$132,336,902.40 before expenses by way of a rights issue of not less than 275,622,494 Rights Shares and not more than 330,842,256 Rights Shares at a price of HK$0.40 per Rights Share on the basis of one Rights Share for every existing Share held on the Record Date. Pursuant to the Rights Issue, the Qualifying Shareholders will be provisionally allotted one Rights Share in nil-paid form for every existing Share held on the Record Date. As at the Latest Practicable Date, there were 55,219,762 Warrants entitling holder thereof to subscribe for 55,219,762 Shares. The estimated net proceeds of the Rights Issue will be approximately HK$107,248,997.60 (assuming none of the outstanding Warrants is exercised on or before the Record Date) or approximately HK$129,336,902.40 (assuming all the outstanding Warrants are exercised in full on or before the Record Date), which is intended to be used for reduction in short-term borrowing (comprising, amongst other things, secured and interest bearing securities margin financing) and, to the extent not used, will be used for investment when opportunities arise and for general working capital of the Group. As at the Latest Practicable Date, the issued share capital of the Company was 275,622,494 Shares.

On 23 November 2008, the Company and the Placing Agent entered into the Placing Agreement, whereby the Company has conditionally agreed to place, through the Placing Agent on a fully underwritten basis, a maximum of HK$300,000,000 value of Convertible Bonds convertible into Shares at the Conversion Price to not less than six Placees who and whose ultimate beneficial owners are independent third parties. The maximum proceeds from the Placing will be HK$300,000,000, which is intended to be used for reduction of short term borrowings (comprising, amongst other things, secured and interest bearing securities margin financing) and, to the extent not used, will be used for investment when opportunities arise and for general working capital of the Group.

The Specific Mandate for the issue of the Rights Shares and the Conversion Shares is subject to, amongst other things as set out in the Letter from the Board, obtaining approvals from the Shareholders and Independent Shareholders respectively at the SGM in accordance with the requirements of the Listing Rules. The Rights Issue and the Placing are conditional upon fulfillment of the conditions as set out in the Letter from the Board. Completion of the Placing and the Rights Issue are inter-conditional.

The Rights Issue is fully underwritten by Vigor, the controlling Shareholder, pursuant to the terms and conditions of the Underwriting Agreement. As at the date of the Underwriting Agreement, Vigor was interested in 106,484,400 Shares, representing approximately 38.63% of the issued share capital of the Company, and 21,296,880 Warrants. Pursuant to the Irrevocable Undertakings, Vigor has irrevocably undertaken to take up all of its provisional allotments under the Rights Issue, being 106,484,400 Rights Shares and any additional Rights Shares which Vigor is entitled as a result of exercise of the Warrants held by it, being 21,296,880 Rights Shares. In the event that Vigor is required to take up all the Underwritten Shares pursuant to the Underwriting Agreement, Vigor will be interested in a total of 382,106,894 Shares, representing approximately 69.32% of the issued share capital of the Company as enlarged by the issue of the Rights Shares (assuming none of the outstanding Warrants is exercised on or before the Record Date) or 458,623,536 Shares which represents approximately 69.31% of the issued share capital of the Company as enlarged by the issue of the Rights Shares and the Shares to be allotted and issued by exercising the Warrants (assuming the Warrants are fully exercised in full on or before the Record Date).

In light of the above and pursuant to Rule 26 of the Takeovers Code, Vigor and parties acting in concert with it will then be obliged to make a mandatory general offer for all the Shares issued by the Company not already owned by it and parties acting in concert with it.

An application has been made to the Executive by Vigor for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code on 26 November 2008. The Executive has indicated that subject to the approval of the Independent Shareholders taken by way of poll at the SGM, it will grant the Whitewash Waiver. It is one of the conditions of the Underwriting Agreement that the Whitewash Waiver be obtained. If the Whitewash Waiver is not granted by the Executive or is not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

Moreover, as the Rights Issue would increase the issued share capital of the Company by more than 50% upon completion, the Rights Issue is conditional on approval by the Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates shall abstain from voting in favour pursuant to Rule 7.19(6) of the Listing Rules.

In the light of the above and by virtue of Vigor's interest in the Underwriting Agreement, Vigor, its concert parties, their respective associates, and those who were interested in or involved in the Underwriting Agreement and/or the transactions contemplated thereunder will be required to abstain from voting in the relevant resolution at the SGM to approve the Rights Issue and the Whitewash Waiver. Save for the obligation arising from the underwriting of the Rights Shares under the Rights Issue by Vigor, there is no other arrangement (whether by way of option, indemnity or otherwise) between the Company and Vigor in relation to the Shares or shares of Vigor and which might be material to the Rights Issue and the Whitewash Waiver.

The Company will seek the grant of the Specific Mandate from the Shareholders and Independent Shareholders to allot and issue the Rights Shares and the Conversion Shares upon the conversion of the Convertible Bonds respectively.

The Independent Board Committee, comprising all independent non-executive Directors including Mr. Lo Wai On, Mr. Lau Siu Ki and Mr. Zhang Jian, has been constituted to consider the terms of the Rights Issue and the Whitewash Waiver and to give advice and recommendation to the Independent Shareholders. Each of the members of the Independent Board Committee confirmed that they have no conflict of interest in the relevant transactions and are eligible to be members of the Independent Board Committee.

AIM has been engaged to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and advise the Independent Shareholders on how to vote in relation to the Rights Issue and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, inter alia, the Circular and the financial information relating to the Group. We have also reviewed certain information provided by the management of the Company relating to the operation, financial condition and prospect of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the financials, businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All 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 and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in this Circular misleading in material respect. We have assumed that all information, opinions and representations contained or referred to in the Circular are true, accurate and complete in all material respects as at the date of the Circular and that they may be relied upon in formulating our opinion. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for, the Rights Issue and the Whitewash Waiver and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE RIGHTS ISSUE AND THE WHITEWASH WAIVER

In arriving at our opinion and recommendation in respect of the Rights Issue and the Whitewash Waiver, we have considered the following principal factors and reasons:

I. Background information and prospect of the Group

The Company is a company incorporated in Bermuda with limited liability. The Shares are listed on the Main Board of the Stock Exchange. The principal business of the Company is investment holding and through its subsidiaries engages in securities trading and investments, provision of financial services, property investment and strategic investment. The following is a summary of the financial results of the Group for the three years ended 31 December 2007 and the six months period ended 30 June 2008.

Table 1: Financial highlights of the Group

	For the year ended			For the six months period ended
	31 Dec 2005	**31 Dec 2006**	**31 Dec 2007**	**30 Jun 2008**
	HK'000	*HK'000*	*HK'000*	*HK'000*
Revenues	223,086	1,162,742	2,289,440	183,362
Profit/(loss) attributable to the Shareholders	104,511	772,468	1,378,824	(1,528,615)

	As at			As at
	31 Dec 2005	**31 Dec 2006**	**31 Dec 2007**	**30 Jun 2008**
	HK'000	*HK'000*	*HK'000*	*HK'000*
Non-current assets	449,272	703,202	1,333,942	1,076,004
Current assets	1,007,039	2,045,256	3,977,309	2,539,086
Current liabilities	149,190	332,564	1,206,932	1,331,512
Net asset	1,284,932	2,399,047	4,100,447	2,277,951
Available-for-sale investments (non-current portion)	171,633	557,375	849,923	588,245

Audited consolidated results for the year ended 31 December 2005

For the financial year ended 31 December 2005, the Group recorded a revenue of approximately HK$223.1 million, represented a decrease of approximately 73.7% from approximately HK$847.5 million as recorded in the year of 2004. Profit attributable to the Shareholders for the financial year ended 31 December 2005 was approximately HK$104.5 million, representing a decrease of approximately 48.6% from approximately HK$203.3 million as recorded for the year ended 31 December 2004. Such decrease was mainly attributable to (i) the reduced securities trading due to the market volatility; and (ii) the decline in mobile handsets distribution activities as a result of the highly competitive market environment. The rivalry in the 2G mobile handsets market became increasingly fierce mainly due to the price war among market players of all sizes and the impact from the growing acceptance of 3G mobile handsets together with the highly aggressive promotion campaigns of the telecom services providers.

As at 31 December 2005, the audited current liabilities and net assets of the Group amounted to approximately HK$149.2 million and approximately HK$1,284.9 million respectively. As at 31 December 2005, the Group maintained a long-term investment portfolio of available-for-sale investment of approximately HK$171.6 million. In order to enhance its ability to quickly respond to new market conditions, the Group had been very cautious in its vendor selection and distribution strategy and had adopted a stringent inventory control policy. The Group had actively pursued and developed new business partnerships to explore new revenue sources. During the fourth quarter of 2005, the Group had been successful in winning the distributorship of products of BenQ, a company which was the then 5th largest mobile handsets manufacturer in the world after their acquisition of Siemens Mobile. During the year, the Group also acquired a 75% interest in the issued share capital of 深圳市天利安實業發展有限公司, which in turn owned a piece of land with area of approximately 5,241.3 sq.m. in Shenzhen, the PRC.

Audited consolidated results for the year ended 31 December 2006

For the financial year ended 31 December 2006, the Group recorded a revenue of approximately HK$1,162.7 million, representing an increase of approximately 421.2% from approximately HK$223.1 million as recorded in the year of 2005. Profit attributable to the Shareholders for the financial year ended 31 December 2006 was approximately HK$772.5 million, representing a year-on-year growth of approximately 639.1% from approximately HK$104.5 million as recorded for the year ended 31 December 2005. Such positive results were mainly attributable to the substantial increase in the Group's securities trading and investment activities.

As at 31 December 2006, the audited current liabilities and net assets of the Group amounted to approximately HK$332.6 million and HK$2,399.0 million respectively. As at 31 December 2006, the Group maintained a long-term investment portfolio of available-for-sale investment of HK$557.4 million. As a result of the buoyant stock market, the Group managed to dispose of part of its trading portfolio of listed shares, including Tian An China Investment Company Limited, Mulpa International Limited, Mount Gibson Iron Limited and its 75% equity interest in 深圳市天利安實業發展有限公司. In addition, the Group subscribed the convertible bonds issued by Allied Properties (HK) Limited.

Audited consolidated results for the year ended 31 December 2007

For the financial year ended 31 December 2007, the Group recorded a revenue of approximately HK$2,289.4 million, representing a year-on-year growth of approximately 96.9%. Profit attributable to Shareholders for the financial year ended 31 December 2007 was approximately HK$1,378.8 million, representing a year-on-year growth of approximately 78.5% from approximately HK$772.5 million as recorded for the year ended 31 December 2006. Such remarkable increase was mainly attributable to the net gain on investments of HK$1,560.9 million which included, amongst others, an unrealized gain from fair vale changes on investments held for trading of HK$1,259.5 million and dividend income from listed investments held for trading of HK$36.5 million. However, the concerns over the US economy continue to influence investor sentiments as the contagious effect of the sub-prime mortgage debt delinquency leading to other problems like the tightening of liquidity, slow-down in economic growth and even the possibility of recession in the US market had greatly affected the market generally.

As at 31 December 2007, the audited current liabilities and net assets of the Group amounted to approximately HK$1,206.9 million and approximately HK$4,100.4 million respectively. As at 31 December 2007, the Group maintained a long-term investment portfolio of available-for-sale investment of approximately HK$849.9 million. As a continuous effort to improve its financial performance, the Group undertook a series of transactions including (i) the termination of the mobile handset distribution business, which had persistently showed losses in recent years, as disclosed in the interim report for the period ended 30 June 2007; (ii) the acquisition of approximately 17% of the issued share capital of Shanghai Allied Cement Limited in July 2007, which subsequently entered into a conditional agreement to purchase a company engaged in the business of gold mining in China in September 2007; (iii) the acquisition 40% of the issued share capital of Printronics Electronics Limited in July 2007 which involves in the businesses of the sales of printed circuit boards; and (iv) the subscription for the limited partnership interests in the SHK Asian Opportunities Fund with commitment of up to US$20 million (equivalent to approximately HK$156 million).

In December 2007, the Company proposed an open offer of 276,183,547 offer shares at HK$4.00 per offer share to qualifying shareholders on the basis of one offer share to every share held (the "Open Offer") on a fully underwritten basis to raise approximately HK$1.1 billion and an issue of two warrants for every five offer shares. However, on 11 February 2008, Vigor, as the underwriter, gave notice to the Company to terminate the underwriting agreement in view of the change in the then market condition in Hong Kong and the significant fluctuation in the share price of the Company which, in the sole and absolute opinion of the underwriter, made it impractical to proceed with. As a result, the Open Offer and the issue of warrants were terminated.

Unaudited consolidated results for the six months period ended 30 June 2008

Faced with concerns over the continued correction in US home prices, further subprime mortgage related write-offs, credit crunch, high oil and food prices, and a slowdown of the US economy, the year of 2008 has been an extremely difficult period for the global financial markets. On 4 August 2008, the Company announced that the Group was expected to record substantial losses for the six months ended 30 June 2008 compared to a profit recorded by the Group for the corresponding period ended 30 June 2007 mainly due to the unrealized losses on the Group's investments held for trading as a result of the general downturn in the financial market.

For the six months period ended 30 June 2008, the Group recorded an unaudited revenue of approximately HK$183.4 million, representing a decrease of approximately 83.6% from approximately HK$1,115.7 million as recorded in the corresponding period of 2007. Unaudited loss attributable to Shareholders for the six months period ended 30 June 2008 was approximately HK$1,528.6 million against a net profit of approximately HK$528.4 million as recorded for the corresponding period of 2007. Such loss was mainly attributed to the net loss on investments of approximately HK$1,504.1 million. As the performance of the Group's investment portfolio is measured by marked-to-market accounting standard, a substantial amount of unrealized loss based on the fair value changes on investments held for trading was incurred in the period.

As at 30 June 2008, the unaudited current liabilities and unaudited net assets of the Group amounted to approximately HK$1,331.5 million and approximately HK$2,278.0 million respectively. As advised by the Directors, such decrease in net assets of the Group was mainly due to the marked-to-market fair value changes on the Group's investment portfolio as above described. As at 30 June 2008, the Group maintained a long-term investment portfolio of available-for-sale investment of approximately HK$588.2 million. The outlook for the global financial markets has remained gloomy given the lack of confidence of consumers and investors due to concerns over global inflation, the adverse effects of an imminent recession in the US economy and geopolitical tensions in Europe and the Middle East. Despite the difficult and volatile situation, the Directors believe that there would be attractive investment opportunities available as companies and businesses became grossly undervalued. The Group would seek to take advantage of the investment and business opportunities as they arise to enhance value for the Shareholders.

II. Reasons for the Rights Issue, the Placing and the use of proceeds

The Directors are of the view that given the recent volatility experienced in major global financial markets, it is in the interests of the Company to raise additional long-term fundings to strengthen the Group's capital base and to improve its capital structure.

As at 31 October 2008, the Group had outstanding borrowings of approximately HK$846.5 million comprising mainly margin loan facilities with financial institutions which are subject to annual renewal. All the outstanding borrowings are due within the next 12 months. The Company will seek to refinance such loans by extension of the loan agreements. To the extent that the loans are not refinanced, the net proceeds will be used to repay part of the outstanding loans. Net proceeds of the Rights Issue and the Placing of approximately HK$398.2 million is intended to be applied for repayment of short-term borrowings and, to the extent not used, will be used for investment when opportunities arise and for general working capital of the Group. We have discussed with the Directors and the management of the Company on the areas which the Company intends to use the proceeds. The Directors confirmed to us that, currently, the Company has no investment project in contemplation. It will continue to seek and identify grossly undervalued investment and business opportunity in China, Hong Kong and the Asia Pacific region, with an objective of enhancing the Shareholders' value of the Company.

We have enquired with the tenure of the existing borrowings of the Group. The Directors confirmed to us that as at 31 October 2008, the Group had outstanding borrowings with financial institutions of approximately HK$846.5 million. All the outstanding borrowings are due within the next 12 months. Gearing ratio (calculated as net borrowings, after bank balances and cash, over shareholders' fund) increased from approximately 20.5% as at 31 December 2007 to approximately 41.4% as at 30 June 2008. However, as noted from the 2008 interim report of the Company, the current assets of the Group as at 30 June 2008 of approximately HK$2,539.1 million, which mainly comprised investments held for trading of approximately HK$2,241.2 million. The bank balances and cash as at 30 June 2008 only amounted to approximately HK$48.8 million. The net proceeds of the Rights Issue will help to reduce the level of short-term borrowings, improve the gearing of the Group and reorganize the Company's capital structure. In addition, the net proceeds from the Placing would enable the Group to raise longer term fundings (i.e. three years) to refinance its short term financial obligations. The Rights Issue and the Placing can help to improve the working capital position and the financial capability of the Group for future investment opportunities.

We are of the view that the Rights issue and the Placing are essential means for the Group to strengthen its financial position, to reorganize its capital structure so as to release the Group from its near term financial obligation and to capture investment opportunities in the most timely manner and the Rights Issue and the Placing (upon the conversion of the Convertible Bonds) will enable the Company to enlarge its capital base. Accordingly, we concur with the Directors' view that the Rights Issue and the Placing in the interests of the Company and the Shareholders as a whole.

III. Alternative to the Rights Issue and the Placing

The Directors advised that they have considered alternative means for the Group to raise funds other than the Rights Issue, including but not limited to, other forms of debt financing. Given that (i) the unaudited current liabilities of the Group as at 30 June 2008 was approximately HK$1,331.5 million; (ii) the bank and cash balances of the Group as at 30 June 2008 was approximately HK$48.8 million; (iii) certain investment properties and available-for-sale investments of the Group, which accounted for approximately 25.8% of the non-current assets of the Group of approximately HK$1,076.0 million as at 30 June 2007, were pledged as part of the collaterals for the short term credit facilities; and (iv) the unaudited total outstanding borrowings amounted to approximately HK$846.5 million as at 31 October 2008, the Directors expected that further pure debt financing is not a feasible approach to raise funds in the prevailing market environment.

The Company has also considered the possibility of fund raising by way of share placement as an alternative to the Rights Issue. But, unlike the Rights Issue which provides all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and at the same time allow them to maintain their proportionate interests in the Company, a share placement would involve an issue of new Shares and result in a dilution of existing Shareholders' interest. As such, the Directors do not consider a share placement to be a desirable alternative to the Rights Issue.

The Rights Issue and the Placing are inter-conditional. Upon completion of the Rights Issue, the Company will be able to raise approximately HK$107,248,997.60 (assuming none of the outstanding Warrants is exercised on or before the Record Date) or approximately HK$129,336,902.40 (assuming all outstanding Warrants are exercised in full on or before the Record Date). On the basis that the Rights Issue and the Placing are completed, the Company will raise a maximum amount of approximately HK$398.2 million (assuming none of the outstanding Warrants is exercised on or before the Record Date) or approximately HK$420.3 million (assuming all outstanding Warrants are exercised in full on or before the Record Date).

We have discussed with the Directors the past performance of the Group for the six months period ended 30 June 2008. We agreed with the Directors that the Rights Issue and the Placing are important means for the Group to enhance its financial position under the prevailing economic climate and capital market environment and are beneficial to, and in the interest of, the Company and the Shareholders as a whole.

Having considered the existing position of the Group and that all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue to take up their provisional allotments in full to maintain their respective shareholdings in the Company, we consider that the Rights Issue is an equitable means to raise capital for the Group.

The Rights Issue and the Placing are inter-conditional. Notwithstanding the possible dilution to Shareholders of their shareholdings in the Company upon the conversion of the Convertible Bonds, the Directors confirmed to us that currently, under the prevailing economic climate and capital market environment, the Convertible Bonds is the most flexible and effective means available to the Company to raise funds from a creditor other than its Shareholders. We agreed with the Directors that the Rights Issue and the Placing are the best available means to raise funds for the Group under the current market condition.

IV. Principal terms of the Rights Issue

1. The Subscription Price

The Company proposed to raise not less than approximately HK$110,248,997.60 and not more than HK$132,336,902.40 before expenses by way of a rights issue of not less than 275,622,494 Rights Shares and not more than 330,842,256 Rights Shares at a price of HK$0.40 per Rights Share on the basis of one Rights Share for every existing Share held on the Record Date depending on whether or not any of the outstanding Warrants will be exercised on or before the Record Date.

The Subscription Price of HK$0.40 has been determined based on arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions.

Share price performance

Chart I below shows the daily closing price of the Shares versus the Subscription Price commencing from 3 December 2007 (being the historical stock closing price quotation for the precedent twelve calendar months' period as available at the website of the Stock Exchange) up to the Latest Practicable Date (the "Review Period"):

Chart I: Share Price Performance

Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: On market days when the Shares are not traded, the closing price equals to that of the preceding trading day.

During the Review Period, the highest closing price and the lowest closing price of the Shares were HK$6.37 (recorded on 6 December 2007) and HK$0.46 (recorded on 27 October 2008) respectively.

The Subscription Price represents:-

(i) a discount of approximately 48.05% to the closing price of HK$0.770 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 49.49% to the average of the closing prices of approximately HK$0.792 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 52.94% to the average of the closing prices of approximately HK$0.850 per Share for the ten consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 31.62% to the theoretical ex-right price of approximately HK$0.585 based on the closing price of HK$0.77 per Share as quoted on the Stock Exchange on the Last Trading Day;

(v) a discount of approximately 97.31% to the audited consolidated net asset value per Share of approximately HK$14.850 as at 31 December 2007;

(vi) a discount of approximately 95.15% to the unaudited consolidated net asset value per Share of approximately HK$8.250 as at 30 June 2008; and

(vii) a discount of approximately 32.20% to the closing price of HK$0.590 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Historical trading volume of the Shares

The following table shows the historical trading volume of the Shares during the Review Period:

Table 2: Trading volume

Month	Total no. of Shares trading	No. of Trading Days	Average daily trading volume	No. of outstanding Shares	Percentage over outstanding Share: Total no. of shares trading	Percentage over outstanding Share: Average daily trading volume
Dec-07	5,392,180	19	283,799	276,183,547	1.95%	0.10%
Jan-08	7,639,945	22	347,270	276,183,547	2.77%	0.13%
Feb-08	3,340,517	19	175,817	276,183,547	1.21%	0.06%
Mar-08	563,300	19	29,647	276,183,547	0.20%	0.01%
Apr-08	4,025,000	21	191,667	276,183,547	1.46%	0.07%
May-08	2,986,777	20	149,339	276,183,547	1.08%	0.05%
Jun-08	2,265,820	20	113,291	275,948,547	0.82%	0.04%
Jul-08	1,285,726	22	58,442	275,948,547	0.47%	0.02%
Aug-08	1,462,880	19	76,994	275,964,162	0.53%	0.03%
Sep-08	3,636,400	21	173,162	275,742,494	1.32%	0.06%
Oct-08	1,568,620	21	74,696	275,622,494	0.57%	0.03%
Nov-08	938,700	20	46,935	275,622,494	0.34%	0.02%
Dec-08 (up to the Latest Practicable Date)	2,545,982	17	149,763	275,622,494	0.92%	0.05%

As illustrated Table 2 above, we noted that the average number of Shares traded constituted only a small portion of the outstanding Shares subsisted in the market during the Review Period. In light of the slim liquidity of the Shares (with an average daily trading volume ranging between approximately 29,647 Shares to approximately 347,270 Shares, representing approximately 0.01% to approximately 0.13% of the Shares in issue during the Review Period), the Directors considered that the setting of the Subscription Price at a lower level is reasonable based on the slim trading of the Shares. The Directors are of the view that the Subscription Price would entice the Qualifying Shareholders to subscribe for the Rights Shares.

2. Comparison of the Subscription Price

As illustrated in Chart I above, the closing prices of the Shares during the Review Period have been higher than the Subscription Price. We noted that it is a common phenomenon for issuers to offer rights shares at a deeper discount to their current share prices in order to provide incentives to qualifying shareholders as well as underwriters to participate in such rights issues.

For the purpose of assessing the fairness and reasonableness of the Subscription Price, we attempted to compare the market prices of the other companies listed on the Main Board of the Stock Exchange with principal businesses and financial positions similar to that of the Company. Although a few of the companies we have selected have principal businesses similar to that of the Company, these companies are each unique in themselves and we are short of finding a conclusive justification for a fair comparison. As a further step, we attempted, to identify, according to the information available in public domain, 20 companies listed on the Stock Exchange which have raised funds by ways of rights issues or open offers which are very similar to rights issues within the six months' period before the Last Trading Day in order to provide Independent Shareholders a reference to consider the Subscription Price in the light of the prevailing market condition under the shadow of the credit crunch and financial turmoil during the second half of the year 2008. We have examined the annual reports of these companies but noted that such companies are not in a business closely similar to the Company. We considered that the inclusion of these companies for comparison purpose would not be able to give a representative and comprehensive information to the Independent Shareholders. Shareholders should, however, note that while listed companies differ from one another, it is a common market practice to price a rights issue or an open offer at a discount to the market price of the relevant shares in order to entice subscription by their shareholders. In addition, the market sentiment and conditions at the relevant time may also play a pivotal role in the determination of the subscription price.

Given that (i) the Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market condition and the slim trading record of the Shares; (ii) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and to take up their provisional allotments in full at the same price: and (iii) the setting of the Subscription Price at a deeper discount helps entice the Qualifying Shareholders to participate in the Rights Issue, we concur with the Directors that the Subscription Price is in the interest of the Company and is fair and reasonable insofar as the Independent Shareholders are concerned.

V. Potential dilution effect on the shareholding interests of the Independent Shareholders

The changes in the shareholding structure of the Company arising from the Rights Issue and the Placing are as follows:

Scenario 1

Assuming none of the outstanding Warrants is exercised on or before the Record Date:

	As at the Latest Practicable		Immediately following completion of the Rights Issue assuming all the Shareholders take up all their provisional allotments *(Note 1)*		Immediately following completion of the Rights Issue assuming none of the Shareholders take up their provisional allotments *(Note 2)*		Immediately following completion of the Rights Issue assuming none of the Shareholders take up their provisional allotments and the Convertible Bonds are fully converted	
	Number of the Shares	*Shareholding (%)*	*Number of the Shares*	*Shareholding (%)*	*Number of the Shares*	*Shareholding (%)*	*Number of the Shares*	*Shareholding (%)*
Vigor and the parties acting in concert with it	106,484,400	38.63	212,968,800	38.63	382,106,894	69.32	382,106,894	40.17
Placees	–	–	–	–	–	–	400,000,000	42.05
Public Shareholders	169,138,094	61.37	338,276,188	61.37	169,138,094	30.68	169,138,094	17.78
Total	275,622,494	100.00	551,244,988	100.00	551,244,988	100.00	951,244,988	100.00

Notes:

1. Assuming all Shareholders take up their respective provisional allotments of the Rights Shares in full.

2. Assuming (i) none of the Shareholders (save for Vigor takes up the Rights Shares provisionally allotted to it) takes up any provisional allotments of the Rights Shares; and (ii) the provisional allotments of the Right Shares of all Shareholders (save for Vigor) are taken up by Vigor pursuant to the Underwriting Agreement.

Scenario 2

Assuming all the outstanding Warrants are exercised in full on or before the Record Date:

	As at the Latest Practicable		Immediately following completion of the Rights Issue assuming all the Shareholders take up all their provisional allotments *(Note 1)*		Immediately following completion of the Rights Issue assuming none of the Shareholders take up their provisional allotments *(Note 2)*		Immediately following completion of the Rights Issue assuming none of the Shareholders take up their provisional allotments and the Convertible Bonds are fully converted	
	Number of the Shares	*Shareholding (%)*	*Number of the Shares*	*Shareholding (%)*	*Number of the Shares*	*Shareholding (%)*	*Number of the Shares*	*Shareholding (%)*
Vigor and the parties acting in concert with it	106,484,400	38.63	212,562,560	38.62	458,623,536	69.31	458,623,536	43.20
Placees	–	–	–	–	–	–	400,000,000	37.68 *(Note 3)*
Public Shareholders	169,138,094	61.37	406,121,952	61.38	203,060,976	30.69	203,060,976	19.12 *(Note 3)*
Total	275,622,494	100.00	661,684,512	100.00	661,684,512	100.00	1,061,684,512	100.00

Notes:

1. Assuming all Shareholders and holders of the Warrants take up their respective provisional allotments of the Rights Shares in full.

2. Assuming (i) none of the Shareholders (save for Vigor takes up the Rights Shares provisionally allotted to it and any additional Rights Shares allotted to it as a result of exercise of the Warrants held by it) takes up any provisional allotments of the Rights Shares; and (ii) the provisional allotments of the Rights Shares of all Shareholders and holder of the Warrants (save for Vigor) are taken up by Vigor pursuant to the Underwriting Agreement.

3. In the event that the conversion of the Convertible Bonds shall lead to the Company failing to maintain a 25% public float, Vigor has undertaken to place down its Shares or procure the place down of Shares prior to the allotment and issue of the Conversion Shares so as to maintain a 25% public float thereafter in compliance with Rule 13.32(1) of the Listing Rules. It is a provision of the Convertible Bonds that the Company shall comply with and procure the compliance with the Listing Rules and all conditions imposed by the Stock Exchange or by any other competent authority (in Hong Kong or elsewhere) for the issue of the Conversion Shares, for approval of the issue of the Convertible Bonds or for the listing of, and permission to, deal in the Conversion Shares on the Stock Exchange and the continued compliance thereof and as such the Company shall not do or cause to be done anything to breach this term in the Convertible Bonds.

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their provisional allotments in full under the Rights Issue, their shareholding interests in the Company will remain unchanged upon completion of the Rights Issue. For those Qualifying Shareholders who do not exercise their rights to subscribe for the Rights Shares in full, depending on the extent to which they take up their provisional allotments, their shareholding interests will be diluted up to a maximum of approximately 68.8% upon completion of the Rights Issue and assuming the Warrants are exercised in full and on the basis of a full conversion of the Convertible Bonds. However, they will be able to transfer or dispose of all or a portion of their nil-paid Rights Shares on the Stock Exchange and receive a cash consideration provided that there are purchasers for such nil-paid Rights Shares

Following completion of the Rights Issue and assuming the Warrants are exercised in full, Vigor will continue to be the controlling Shareholder. If none of the Qualifying Shareholders is willing to take up his or her or its provisional allotments of such number of Rights Shares, Vigor will own approximately 69.31% of the issued share capital of the Company as enlarged by the completion of the Rights Issue or approximately 43.20% of the issued share capital of the Company as enlarged by the completion of the Rights Issue and the full exercise of the Convertible Bonds.

On the assumption that the Qualifying Shareholders do not take up the provisional allotments of the Rights Shares in full, their shareholding in the Company will be diluted. However, under the Rights Issue, all Qualifying Shareholders are treated even-handedly and are availed to open opportunities to subscribe the Rights Shares in accordance with their shareholdings in the Company. Indeed, for Qualifying Shareholders who wish to take up the Rights Shares in excess of their provisional allotments, they can apply for excess Rights Shares under the Rights Issue.

Taking into account the above factors, in particular, the following:

(i) the Group's loss-making position for the period ended 30 June 2008;

(ii) the issue of the Rights Shares and the issue of the Conversion Shares under the Convertible Bonds will enlarge and strengthen the capital base of the Company and improve the overall net tangible assets position and gearing position of the Group;

(iii) the Directors considered that the Rights Issue and the Placing are the best financing alternatives available to the Company at the moment to raise long-term funding for the Company under the prevailing economic climate and capital market environment;

(iv) the proposed Rights Issue represents one of the least expensive alternatives for the Company to raise funds for the purpose of reducing the Company's indebtedness; and

(v) the Rights Issue is aimed to be without any dilution effect on the shareholdings of Shareholders and also provides Shareholders with an opportunity to participate in the financing of and thereby benefiting from the growth of the Group,

we consider that possible dilution effect is justifiable.

Attention of the Shareholders is also drawn on the level of dilution and details of conversion in respect of the future dilution to their shareholdings arising from the exercise of the conversion rights attached to the Convertible Bonds as disclosed in the Letter from the Board.

VI. Financial effects of the Rights Issue and the Placing

a. Net tangible assets

As disclosed in the paragraph headed "Unaudited pro forma statement of adjusted consolidated net tangible assets" in Appendix II to the Circular, based on the unaudited consolidated adjusted net tangible assets attributable to the Shareholders as at 30 June 2008 of approximately HK$2,049.4 million and the estimated minimum net proceeds from the Rights Issue of approximately HK$107.2 million, the unaudited pro forma adjusted consolidated net tangible assets attributable to the Shareholders as at 30 June 2008 after completion of the Rights Issue will increase to approximately HK$2,156.7 million.

However, as the Subscription Price of HK$0.40 per Rights Share is lower than the existing value of the net tangible assets per Share, completion of the Rights Issue is expected to reduce the net tangible asset value of the Group on a per Share basis.

b. Liquidity

As stated in the interim report of the Company for the period ended 30 June 2008, the unaudited bank and cash balances of the Group was approximately HK$48.8 million. Immediately upon completion of the Rights Issue and the Placing, the Company would raise net proceeds of approximately HK$107.2 million (assuming none of the outstanding Warrants is exercised on or before the Record Date) or approximately HK$129.3 million (assuming all the outstanding Warrants are exercised in full on or before the Record Date) from the Rights Issue and approximately HK$291 million from the Placing. Accordingly, the cash position, net current assets and current ratio of the Company are expected to improve upon completion of the Rights Issue and the Placing.

c. Gearing ratio

According to the interim report of the Company for the six months period ended 30 June 2008, the gearing ratio (calculated as net borrowings, after bank and cash balances, over shareholders' fund) of the Group was approximately 41.4%. Upon completion of the Rights Issue, the net tangible assets of the Group would increase as a result of the issue of Rights Shares. As such, the gearing ratio of the Group subsequent to completion of the Rights Issue is expected to improve. Assuming the net proceeds from the Placing will be used to repay the short term borrowings, there would be no effect on the gearing ratio of the Group upon completion of the Placing, until the conversion of the Convertible Bonds.

In the light of the above, the Rights Issue and the Placing would have an overall positive effect on the financial position of the Group in terms of the liquidity, net tangible assets and gearing upon completion of the Rights Issue and the issue of Conversion Shares. On such basis, we are of the view that the Rights Issue and the Placing are in the interests of the Company and the Shareholders as a whole.

VII. The Underwriting Arrangement

The Rights Issue is fully underwritten by Vigor and is subject to the terms and conditions of the Underwriting Agreement. Pursuant to the Underwriting Agreement, Vigor shall subscribe for up to 203,060,976 Shares, which are not taken up by the Qualifying Shareholders.

We have reviewed the Underwriting Agreement and have noted that the principal terms as stipulated therein are basically normal commercial terms except for the fact that no underwriting commission would be received by the Underwriter.

We noted from the announcements published by 20 companies listed on the Stock Exchange which have raised funds by ways of rights issues or open offers within the six months' period before the Last Trading Day that the underwriters of the such rights issues or open offers generally charged an underwriting commission of 2.5% on funds raised subject to different market condition and terms of the rights issues.

We consider that by increasing its interests in the Company by way of its commitment under the Underwriting Agreement, Vigor demonstrated its commitment in the Company in its capacity as the controlling Shareholder. This helps to enhance and foster business relationship and confidence in the Group with banking and business partners and customers all alike. We agree with the Directors that, within the foreseeable future, the Group will continue to operate in a challenging environment under the currently very volatile market environment. The Underwriting is a strong advocate of support by Vigor of the Company and of the management of the Company.

Given that the Rights Issue is fully underwritten by Vigor without receiving any underwriting commission and that the participation of Vigor as the Underwriter is on a cost-efficient basis to the Company, we considered that Vigor has demonstrated its further support to the well-being of the financial position of the Company in its position as a controlling Shareholder, we consider that the underwriting arrangement under the Rights Issue and the principal terms of the Underwriting Agreement are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

The terms of the Underwriting Agreement, including termination of the Underwriting Agreement and conditions of the Underwriting Agreement, are set out in the Letter from the Board.

Independent Shareholders should note that the Rights Issue and the Placing are inter-conditional. Upon completion of the Rights Issue and the Placing, the Company will raise an amount of approximately HK$398.2 million (assuming none of the outstanding Warrants is exercised on or before the Record Date) or approximately HK$420.3 million (assuming all outstanding Warrants are exercised in full on or before the Record Date). Given that (i) the proceeds from the Rights Issue and the Placing can improve the working capital and liquidity; (ii) the Rights Issue and the Placing are the best financing alternatives available to the Company at the moment to raise long-term fundings for the Company under the prevailing economic climate and capital market environment; and (iii) the Rights Issue can strengthen the Group's capital base, lower the gearing of the Group, improve the working capital and liquidity and enhance the Group's bargaining position to procure, and to obtain, financing for future potential investment opportunities, we consider the fact that the Rights Issue and the Placing are inter-conditional is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

VIII. The Whitewash Waiver

As at the date of the Underwriting Agreement, Vigor was interested in 106,484,400 Shares, representing approximately 38.63% of the issued share capital of the Company. In the event that Vigor is required to take up the maximum number of Underwritten Shares, Vigor will be interested in a total of 458,623,536 Shares, representing approximately 69.31% of the issued share capital of the Company as enlarged by the issue of the Rights Shares (assuming all the outstanding Warrants are exercised in full on or before the Record Date). Pursuant to Rule 26 of the Takeovers Code, Vigor and its concert parties will then be obliged to make a mandatory general offer for all the Shares not already owned by them.

An application has been made to the Executive by Vigor for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code on 26 November 2008. The Executive has indicated that subject to the approval of the Independent Shareholders taken by way of poll at the SGM, it will grant the Whitewash Waiver. As stated in the Letter from the Board, the conditions of the Underwriting Agreement include, amongst others, the Whitewash Waiver be obtained and the resolutions in relation to the Whitewash Waiver be approved at the SGM. If the Whitewash Waiver is not obtained or not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Rights Issue and the Placing will not proceed. Accordingly, the Company will lose all the benefits that are expected to be brought by the Rights Issue, including but not limited to, the availability of funds out of the net proceeds to be raised from the Rights Issue for strengthening its capital base and financial position and for the future development of the Group when opportunities arise.

As all Shareholders are given equal opportunity to participate in the Rights Issue and to apply for extra Rights Shares in excess of their provisional allotments, if they so desire, there is no preferential treatment to any Shareholders whose rights are treated on equal basis. We consider the principles of the allotment of the excess Rights Shares on equal basis, which details are set out in the Letter from the Board, are fair and reasonable so far as the Company and the Independent Shareholders are concern as a whole.

Based on our analysis of the terms of the Rights Issue, we consider that the Rights Issue is in the interests of the Company and the Shareholders as a whole. We are of the view that for the purpose of implementing the Rights Issue, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

We noted the dilutions in net tangible asset value per Share and, the possible dilution to the Shareholders of their shareholdings in the Company subsequent to completion of the Rights Issue and the various discounts of the Subscription Price to the market prices of the Share and the latest published net asset value per Share as set out in above. Nonetheless, having considered the above principal factors and reasons for the Rights Issue and the Whitewash Waiver, in particular,

(i) the net proceeds from the Rights Issue can strengthen the Group's capital base, lower the gearing of the Group, improve the working capital and liquidity and enhance the Group's bargaining position to procure, and to obtain, financing for future potential investment opportunities. As at 31 October 2008, the Group had an indebtedness of approximately HK$846.5 million. As stated in the Letter from the Board, part of the proceeds will be utilized for the repayment of outstanding short-term borrowings and, to the extent not used, for investment when opportunities arise and for general working capital. If the Rights Issue and the Placing could not proceed as planned, the Group would need to secure funding from alternative sources of financing for repayment of its short-term borrowings. The Directors considered that it is more prudent to secure long term financing given the prevailing economic climate and capital market conditions. We are of the view that the Rights Issue is important to help to enhance and to improve the working capital position of the Group;

(ii) the Whitewash Waiver is a condition precedent to the Rights Issue. If the Whitewash Waiver is not approved by the Independent Shareholders, the Rights Issue will not proceed and the Company will lose all the benefits as mentioned in (i) above that are expected to be brought about by completion of the Rights Issue, we consider that the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve, inter alia, the Rights Issue and the Whitewash Waiver.

Shareholders should note that, pursuant to the expected timetable as set out in the Circular, the Shares will be dealt with on an ex-right basis from 9 January 2009. If Vigor terminates the Underwriting Agreement, or any of the conditions of the Underwriting Agreement is not fulfilled (or waived by Vigor), the Rights Issue and the Placing will not proceed. Any person dealing in the Shares on an ex-right basis will accordingly bear the risk that the Underwriting Agreement may not become unconditional and the Rights Issue and the Placing may not proceed. Any Shareholder or other person contemplating selling or purchasing the Shares and the Warrants from now up to the day on which the Underwriting Agreement becomes unconditional, who is in doubt about his/her position, is recommended to consult his/her own professional advisers. Shareholders wishing to accept the Rights Issue should consult their own professional advisers as regards to their tax positions or exposures under the Rights Issue.

Yours faithfully,
For and on behalf of
Asia Investment Management Limited

Alice Kan	**Hidulf Kwan**
Managing Director	*Associate Director*

1. SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated income statements and consolidated balance sheets of the Group for the last three years ended 31st December, 2007, as extracted from the relevant published annual reports of the Company for the last three years ended 31st December 2007.

The auditors' reports from Deloitte Touche Tohmatsu in respect of the Group's audited consolidated financial statements for each of the three years ended 31st December 2007, 2006 and 2005 did not contain any qualifications. There were no other exceptional items or extraordinary items of the Group during each of the three years ended 31st December 2005, 2006 and 2007.

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Revenue (excluding securities trading)	55,315	30,589	41,286
Gross proceeds from sale of investments held for trading	2,234,125	1,132,153	130,655
Total	2,289,440	1,162,742	171,941
Continuing operations:			
Revenue (excluding securities trading)	55,315	30,589	41,286
Net gain on investments	1,560,870	801,269	61,970
Other income	24,943	22,297	14,950
Administrative and other expenses	(78,680)	(63,489)	(27,705)
Finance costs	(35,801)	(10,895)	(1,571)
Share of losses of associates	(4,094)	–	–
Gain on disposal of an associate	–	1,740	–
Gain on disposal of a subsidiary	–	–	3,544
Fair value changes on investment properties	37,351	6,856	11,360
Revaluation surplus on buildings	144	387	773
Profit before taxation	1,560,048	788,754	104,607
Taxation	(175,873)	(11,432)	(99)
Profit from continuing operations	1,384,175	777,322	104,508

	For the year ended 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Discontinued operation:			
Loss for the year from discontinued operation	(1,528)	(4,805)	–
Profit for the year	1,382,647	772,517	104,508
Attributable to:			
Equity holders of the Company	1,378,824	772,468	104,511
Minority interests	3,823	49	(3)
	1,382,647	772,517	104,508
Dividends recognised as distribution	13,846	14,280	15,060
Earnings per share			
From continuing and discontinued operations			
– Basic	HK$4.95	HK$2.67	HK$0.35
From continuing operations			
– Basic	HK$4.96	HK$2.69	HK$0.35
Dividends per share	HK$0.05	HK$0.05	HK$0.05

CONSOLIDATED BALANCE SHEET

	At 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Investment properties	110,925	81,589	136,526
Property, plant and equipment	3,796	4,712	51,825
Prepaid lease payments	1,001	2,424	2,483
Interests in associates	368,297	–	–
Available-for-sale investments	849,923	557,375	171,633
Loan notes	–	50,476	86,805
Convertible bonds	–	6,626	–
	1,333,942	703,202	449,272
Current assets			
Available-for-sale investments	9,801	–	–
Loan notes	52,401	–	–
Inventories held for sale-finished goods	–	1,471	1,495
Investments held for trading	3,617,216	1,690,510	886,464
Amount due from a minority shareholder	–	–	4,805
Debtors, deposits and prepayments	41,284	33,708	12,501
Loan receivables	174,015	123,598	74,429
Tax recoverable	4,050	3,543	–
Pledged bank deposits	10,718	–	10,526
Bank balances and cash	67,824	58,007	16,819
	3,977,309	1,910,837	1,007,039
Assets classified as held for sale	–	134,419	–
	3,977,309	2,045,256	1,007,039

	At 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Creditors and accrued charges	97,995	55,480	41,176
Customers' deposits and receipts in advance	14,192	31,283	2,713
Other borrowings	918,838	170,100	100,986
Derivative financial instruments	4,874	–	–
Taxation payable	171,033	15,657	4,315
	1,206,932	272,520	149,190
Liabilities associated with assets classified as held for sale	–	60,044	–
	1,206,932	332,564	149,190
Net current assets	2,770,377	1,712,692	857,849
	4,104,319	2,415,894	1,307,121
Capital and reserves			
Share capital	2,762	2,829	2,975
Reserves	4,097,685	2,396,218	1,281,957
Equity attributable to equity holders of the Company	4,100,447	2,399,047	1,284,932
Minority interests	3,872	16,847	16,798
Total equity	4,104,319	2,415,894	1,301,730
Non current liability			
Deferred tax liability	–	–	5,391
	4,104,319	2,415,894	1,307,121

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31ST DECEMBER, 2007

The following is the audited financial statements and notes to the financial statements of the Group for the year ended 31st December, 2007 extracted from the annual report 2007 of the Company:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	NOTES	**2007** *HK$'000*	**2006** *HK$'000*
Revenue (excluding securities trading)		55,315	30,589
Gross proceeds from sale of investments held for trading		2,234,125	1,132,153
Total		2,289,440	1,162,742
Continuing operations:			
Revenue (excluding securities trading)	*6*	55,315	30,589
Net gain on investments	*8*	1,560,870	801,269
Other income	*9*	24,943	22,297
Administrative and other expenses		(78,680)	(63,489)
Finance costs	*10*	(35,801)	(10,895)
Share of losses of associates		(4,094)	–
Gain on disposal of an associate		–	1,740
Fair value changes on investment properties		37,351	6,856
Revaluation surplus on buildings		144	387
Profit before taxation		1,560,048	788,754
Taxation	*12*	(175,873)	(11,432)
Profit from continuing operations		1,384,175	777,322
Discontinued operation:			
Loss for the year from discontinued operation	*13*	(1,528)	(4,805)
Profit for the year	*14*	1,382,647	772,517

	NOTES	2007 HK$'000	2006 HK$'000
Attributable to:			
Equity holders of the Company		1,378,824	772,468
Minority interests		3,823	49
		1,382,647	772,517
Dividends recognised as distribution	*15*	13,846	14,280
Earnings per share	*16*		
From continuing and discontinued operations			
– Basic		HK$4.95	HK$2.67
From continuing operations			
– Basic		HK$4.96	HK$2.69

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment properties	17	110,925	81,589
Property, plant and equipment	18	3,796	4,712
Prepaid lease payments	19	1,001	2,424
Interests in associates	20	368,297	–
Available-for-sale investments	21	849,923	557,375
Loan notes	22	–	50,476
Convertible bonds	23	–	6,626
		1,333,942	703,202
Current assets			
Available-for-sale investments	21	9,801	–
Loan notes	22	52,401	–
Inventories held for sale-finished goods		–	1,471
Investments held for trading	24	3,617,216	1,690,510
Debtors, deposits and prepayments	25	41,284	33,708
Loan receivables	26	174,015	123,598
Tax recoverable		4,050	3,543
Pledged bank deposits	27	10,718	–
Bank balances and cash	27	67,824	58,007
		3,977,309	1,910,837
Assets classified as held for sale	28	–	134,419
		3,977,309	2,045,256

	NOTES	2007 HK$'000	2006 HK$'000
Current liabilities			
Creditors and accrued charges	29	97,995	55,480
Customers' deposits and receipts in advance		14,192	31,283
Other borrowings	30	918,838	170,100
Derivative financial instruments	31	4,874	–
Taxation payable		171,033	15,657
		1,206,932	272,520
Liabilities associated with assets classified as held for sale	28	–	60,044
		1,206,932	332,564
Net current assets		2,770,377	1,712,692
		4,104,319	2,415,894
Capital and reserves			
Share capital	32	2,762	2,829
Reserves		4,097,685	2,396,218
Equity attributable to equity holders of the Company		4,100,447	2,399,047
Minority interests		3,872	16,847
		4,104,319	2,415,894

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2007

	Attributable to equity holders of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Buildings revaluation reserve *HK$'000* *(Note)*	Investments revaluation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Translation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 1 January 2006	2,975	671,293	1,064	30,504	1,965	470	576,661	1,284,932	16,798	1,301,730
Fair value changes on available-for-sale investments	–	–	–	427,864	–	–	–	427,864	–	427,864
Surplus on revaluation of buildings	–	–	210	–	–	–	–	210	–	210
Exchange differences arising from translation of foreign operations	–	–	–	–	–	499	–	499	–	499
Net income recognised directly in equity	–	–	210	427,864	–	499	–	428,573	–	428,573
Transfer to profit or loss on disposal of available-for-sale investments	–	–	–	(26,268)	–	–	–	(26,268)	–	(26,268)
Profit for the year	–	–	–	–	–	–	772,468	772,468	49	772,517
Total recognised income for the year	–	–	210	401,596	–	499	772,468	1,174,773	49	1,174,822
Dividends paid	–	–	–	–	–	–	(14,280)	(14,280)	–	(14,280)
Repurchase of shares	(146)	(46,232)	–	–	146	–	(146)	(46,378)	–	(46,378)
At 31 December 2006	2,829	625,061	1,274	432,100	2,111	969	1,334,703	2,399,047	16,847	2,415,894
Fair value changes on available-for-sale investments	–	–	–	288,183	–	–	–	288,183	–	288,183
Surplus on transfer from prepaid lease payments to investment properties at fair value	–	–	3,242	–	–	–	–	3,242	–	3,242
Surplus on revaluation of buildings	–	–	520	–	–	–	–	520	–	520
Share of changes in equity of associates	–	–	–	–	–	5,944	–	5,944	–	5,944
Exchange differences arising from translation of foreign operations	–	–	–	–	–	2,123	–	2,123	–	2,123
Net income recognised directly in equity	–	–	3,762	288,183	–	8,067	–	300,012	–	300,012
Transfer from profit or loss on disposal of available-for-sale investments	–	–	–	596	–	–	–	596	–	596
Profit for the year	–	–	–	–	–	–	1,378,824	1,378,824	3,823	1,382,647
Total recognised income for the year	–	–	3,762	288,779	–	8,067	1,378,824	1,679,432	3,823	1,683,255
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(16,798)	(16,798)
Reversed previously recognised changes in fair value of investments held for trading	–	–	–	–	–	–	68,265	68,265	–	68,265
Changes in equity of SAC *(as defined in note 20)* on previous held interest	–	–	–	–	–	–	(74)	(74)	–	(74)
Dividends paid	–	–	–	–	–	–	(13,846)	(13,846)	–	(13,846)
Repurchase of shares *(note 32)*	(67)	(32,310)	–	–	67	–	(67)	(32,377)	–	(32,377)
At 31 December 2007	2,762	592,751	5,036	720,879	2,178	9,036	2,767,805	4,100,447	3,872	4,104,319

Note: At 31 December 2007, the balance of building revaluation reserve included surplus of HK$3,242,000, arising from revaluation of prepaid lease payments on transfer of buildings and prepaid lease payments to investment properties carried at fair value.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		1,558,547	784,044
Adjustments for:			
Interest income		(10,060)	(11,013)
Depreciation of property, plant and equipment		284	389
Loss on disposal of property, plant and equipment		293	–
(Reversal of) write-down of inventories		(571)	1,070
Interest expense		35,801	10,897
Amortisation of prepaid lease payments		25	59
Gain on disposal of an associate		–	(1,740)
Net loss (gain) on disposal of available-for-sale investments		596	(26,268)
Change in fair value of investments held for trading		(1,259,479)	(439,498)
Discount on early redemption of loan notes		–	3,962
Fair value changes on investment properties		(37,351)	(6,856)
Revaluation surplus on buildings		(144)	(387)
Share of losses of associates		4,094	–
Change in fair value of derivative financial instruments		4,874	–
Operating cash flow before movements in working capital		296,909	314,659
Decrease (increase) in inventories held for sale		2,042	(1,046)
Increase in investments held for trading		(691,999)	(364,548)
Increase in debtors, deposits and prepayments		(7,576)	(21,822)
Increase in loan receivables		(50,417)	(49,169)
Increase in creditors and accrued charges		42,515	38,920
(Decrease) increase in customers' deposits and receipts in advance		(17,091)	58,597
Cash used in operating activities		(425,617)	(24,409)
Interest paid		(35,801)	(10,897)
Tax paid		(21,031)	(3,718)
NET CASH USED IN OPERATING ACTIVITIES		(482,449)	(39,024)

	NOTES	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES			
Disposal of a subsidiary	38	71,330	–
Interest received		8,135	3,877
Proceeds from redemption of convertible bonds		6,626	–
Proceeds from disposal of available-for-sale investments		1,434	42,122
Acquisition of associates		(273,484)	–
Purchases of available-for-sale investments		(15,600)	–
(Increase) decrease in pledged bank deposits		(10,718)	10,526
Purchases of property, plant and equipment		(95)	(101)
Net proceeds from redemption of loan notes		–	39,503
Proceeds on disposal of an associate		–	1,740
Purchase of investment property		–	(19,114)
Purchases of convertible bonds		–	(6,626)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(212,372)	71,927
FINANCING ACTIVITIES			
New borrowings raised		4,447,322	1,451,630
Repayments of borrowings		(3,698,584)	(1,382,516)
Repurchase of shares		(32,377)	(46,378)
Dividends paid		(13,846)	(14,280)
NET CASH FROM FINANCING ACTIVITIES		702,515	8,456
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,694	41,359
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES		2,123	(171)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		58,007	16,819
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		67,824	58,007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed on page 2 of the annual report.

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

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 39.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRS")

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

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment

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

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

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

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions[3]
HK(IFRIC) – INT 12	Service concession arranagements[4]
HK(IFRIC) – INT 13	Customer loyalty programmes[5]
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[4]

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

2 *Effective for accounting periods beginning on or after 1 July 2009.*

3 *Effective for accounting periods beginning on or after 1 March 2007.*

4 *Effective for accounting periods beginning on or after 1 January 2008.*

5 *Effective for accounting periods beginning on or after 1 July 2008.*

The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group except for the adoption of HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidation and Separate Financial Statements. HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

3. Significant accounting policies

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

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

Basis of consolidation

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

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

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

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

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

Revenue recognition

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

Trading of securities is recognised on trade date basis when the relevant contracts are executed.

Sales of goods are recognised when goods are delivered and title has passed.

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

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

Investment properties

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

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

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of buildings is credited to the building revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the building revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus is transferred to retained profits.

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

Where an item of property, plant and equipment together with the relevant prepaid lease payment, if any, is transferred to an investment property, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in building revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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

Interests in associates

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

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

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

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

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

For acquisition of associates which involved successive share purchases for which the investment was previously accounted for at fair value with changes in fair value included in profit or loss, cumulative changes in the fair value of previously held ownership interests are reversed through profit or loss and retained profits respectively. The investee's profit or loss, changes in the investee's retained profits and other equity balances after each exchange transaction are included in the profit or loss, retained profits or the relevant reserves respectively to the extent that they relate to the previously held ownership interests.

Non-current assets held for sale

Non-current assets and disposal groups 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 asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

Prepaid lease payments

Prepaid lease payments of land under operating lease are charged to the consolidated income statement on a straight-line basis over the lease terms.

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the three categories, including investments held for trading, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including loan notes, debt component of convertible bonds, debtors, loan receivables, pledged bank deposits and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

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

Impairment of financial assets

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

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

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

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

For certain categories of financial assets, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

A financial liability is classified as held for trading if:

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

Other financial liabilities

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

Equity instruments

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

Derivative financial instruments

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

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

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

Inventories

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

Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a 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, such 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 reversal of the impairment loss is treated as a revaluation increase under that standard.

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Borrowing costs

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

Leases

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Retirement benefits scheme

Payments to the Group's defined contribution scheme or Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the 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 Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the 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 profit or loss in the period in which the foreign operation is disposed of.

4. Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

As at 31 December 2007, no deferred tax asset has been recognised in the Group's consolidated balance sheet in relation to the estimated unused tax losses and deductible temporary differences of approximately HK$744 million (2006: HK$1,235 million) and HK$9.4 million (2006: HK$34 million) respectively. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the consolidated income statement for the period in which such a recognition takes place.

5. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Directors of the Company considers share capital and retained earnings are the capital of the Group. The Group's overall strategy remains unchanged from prior years.

The Directors of the Company review the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debt.

Categories of financial instruments

	2007	**2006**
	HK$'000	*HK$'000*
Financial assets		
Investments held for trading	3,617,216	1,690,510
Loans and receivables (including cash and cash equivalents)	345,722	214,606
Available-for-sale financial assets	859,724	557,375
Financial liabilities		
Amortised cost	952,574	217,736
Financial liabilities held for trading	4,874	–

Financial risk management objectives and polices

The Group's major financial instruments include equity investments, loan notes, convertible bonds, loan receivables, debtors, creditors, other borrowings 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 manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Foreign exchange risk is the risk of loss due to adverse movement in foreign exchange rate relating to foreign currency denominated loan receivables, deposits and other borrowings with banks and financial institutions. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Assets		Liabilities	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States Dollars ("USD")	130,921	80,225	11,014	–
Renminbi ("RMB")	107,221	81,512	–	–

Sensitivity analysis

As HKD is pegged to USD, the Group does not expect any significant movements in the USD/HKD exchange rates.

The following table details the Group's sensitivity to a 5% increase and decrease in HKD against RMB and all other variables were held constant. 5% is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding RMB denominated monetary items and adjusts its translation at the year end for a 5% change in RMB rates. A positive number below indicates an increase in profit for the year where RMB strengthen 5% against HKD. For a 5% weakening of RMB against HKD there would be an equal and opposite impact on the profit for the year.

	2007	**2006**
	HK$'000	*HK$'000*
Increase in profit for the year	5,361	4,075

Price risk

(i) Equity price risk

The Group is exposed to equity price risk through its available-for-sale investments and investments held for trading. The management manages the exposure by maintaining a portfolio of equity investments with different risk profiles.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% higher/ lower and all other variables were held constant, the Group:

- profit for the year ended 31 December 2007 increase/decrease by HK$180,861,000 (2006: increase/decrease by HK$84,526,000) as a result of the changes in fair value of held-for-trading investments; and
- investment revaluation reserve would increase/decrease by HK$41,088,000 (2006: increase/decrease by HK$26,805,000) for the Group as a result of the changes in fair value of available-for-sale investments.

(ii) Foreign currencies risk on non-monetary items

The Group is engaged in securities trading and investments which are denominated in foreign currencies and is therefore exposed to foreign currency price risk. Approximately 15% of the Group's securities trading are denominated in currencies other than the functional currency of the group entity.

The carrying amounts of the Group's foreign currency denominated investments held for trading and available-for-sale investments at the reporting date are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
USD	66,740	20,737
Australian Dollars	186,330	482,620
Malaysian Ringgit	97,483	57,701
New Taiwan Dollars	263,909	115,607

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in HKD against foreign currencies and all other variables were held constant. USD is not included in sensitivity analysis. As HKD is pegged to USD, the Group does not expect any significant movements in the USD/HKD exchange rate. 5% is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit for the year where foreign currencies strengthen 5% against HKD. For a 5% weakening of foreign currencies against HKD there would be an equal and opposite impact on the profit for the year and the investment revaluation reserve.

	2007	**2006**
	HK$'000	*HK$'000*
Increase in profit for the year	14,191	27,016
Increase in investment revaluation reserve for the year	13,195	5,780

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed rate loan notes, fixed rate convertible bonds and fixed rate loan receivables. The Group's cash flow interest rate risk relates to its variable rate loan receivables and other borrowings.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate arising from the Group's variable-rate loan receivables and variable-rate other borrowings.

If the interest rate of loan receivables and other borrowings had been 100 basis point higher/lower, the Group's profit would decrease/increase by HK$9,168,000 (2006: HK$1,679,000). This is mainly attributable to the increase in loan receivables and other borrowings.

Credit risk

The Group's credit risk are primarily attributable to trade debtors, loan notes, convertible bonds, loan receivables and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group 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.

The Group's bank balances are deposited with banks of high credit ratings in Hong Kong.

The Group has significant concentration of credit risk on loan notes, convertible bonds and loan receivables as the credit risk on loan rates, convertible bonds and loan receivables are mainly attributable from certain limited counterparties. Other than these, there is no significant concentration of credit risk in trade debtors as the exposure spread over a number of counter-parties and customers.

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual debt, loan notes, convertible bonds, and loan receivables regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significant reduced.

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. For derivative financial instruments, the Group has approximately HK$81,689,000 contractual cash outflow in return with listed securities within 1 year.

For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Repayable on demand	Less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount at year end
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2007							
Non-derivative financial liabilities							
Creditors	–	–	29,826	380	3,530	33,736	33,736
Other borrowings	prime rate						
– variable rates	plus spread	918,838	–	–	–	918,838	918,838
		918,838	29,826	380	3,530	952,574	952,574
As at 31 December 2006							
Non-derivative financial liabilities							
Creditors	–	–	14,762	400	32,474	47,636	47,636
Other borrowings	prime rate						
– variable rates	plus spread	170,100	–	–	–	170,100	170,100
		170,100	14,762	400	32,474	217,736	217,736

Fair value

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and the fair values of the unit trusts have been determined by reference to the published price quotations;

- the fair values of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates as input; and

- for the option derivative, the fair value is estimated using option pricing model (for example, the binomial model).

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair value.

6. Revenue (excluding securities trading)

	2007	**2006**
	HK$'000	*HK$'000*
Dividend income from listed investments	36,512	17,717
Interest income from loan receivables	14,023	9,071
Rental income	4,780	3,801
	55,315	30,589

7. Business and geographical information

Business segments

For management purposes, the Group is currently organised into three operating divisions – securities trading and investments, financial services and property investment. These divisions are the basis on which the Group reports its primary segment information.

The Group was also involved in the business of mobile phone distribution which was discontinued on 31 March 2007 *(see note 13)*.

Segment information about these businesses is presented below:

For the year ended 31 December 2007

	Continuing operations				Discontinued operation	
	Securities trading and investments	**Financial services**	**Property investment**	**Total**	**Mobile phone distribution**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gross proceeds from sale of investments held for trading	2,234,125	–	–	2,234,125	–	2,234,125
Revenue	36,512	14,023	4,780	55,315	7,681	62,996
Result						
Segment result	1,605,287	13,898	43,402	1,662,587	(2,087)	1,660,500
Share of losses of associates				(4,094)	–	(4,094)
Unallocated other income				11,359	586	11,945
Unallocated corporate expenses				(74,003)	–	(74,003)
Finance costs				(35,801)	–	(35,801)
Profit before taxation				1,560,048	(1,501)	1,558,547
Taxation				(175,873)	(27)	(175,900)
Profit for the year				1,384,175	(1,528)	1,382,647

	Securities trading and investments *HK$'000*	Financial services *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Consolidated balance sheet				
Assets				
Segment assets	4,564,299	174,253	115,722	4,854,274
Interests in associates				368,297
Unallocated corporate assets				88,680
Consolidated total assets				5,311,251
Liabilities				
Segment liabilities	955,935	15,861	2,301	974,097
Unallocated corporate liabilities				232,835
Consolidated total liabilities				1,206,932

	Continuing operations				Discontinued operation		
	Securities trading and investments *HK$'000*	Financial services *HK$'000*	Property investment *HK$'000*	Total *HK$'000*	Mobile phone distribution *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Other information							
Capital expenditure	–	–	–	–	–	95	95
Depreciation	–	–	139	139	18	127	284
Loss on disposal of property, plant and equipment	–	–	–	–	293	–	293
Reversal of write-down of inventories	–	–	–	–	(571)	–	(571)

For the year ended 31 December 2006

	Continuing operations				Discontinued operation	
	Securities trading and investments	**Financial services**	**Property investment**	**Total**	**Mobile phone distribution**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gross proceeds from sale of investments held for trading	1,132,153	–	–	1,132,153	–	1,132,153
Revenue	17,717	9,071	3,801	30,589	67,098	97,687
Result						
Segment result	835,379	8,832	9,081	853,292	(4,856)	848,436
Gain on disposal of an associate				1,740	–	1,740
Revaluation surplus on buildings				387	–	387
Unallocated other income				2,322	148	2,470
Unallocated corporate expenses				(58,092)	–	(58,092)
Finance costs				(10,895)	(2)	(10,897)
Profit before taxation				788,754	(4,710)	784,044
Taxation				(11,432)	(95)	(11,527)
Profit for the year				777,322	(4,805)	772,517

	Continuing operations				Discontinued operation	
	Securities trading and investments	**Financial services**	**Property investment**	**Total**	**Mobile phone distribution**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Consolidated balance sheet						
Assets						
Segment assets	2,332,833	127,585	88,529	2,548,947	10,232	2,559,179
Assets classified as held for sale	–	–	134,419	134,419	–	134,419
Unallocated corporate assets						54,860
Consolidated total assets						2,748,458
Liabilities						
Segment liabilities	215,280	2,658	11,138	229,076	5,083	234,159
Liabilities associated with assets classified as held for sale	–	–	60,044	60,044	–	60,044
Unallocated corporate liabilities						38,361
Consolidated total liabilities						332,564

	Continuing operations				Discontinued operation		
	Securities trading and investments	Financial services	Property investment	Total	Mobile phone distribution	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other information							
Capital expenditure	–	–	19,114	19,114	89	12	19,215
Depreciation	–	–	141	141	92	156	389
Write-down of inventories	–	–	–	–	1,070	–	1,070

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC").

The Group's securities trading and investments and financial services are mainly carried out in Hong Kong. Rental income from property investment is derived from Hong Kong and the PRC.

The following table provides an analysis of the Group's revenue by geographical market:

	Revenue from continuing operations by geographical market	
	2007	**2006**
	HK$'000	*HK$'000*
Hong Kong	52,754	28,651
The PRC	2,561	1,938
	55,315	30,589

Revenue from the Group's discontinued distribution of mobile phone was derived principally from Hong Kong (2007: HK$7,681,000, 2006: HK$67,098,000).

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

	Carrying amount of segment assets		Additions to investment properties and property, plant and equipment	
	At 31.12.2007	**At 31.12.2006**	**Year ended 31.12.2007**	**Year ended 31.12.2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	4,817,114	2,490,594	95	19,215
The PRC	37,160	68,585	–	–
	4,854,274	2,559,179	95	19,215

8. Net gain on investments

	2007	**2006**
	HK$'000	*HK$'000*
Change in fair value of investments held for trading *(Note a)*	1,579,182	777,369
Change in fair value of derivative financial instruments *(Note b)*	(17,716)	1,594
Net (loss) gain on disposal of available-for-sale investments	(596)	26,268
Discount on early redemption of loan notes *(Note c)*	–	(3,962)
	1,560,870	801,269

Notes:

(a) Included in change in fair value of investments held for trading, approximately HK$319,703,000 (2006: HK$337,871,000) represented net realised gain on disposal of investments held for trading.

(b) Included in change in fair value of derivative financial instruments, approximately HK$12,842,000 (2006: gain of HK$1,594,000) represented net realised loss on derivatives.

(c) During the year ended 31 December 2006, Allied Group Limited, the issuer of the loan notes, early redeemed all of the loan notes at HK$43,465,000 with a discount on early redemption of HK$3,962,000 at the request of the Group. The net redemption proceed was HK$39,503,000.

9. Other income

	Continuing operations		Discontinued operation		Consolidated	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest income from:						
– Loan notes	4,036	9,287	–	–	4,036	9,287
– Bank deposits	982	1,264	47	148	1,029	1,412
– Others	4,995	314	–	–	4,995	314
	10,013	10,865	47	148	10,060	11,013
Net exchange gain	9,538	10,668	–	–	9,538	10,668
Others	5,392	764	539	–	5,931	764
	24,943	22,297	586	148	25,529	22,445

10. Finance costs

The amounts represent interest on other borrowings wholly repayable within five years.

11. Directors' emoluments and five highest paid individuals

Directors' emoluments

The Directors' emoluments are analysed as follows:

	For the year ended 31 December 2007				
	Directors' fees	**Salaries and other benefits**	**Performance related incentive payments**	**Retirement benefits scheme contributions**	**Total emoluments**
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*
Executive Directors					
Ms. Chong Sok Un	–	455	55,000	12	55,467
Dato' Wong Peng Chong	–	1,300	600	12	1,912
Mr. Kong Muk Yin	–	1,040	480	12	1,532
Independent Non-executive Directors					
Mr. Lo Wai On	180	–	–	–	180
Mr. Lau Siu Ki	180	–	–	–	180
Mr. Zhang Jian	80	–	–	–	80
	440	2,795	56,080	36	59,351

	For the year ended 31 December 2006				
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (Note)	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive Directors					
Ms. Chong Sok Un	–	455	42,000	12	42,467
Dato' Wong Peng Chong	–	1,300	200	12	1,512
Mr. Kong Muk Yin	–	920	160	12	1,092
Independent Non-executive Directors					
Mr. Lo Wai On	180	–	–	–	180
Mr. Lau Siu Ki	180	–	–	–	180
Mr. Yu Qi Hao	80	–	–	–	80
Mr. Zhang Jian	–	–	–	–	–
	440	2,675	42,360	36	45,511

Note: The performance related incentive payments are determined by reference to the individual performance of the Directors and approved by the Remuneration Committee.

During the year, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any remuneration during the year.

Five highest paid individuals

During the year, the five highest paid individuals included three Directors (2006: three), details of their emoluments are set out above. The emoluments for the remaining two (2006: two) highest paid individuals of the Group are as follows:

	2007 *HK$'000*	**2006** *HK$'000*
Salaries and other benefits	1,000	1,325
Retirement benefits scheme contributions	24	24
	1,024	1,349

The emoluments are within the following bands:

	2007 Number of employees	2006 Number of employees
Nil to HK$1,000,000	2	2

12. Taxation

	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current tax:						
Profits Tax in Hong Kong	172,005	11,247	27	95	172,032	11,342
Enterprise income tax in the PRC	3,868	185	–	–	3,868	185
	175,873	11,432	27	95	175,900	11,527

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

Enterprise income tax in the PRC is calculated at 33.3% of estimated assessable profit for both years except for the subsidiary which is eligible for certain tax holidays and concessions on the PRC income tax.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008.

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

	2007	**2006**
	HK$'000	*HK$'000*
Profit (loss) before taxation		
– Continuing operations	1,560,048	788,754
– Discontinued operation	(1,501)	(4,710)
	1,558,547	784,044
Tax at the income tax rate of 17.5%	272,746	137,208
Tax effect of share of losses of associates	716	–
Tax effect of expenses that are not deductible	12,885	10,479
Tax effect of income that is not taxable	(16,823)	(82,438)
Utilisation of tax losses/deductible temporary differences previously not recognised	(98,328)	(54,539)
Tax effect of tax losses not recognised	5,364	989
Effect of different tax rates of subsidiaries operating in other jurisdictions	119	83
Others	(779)	(255)
Taxation	175,900	11,527

13. Discontinued operation

The Group ceased the business operation of mobile phone distribution in year 2007.

The results of the discontinued operation which represented the mobile phone distribution operation from 1 January 2007 to 31 March 2007, which have been included in the consolidated income statement, were as follows:

	Period ended 31.3.2007	**Year ended 31.12.2006**
	HK$'000	*HK$'000*
Turnover	7,681	67,098
Cost of sales	(7,501)	(64,423)
Other income	586	148
Distribution expenses	(1,050)	(4,655)
Administrative and other expenses	(1,217)	(2,876)
Finance costs	–	(2)
Loss before taxation	(1,501)	(4,710)
Taxation	(27)	(95)
Loss for the period/year	(1,528)	(4,805)

During the period from 1 January 2007 to 31 March 2007, the business operation of mobile phone distribution paid HK$4,009,000 (1.1.2006 to 31.12.2006: HK$5,123,000) to the Group's net operating cash flows, received HK$47,000 (1.1.2006 to 31.12.2006: HK$23,000) in respect of investing activities and paid HK$11,397,000 (1.1.2006 to 31.12.2006: received HK$8,003,000) in respect of financing activities.

14. Profit for the year

	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit for the year has been arrived at after charging (crediting):						
Auditor's remuneration	1,402	1,020	–	–	1,402	1,020
Cost of inventories recognised as expenses	–	–	7,855	62,847	7,855	62,847
Amortisation of prepaid lease payments	25	59	–	–	25	59
Depreciation of property, plant and equipment	266	297	18	92	284	389
(Reversal of) write-down of inventories	–	–	(571)	1,070	(571)	1,070
Loss on disposal of property, plant and equipment	–	–	293	–	293	–
Staff costs, inclusive of directors' emoluments	61,784	48,948	944	3,612	62,728	52,560
Gross rental income from properties	(4,780)	(3,801)	–	–	(4,780)	(3,801)
Less: Direct operating expenses that generated rental income	1,423	1,535	–	–	1,423	1,535
Direct operating expenses that did not generate rental income	22	41	–	–	22	41
Net rental income	(3,335)	(2,225)	–	–	(3,335)	(2,225)

15. Dividends

	2007	2006
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Interim dividend, paid – HK$0.01 per share (2006: HK$0.01)	2,762	2,855
2006 Final dividend paid – HK$0.04 per share	11,084	–
2005 Final dividend paid – HK$0.04 per share	–	11,425
	13,846	14,280

The final dividend of HK$0.04 per share for the year ended 31 December 2007 has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting.

16. Earnings per share

From continuing and discontinued operations

The calculation of basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007	**2006**
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share (Profit for the year attributable to equity holders of the Company)	1,378,824	772,468
	Number of shares	**Number of shares**
Weighted average number of ordinary shares for the purposes of basic earnings per share	278,496,620	289,070,361

No diluted earnings per share have been presented as there were no potential ordinary shares issued in both years.

From continuing operations

The calculation of the basic earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Earnings for the year attributable to equity holders of the Company	1,378,824	772,468
Add: Loss for the period from discontinued operation	1,528	4,805
Earnings for the purposes of basic earnings per share from continuing operations	1,380,352	777,273

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

From discontinued operation

Basic loss per share for the discontinued operation is HK$0.005 per share (2006: HK$0.017 per share). The calculation of the basic loss per share was based on the loss for the period from the discontinued operation of HK$1,528,000 (2006: loss for the year of HK$4,805,000) attributable to the ordinary equity holders of the Company and the denominators detailed above for basic earnings per share.

17. Investment properties

	HK$'000
FAIR VALUE	
At 1 January 2006	136,526
Exchange adjustments	321
Addition	19,114
Investment property classified as held for sale *(note 28)*	(80,953)
Transfer from building	780
Transfer to building	(1,055)
Gain on fair value change for the year	6,856
At 31 December 2006	81,589
Transfer from prepaid lease payments	4,640
Transfer from building	1,098
Gain on fair value change for the year	23,598
At 31 December 2007	110,925

The Group's investment properties are analysed as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Properties held under medium term leases:		
– in Hong Kong	73,765	53,559
– in the PRC	33,350	24,950
Properties situated in the PRC held under long leases	3,810	3,080
	110,925	81,589

The fair value of the Group's investment properties at 31 December 2007 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the institute of valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests 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.

18. Property, plant and equipment

	Construction in progress HK$'000	Buildings in Hong Kong under medium-term lease HK$'000	Computer and electronic equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION						
At 1 January 2006	47,697	3,320	2,185	3,109	501	56,812
Exchange adjustment	349	–	–	–	–	349
Additions	–	–	100	1	–	101
Revaluation increase	–	510	–	–	–	510
Transfer from investment properties	–	1,055	–	–	–	1,055
Transfer to investment properties	–	(780)	–	–	–	(780)
Assets as held for sale *(note 28)*	(48,046)	–	–	–	–	(48,046)
At 1 January 2007	–	4,105	2,285	3,110	501	10,001
Additions	–	–	35	60	–	95
Disposals	–	–	(1,571)	(1,491)	–	(3,062)
Revaluation increase	–	579	–	–	–	579
Transfer to investment properties	–	(1,098)	–	–	–	(1,098)
At 31 December 2007	–	3,586	749	1,679	501	6,515
Comprising:						
At cost	–	–	749	1,679	501	2,929
At valuation – 2007	–	3,586	–	–	–	3,586
	–	3,586	749	1,679	501	6,515
DEPRECIATION						
At 1 January 2006	–	–	1,945	2,541	501	4,987
Provided for the year	–	87	139	163	–	389
Eliminated on revaluation	–	(87)	–	–	–	(87)
At 1 January 2007	–	–	2,084	2,704	501	5,289
Provided for the year	–	85	67	132	–	284
Eliminated on disposals	–	–	(1,455)	(1,314)	–	(2,769)
Eliminated on revaluation	–	(85)	–	–	–	(85)
At 31 December 2007	–	–	696	1,522	501	2,719
CARRYING VALUES						
At 31 December 2007	–	3,586	53	157	–	3,796
At 31 December 2006	–	4,105	201	406	–	4,712

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

Buildings	Over the shorter of the lease terms or 30-50 years
Computer and electronic equipment	20%
Furniture and fixtures	20%
Motor vehicles	20% – 50%

The buildings of the Group were valued on 31 December 2007 by DTZ Debenham Tie Leung Limited, a firm of independent professional property valuers, on a market value basis. DTZ Debenham Tie Leung Limited is not connected with the Group. The revaluation surplus on buildings of HK$664,000 (2006: HK$597,000) has been credited to the consolidated income statement and to the building revaluation reserve of HK$144,000 (2006: HK$387,000) and HK$520,000 (2006: HK$210,000) respectively.

If the buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$1,360,000 (2006: HK$2,156,000).

19. Prepaid lease payments

The Group's prepaid lease payments represent leasehold land in Hong Kong held under medium term leases.

The leasehold land is amortised on a straight-line basis over the remaining term of the leases.

20. Interests in associates

	2007	2006
	HK$'000	*HK$'000*
Cost of investments in associates		
Listed in Hong Kong	184,640	–
Unlisted	181,807	–
Share of post-acquisition losses and reserves, net of dividends received	1,850	–
	368,297	–
Fair value of listed investments	534,218	–

As at 31 December 2007, the Group had interests in the following associates:

Name of entities	Form of business structure	Place/ Country of incorporation/ registration	Principal place of operation	Class of share held	Number of shares held by the Group	Proportion of nominal value of issued capital/ registered capital held by the Group	Proportion of voting power held	Principal activity
						%	*%*	
Shanghai Allied Cement Limited ("SAC")	Incorporated	Bermuda	The PRC	Ordinary	197,858,680	27.1	27.1	Investment holding
Printronics Electronics Limited ("Printronics")	Incorporated	Hong Kong	The PRC	Ordinary	2	40	40	Investment holding

During the year, the Group acquired an additional 17% equity interest in SAC ("Acquisition") at a consideration of approximately HK$87,763,000 and acquired 40% equity interest in Printronics at a consideration of approximately HK$181,807,000.

Before the Acquisition, the Group had 9.99% equity interest in SAC and the investment was accounted for as investments held for trading. Following the completion of the Acquisition on 29 June 2007, the Group has a 26.99% beneficially interest in SAC and is able to exercise significant influence on SAC. Accordingly, SAC has become an associate of the Group. On 29 June 2007, the cumulative fair value changes of the Group's 9.99% equity interest in SAC was accounted for as explained in note 3.

On 20 September 2007, the Group further acquired 0.14% equity interest in SAC in open market at a consideration of approximately HK$3,914,000. At the balance sheet date, the total number of SAC shares held by the Group was 197,858,680.

Included in the cost of interests in associates is goodwill of HK$228,509,000 arising on acquisitions of associates during the year.

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

	2007	**2006**
	HK$'000	*HK$'000*
Total assets	1,284,974	–
Total liabilities	(838,021)	–
Net assets	446,953	–
Group's share of net assets of associates	140,538	–
Revenue	434,300	–
Losses since acquisition dates of relevant associates	(16,569)	–
Group's share of losses of associates for the year	(4,094)	–

21. Available-for-sale investments

Available-for-sale investments comprise:

	2007 *HK$'000*	2006 *HK$'000*
Listed investments:		
– Equity securities listed in Hong Kong	557,853	420,503
– Equity securities listed elsewhere *(Note)*	263,909	115,607
	821,762	536,110
Unlisted investments:		
– Unit trusts	37,284	20,737
– Club debentures	678	528
	37,962	21,265
Total	859,724	557,375
Analysed for reporting purposes as:		
Current assets	9,801	–
Non-current assets	849,923	557,375
	859,724	557,375

Note: The currency of the equity securities listed elsewhere is mainly denominated in New Taiwan Dollars.

22. Loan notes

The loan notes were issued by Sun Hung Kai & Co. Limited ("SHK"). The loan notes bear interest at 4% per annum (effective interest rate: 7.9%) with maturity date on 7 March 2008 and are redeemable by SHK if specifically agreed by both parties.

23. Convertible bonds

	2007	2006
	HK$'000	*HK$'000*
Unlisted debt securities	–	6,626

During the year ended 31 December 2007, the bonds issuer redeemed all of its bonds.

24. Investments held for trading

Investments held for trading include:

	2007	2006
	HK$'000	*HK$'000*
Listed securities:		
– Equity securities listed in Hong Kong	3,294,145	1,150,189
– Equity securities listed elsewhere *(Note)*	323,071	540,321
	3,617,216	1,690,510

As at 31 December 2007, particulars of the Group's investments in the equity securities which exceed 10% of the assets of the Group disclosed pursuant to Section 129(2) of the Hong Kong Companies Ordinance are as follows:

Name of company	Place of incorporation	Class of shares	Number of shares held by the Group	Percentage of issued share capital held by the Group
Allied Properties (H.K.) Limited	Hong Kong	Ordinary	336,664,000	6.0%
Allied Group Limited	Hong Kong	Ordinary	14,246,494	5.8%
Sun Hung Kai & Co. Limited	Hong Kong	Ordinary	93,997,265	5.6%
APAC Resources Limited	Hong Kong	Ordinary	598,120,000	12.7%

Note: The currency of the equity securities listed elsewhere is mainly denominated in Australian Dollars and Malaysian Ringgit.

25. Debtors, deposits and prepayments

The Group has a policy of allowing an average credit period of 30-90 days to its trade debtors.

The following is an aged analysis of trade debtors:

	2007	**2006**
	HK$'000	*HK$'000*
Within 90 days	1,992	6,150
91 – 180 days	–	992
181 – 360 days	–	258
	1,992	7,400
Other debtors, deposits and prepayments	39,292	26,308
	41,284	33,708

There is no allowance for doubtful debts in both years.

26. Loan receivables

	2007	**2006**
	HK$'000	*HK$'000*
Fixed-rate loan	172,015	121,380
Variable-rate loan	2,000	2,218
	174,015	123,598

In determining the recoverability of the loan receivables, the Group considers each loan receivable based on the evaluation of collectability and aging analysis of accounts and on management's judgment, including the current creditworthiness, collaterals and the past collection history of each client.

The average interest rate for the fixed-rate loan receivables was approximately 10% (2006: 11%) per annum.

The contracted interest rates of the variable-rate loan receivables denominated in Hong Kong dollars range from The Hongkong and Shanghai Banking Corporation Limited ("HSBC") prime rate to HSBC prime rate plus 2% with effective interest rate of 8% (2006: 10%). Interest is normally repriced every six months.

The loan receivables with a carrying amount of HK$143,415,000 (2006: HK$82,102,000) are secured by certain deposits and unlisted securities which are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable.

27. Pledged bank deposits and bank balances

Bank balances carry interest at market rates which range from 2% to 5.25% (2006: 2.75% to 4.60%).

The pledged bank deposits represent deposit pledged to banks to secure banking facilities granted to the Group and carry fixed interest rate range from 1% to 3.40%.

28. Disposal group classified as held for sale

On 23 March 2006, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group agreed to dispose of and the independent third party agreed to purchase the entire 75% equity interest in 深圳市天利安實業發展有限(「天利安」), a non-wholly owned subsidiary of the Company, together with the amount due from a minority shareholder at an aggregate consideration of RMB99,900,000 (equivalent to HK$99,900,000). The consideration was finalised to RMB102,550,000 (equivalent to HK$101,357,000). The assets and liabilities related to 天利安, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet as at 31 December 2006. The transaction was completed on 3 April 2007.

The major classes of assets and liabilities associated with the disposal group classified as held for sale are as follows:

	31.12.2006
	HK$'000
Investment property	80,953
Property, plant and equipment	48,046
Debtors, deposits and prepayments	615
Amount due from a minority shareholder	4,805
Total assets classified as held for sale	134,419
Creditors and accrued charges	24,616
Deposit received	30,027
Deferred tax liability	5,391
Taxation payable	10
Liabilities associated with assets classified as held for sale	60,044

29. Creditors and accrued charges

Creditors and accrued charges principally comprise amounts outstanding for trade purpose and ongoing costs.

An aged analysis of trade creditors is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Trade creditors due within 90 days	29,778	14,684
Other creditors and accrued charges	68,217	40,796
	97,995	55,480

30. Other borrowings

Other borrowings represent securities margin financing received from stock broking, futures and options broking house and were secured by certain collateral of the Group as disclosed in note 34. Additional funds or collateral are required if the balance of the borrowings exceeds the eligible margin value of securities pledged to the broking house. The collateral can be sold at the broking house's discretion to settle any outstanding borrowings owed by the Group. The entire borrowings are secured by the Group's marketable securities, repayable on demand and bear variable interest ranging from 3.4% to 8.0% (2006: 4.35% to 8.25%).

31. Derivative financial instruments

The derivative financial instruments comprise derivative contracts linked with the equity securities listed in Hong Kong with certain brokers for a period of one year.

The fair value of derivative financial instruments is determined based on market values provided by the counterparty financial institutions.

32. Share capital

	Number of shares		Value	
	2007	**2006**	**2007**	**2006**
			HK$'000	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning and end of the year	30,000,000,000	30,000,000,000	300,000	300,000
Issued and fully paid:				
At beginning of the year	282,883,547	297,479,547	2,829	2,975
Repurchase of shares	(6,700,000)	(14,596,000)	(67)	(146)
At end of the year	276,183,547	282,883,547	2,762	2,829

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
February 2007	348,000	3.38	3.30	1,169
March 2007	548,000	3.36	3.15	1,820
April 2007	1,816,000	4.13	4.08	7,493
May 2007	2,760,000	5.64	4.37	13,795
June 2007	768,000	6.55	5.90	4,813
July 2007	316,000	7.70	6.60	2,181
August 2007	144,000	8.13	6.60	1,106
	6,700,000			32,377

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase of the shares of HK$32,310,000 has been charged to the share premium account. An amount equivalent to the nominal value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchases of the Company's shares during the year were effected by the Directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

33. Deferred taxation

	Revaluation of properties	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2006	322	(322)	–
Charge (credit) to consolidated income statement for the year	95	(95)	–
At 31 December 2006	417	(417)	–
Charge (credit) to consolidated income statement for the year	2,672	(2,672)	–
At 31 December 2007	3,089	(3,089)	–

At 31 December 2007, the Group has estimated unused tax losses of approximately HK$744 million (2006: HK$1,235 million), for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$17.6 million (2006: HK$2.4 million) of such losses. No deferred tax asset has been recognised in respect of remaining estimated tax losses of HK$726.4 million (2006: HK$1,232.6 million) due to the unpredictability of future profit streams. These estimated tax losses may be carried forward indefinitely.

The Group has deductible temporary differences of approximately HK$9.4 million (2006: HK$34 million). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

34. Pledge of assets

At the balance sheet date, the following assets of the Group were pledged to banks and securities brokers house to secure short term credit facilities:

	2007	**2006**
	HK$'000	*HK$'000*
Investment properties	33,300	26,640
Investments held for trading	3,121,898	1,210,235
Available-for-sale investments	460,628	115,607
Securities brokers house deposits	–	196
Pledged bank deposits	10,718	–
	3,626,544	1,352,678

35. Lease commitments

The Group as lessee

	2007	**2006**
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases in respect of premises	1,920	1,951

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

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	1,966	875
In the second to fifth year inclusive	4,587	–
	6,553	875

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

The Group as lessor

Property rental income earned during the year was approximately HK$4,780,000 (2006: HK$3,801,000). The properties held have committed tenants for a lease term of two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	3,293	3,778
In the second to fifth year inclusive	472	2,739
	3,765	6,517

36. Retirement benefits schemes

The Group operates a defined contribution retirement benefits scheme for its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustee.

The retirement benefits scheme contributions charged to the consolidated income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group or will be refunded to the Company upon request.

As at 31 December 2007, forfeited contributions was HK$419,000 (2006: Nil), which arose upon employees leaving the scheme and which were available to reduce the contributions payable by the Group in future years.

In addition to the defined contribution retirement benefits scheme, the Group is required to contribute to Mandatory Provident Fund for certain employees in Hong Kong based on applicable rates of monthly salary in accordance with the relevant regulations.

During the year, the retirement benefits scheme contributions charged to consolidated income statement were HK$157,000 (2006: HK$270,000).

37. Related party transactions

Compensation of key management personnel

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

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	60,315	46,800
Retirement benefits costs	60	60
	60,375	46,860

The remuneration of Directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

38. Disposal of a subsidiary

During the year ended 31 December 2007, the Group disposed of a non-wholly owned subsidiary:

	HK$'000
NET ASSETS DISPOSED OF	
Investment property	94,706
Property, plant and equipment	48,046
Debtors, deposits and prepayments	615
Amount due from a minority shareholder	4,805
Creditors and accrued charges	(24,616)
Deferred tax liability	(5,391)
Taxation liability	(10)
	118,155
Minority interests	(16,798)
Net assets disposed of	101,357
Total consideration satisfied by:	
Deposits received in advance	30,027
Bank balances and cash	71,330
	101,357
Net cash inflow arising on disposal:	
Cash consideration	71,330

The assets and liabilities related to this subsidiary have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet as at 31 December 2006.

The assets held by the subsidiary are mainly investment property. The fair value gain of HK$13,753,000 on the investment property upon the disposal was recognised in the consolidated income statement during the year ended 31 December 2007.

39. Particulars of principal subsidiaries

Particulars of the principal subsidiaries as at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Besford International Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Classic Fortune Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Mission Time Holdings Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Star Paging (BVI) Limited	The British Virgin Islands	Ordinary US$400	100%	Investment holding
Yuenwell Holdings Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Indirectly held				
China Capital Holdings Limited	Hong Kong	Ordinary HK$2	100%	Treasury service
China Online (Bermuda) Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
China Online Nominees Limited	Hong Kong	Ordinary HK$200	100%	Investment holding and provision of nominee services
China Online Secretaries Limited	Hong Kong	Ordinary HK$2	100%	Provision of secretarial services
Focus Clear Limited	The British Virgin Islands	Ordinary US$1	100%	Securities trading in Hong Kong

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Forepower Limited	The British Virgin Islands	Ordinary US$1	100%	Property investment in Hong Kong
Future Rise Investments Limited	The British Virgin Islands	Ordinary US$1	100%	Securities trading in overseas
Genwo Limited	Hong Kong	Ordinary HK$200,000	100%	Property investment
Gold Chopsticks Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Honest Opportunity Limited	The British Virgin Islands	Ordinary US$1	100%	Securities trading and investment in Hong Kong and overseas
Join Capital Limited	Hong Kong	Ordinary HK$2	100%	Money lending
Keentime Investments Limited	The British Virgin Islands	Ordinary US$2	50%	Securities trading in Hong Kong
Kintic Limited	Hong Kong	Ordinary HK$2	100%	Property investment
Konnic Limited	Hong Kong	Ordinary HK$2	100%	Property investment
Rich Investments Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Sinway Limited	Hong Kong	Ordinary HK$2	100%	Mobile handsets distribution
Sparkling Summer Limited	The British Virgin Islands	Ordinary US$6,500,000	100%	Securities trading in Hong Kong and overseas
Star Charter Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Star Telecom (China Investment) Limited	Hong Kong	Ordinary HK$2	100%	Investment holding

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Star Telecom Holding Limited	Hong Kong	Ordinary HK$200 Deferred# HK$4,000,000	100%	Investment holding
Star Telecom Limited	Hong Kong	Ordinary HK$3,000,000	100%	Mobile handsets distribution
Star Telecom Properties Limited	Hong Kong	Ordinary HK$200	100%	Investment and property holding
Taskwell Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Tricom Tianchi Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Vinka Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Widerich Limited	Hong Kong	Ordinary HK$2	100%	Property investment
星電電子技術發展（深圳）有限公司*	The PRC	Registered HK$1,000,000	100%	Research and development for computer software and relevant technical consultancy services

The deferred shares, which are not held by the Group, practically carry no rights to any dividend or to receive notice of or to attend or vote at any general meeting of the company or to any distribution in winding up.

* *Wholly foreign-owned enterprise.*

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

All subsidiaries operate principally in their places of incorporation unless specified otherwise under "Principal activities".

None of the subsidiaries had any debts securities subsisting at 31 December 2007 or at any time during the year.

3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTH ENDED 30TH JUNE, 2008

The following is the unaudited condensed consolidated financial statements and notes to the financial statements of the Group for the six months ended 30th June, 2008 extracted from the 2008 interim report of the Company:

The unaudited condensed consolidated financial statements have not been audited, but have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Company's Audit Committee. There were no other exceptional items or extraordinary items of the Group for the six months period ended 30th June 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30.6.2008	**30.6.2007**
	Notes	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Revenue (excluding securities trading)		13,939	15,561
Gross proceeds from sales of investments held for trading		169,423	1,100,144
Total		183,362	1,115,705
Rental income		2,056	2,294
Dividend income from listed investments		4,192	6,770
Interest income from loan receivables		7,691	6,497
Net (loss) gain on investments	*4*	(1,504,066)	572,584
Other income		5,375	15,494
Administrative expenses		(9,187)	(8,223)
Finance costs	*5*	(25,265)	(8,994)
Fair value changes on investment properties	*17*	–	14,707
Share of (losses) profits of associates		(6,243)	609
(Loss) profit before taxation		(1,525,447)	601,738
Taxation	*6*	(1,413)	(62,769)
(Loss) profit from continuing operations		(1,526,860)	538,969
Discontinued operation:			
Loss for the period from discontinued operation	*7*	–	(1,548)
(Loss) profit for the period	*8*	(1,526,860)	537,421

		Six months ended	
		30.6.2008	**30.6.2007**
	Notes	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Attributable to:			
Equity holders of the Company		(1,528,615)	528,424
Minority interests		1,755	8,997
		(1,526,860)	537,421
Dividends recognised as distribution	*9*	11,047	11,084
(Loss) earnings per share	*10*		
From continuing and discontinued operations			
– Basic		(HK$5.54)	HK$1.88
From continuing operations			
– Basic		(HK$5.54)	HK$1.89
Dividends per share		–	HK$0.01

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30.6.2008 HK$'000 (unaudited)	As at 31.12.2007 HK$'000 (audited)
Non-current assets			
Investment properties	11	113,299	110,925
Property, plant and equipment	11	2,998	3,796
Prepaid lease payments		55	1,001
Interest in associates		371,407	368,297
Available-for-sale investments		588,245	849,923
		1,076,004	1,333,942
Current assets			
Available-for-sale investments		–	9,801
Loan notes		–	52,401
Investments held for trading		2,241,189	3,617,216
Debtors, deposits and prepayments	12	71,356	41,284
Loan receivables		164,877	174,015
Tax recoverable		4,050	4,050
Pledged bank deposits		8,845	10,718
Bank balances and cash		48,769	67,824
		2,539,086	3,977,309
Current liabilities			
Creditors and accrued charges	13	99,786	97,995
Customers' deposits and receipts in advance		34,934	14,192
Other borrowings	14	1,000,116	918,838
Derivative financial instruments		25,702	4,874
Taxation payable		170,974	171,033
		1,331,512	1,206,932
Net current assets		1,207,574	2,770,377
Total assets less current liabilities		2,283,578	4,104,319

	Notes	As at 30.6.2008 HK$'000 (unaudited)	As at 31.12.2007 HK$'000 (audited)
Capital and reserves			
Share capital	*15*	2,760	2,762
Reserves		2,275,191	4,097,685
Equity attributable to equity holders of the Company		2,277,951	4,100,447
Minority interests		5,627	3,872
Total equity		2,283,578	4,104,319

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the Company									
	Share capital	Share premium	Buildings revaluation reserve	Investments revaluation reserve	Capital redemption reserve	Translation reserve	Retained profits	Sub-total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007 (audited)	2,829	625,061	1,274	432,100	2,111	969	1,334,703	2,399,047	16,847	2,415,894
Fair value changes on available-for-sale investments	–	–	–	32,111	–	–	–	32,111	–	32,111
Exchange difference arising from translation of foreign operations	–	–	–	–	–	1,462	–	1,462	–	1,462
Net income recognised directly in equity	–	–	–	32,111	–	1,462	–	33,573	–	33,573
Realised upon disposal of available-for-sale investments	–	–	–	596	–	–	–	596	–	596
Profit for the period	–	–	–	–	–	–	528,424	528,424	8,997	537,421
Total recognised income and expense for the period	–	–	–	32,707	–	1,462	528,424	562,593	8,997	571,590
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(16,798)	(16,798)
Reversed previously recognised changes in fair value of investments held for trading	–	–	–	–	–	–	68,266	68,266	–	68,266
Changes in equity of an associate on previously held interest	–	–	–	–	–	–	(74)	(74)	–	(74)
Repurchase of shares	(63)	(29,027)	–	–	63	–	(63)	(29,090)	–	(29,090)
Dividends paid	–	–	–	–	–	–	(11,084)	(11,084)	–	(11,084)
At 30 June 2007 (unaudited)	2,766	596,034	1,274	464,807	2,174	2,431	1,920,172	2,989,658	9,046	2,998,704
At 1 January 2008 (audited)	2,762	592,751	5,036	720,879	2,178	9,036	2,767,805	4,100,447	3,872	4,104,319
Fair value changes on available-for-sale investments	–	–	–	(292,814)	–	–	–	(292,814)	–	(292,814)
Share of changes in equity of associates	–	–	–	–	–	9,353	–	9,353	–	9,353
Exchange difference arising from translation of foreign operations	–	–	–	–	–	3,712	–	3,712	–	3,712
Net income and expenses recognised directly in equity	–	–	–	(292,814)	–	13,065	–	(279,749)	–	(279,749)
Realised upon disposal of available-for-sale investments	–	–	–	(2,104)	–	–	–	(2,104)	–	(2,104)
(Loss) profit for the period	–	–	–	–	–	–	(1,528,615)	(1,528,615)	1,755	(1,526,860)
Total recognised income and expense for the period	–	–	–	(294,918)	–	13,065	(1,528,615)	(1,810,468)	1,755	(1,808,713)
Repurchase of shares	(2)	(981)	–	–	2	–	–	(981)	–	(981)
Dividends paid	–	–	–	–	–	–	(11,047)	(11,047)	–	(11,047)
At 30 June 2008 (unaudited)	2,760	591,770	5,036	425,961	2,180	22,101	1,228,143	2,277,951	5,627	2,283,578

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six months ended	
	30.6.2008	**30.6.2007**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(139,416)	(265,928)
INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale investments	9,864	1,434
Dividends received	4,192	6,770
Purchases of available-for-sale investments	(31,199)	–
Proceeds from redemption of loan notes	52,401	–
Other investing activities	1,094	6,216
NET CASH FROM INVESTING ACTIVITIES	36,352	14,420
FINANCING ACTIVITIES		
New other borrowings raised	1,153,111	1,721,041
Repayments of other borrowings	(1,071,833)	(1,446,805)
Repurchase of shares	(981)	(29,090)
NET CASH FROM FINANCING ACTIVITIES	80,297	245,146
NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,767)	(6,362)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	67,824	58,007
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	3,712	1,462
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	48,769	53,107

NOTES:–

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. Principal accounting policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2008.

HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defines benefit asset, minimum funding requirements and their interaction

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been made.

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

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 13	Customer loyalty programmes[3]
HK(IFRIC) – INT 15	Agreements for the construction of real estate[1]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation[4]

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

2 *Effective for accounting periods beginning on or after 1 July 2009.*

3 *Effective for accounting periods beginning on or after 1 July 2008.*

4 *Effective for accounting periods beginning on or after 1 October 2008.*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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

3. Business information

Business segments

The Group is currently organised into three main operating divisions – securities trading and investments, financial services and property investment. These divisions are the bases on which the Group reports its primary segment information.

The Group was engaged in mobile phone distribution. This operation was discontinued in the year 2007 *(see note 7)*.

Segment information about these business is presented below:

For the six months ended 30 June 2008

	Continuing operations			
	Securities trading and investments	**Financial services**	**Property investment**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Gross proceeds from sales of investments held for trading	169,423	–	–	169,423
Revenue	4,192	7,691	2,056	13,939
Segment result	(1,500,311)	7,669	1,489	(1,491,153)
Unallocated other income				4,940
Unallocated corporate expenses				(7,726)
Share of losses of associates				(6,243)
Finance costs				(25,265)
Loss before taxation				(1,525,447)
Taxation				(1,413)
Loss for the period				(1,526,860)

For the six months ended 30 June 2007

	Continuing operations				Discontinued operation	
	Securities trading and investments	Financial services	Property investment	Total	Mobile phone distribution	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gross proceeds from sales of investments held for trading	1,100,144	–	–	1,100,144	–	1,100,144
Revenue	6,770	6,497	2,294	15,561	7,681	23,242
Segment result	582,157	6,492	16,354	605,003	(3,199)	601,804
Unallocated other income				12,929	1,678	14,607
Unallocated corporate expenses				(7,809)	–	(7,809)
Share of profits of an associate				609	–	609
Finance costs				(8,994)	–	(8,994)
Profit before taxation				601,738	(1,521)	600,217
Taxation				(62,769)	(27)	(62,796)
Profit for the period				538,969	(1,548)	537,421

4. Net (loss) gain on investments

	Six months ended	
	30.6.2008	**30.6.2007**
	HK$'000	*HK$'000*
Change in fair value of investments held for trading *(Note a)*	(1,485,787)	580,546
Change in fair value of derivative financial instruments *(Note b)*	(20,383)	(7,366)
Net realised gain (loss) on disposal of available-for-sale investments	2,104	(596)
	(1,504,066)	572,584

Notes:

(a) Included in change in fair value of investments held for trading, approximately HK$3,939,000 (2007: gain of HK$117,368,000) represented net realised loss on disposal of investments held for trading.

(b) Included in change in fair value of derivative financial instruments, approximately HK$425,000 (2007: loss of HK$7,366,000) represented net realised gain on derivative financial instruments.

5. Finance costs

The finance costs represent interest on bank and other borrowings wholly repayable within five years.

6. Taxation

	Continuing operations Six months ended		Discontinued operation Six months ended		Consolidated Six months ended	
	30.6.2008	**30.6.2007**	**30.6.2008**	**30.6.2007**	**30.6.2008**	**30.6.2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The current tax comprises:						
Hong Kong Profits Tax	1,295	61,034	–	27	1,295	61,061
Enterprise income tax in the People's Republic of China (the "PRC")	118	1,735	–	–	118	1,735
	1,413	62,769	–	27	1,413	62,796

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profit for the six months ended 30 June 2008. In June 2008, the Hong Kong Profits Tax rate was decreased from 17.5% to 16.5% with effect from the year of assessment 2008/09. Deferred tax balances brought forward from the preceding year have been adjusted to reflect such decrease.

Enterprise income tax in the PRC is calculated at 25% (2007: 33%) of estimated assessable profit except for the subsidiary which is eligible for certain tax holidays and concessions on the PRC income tax. On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for subsidiaries incorporated in PRC from 1 January 2008.

7. Discontinued operation

The results of the discontinued operation representing the mobile phone distribution operation, which was ceased in the year 2007, for the six months ended 30 June 2007 were as follows:

	Six months ended 30.6.2007
	HK$'000
Turnover	7,681
Cost of sales	(8,072)
Other income	1,678
Distribution expenses	(1,050)
Administrative and other expenses	(1,758)
Loss before taxation	(1,521)
Taxation	(27)
Loss for the period	(1,548)

8. (Loss) Profit for the period

	Continuing operations Six months ended		**Discontinued operation Six months ended**		**Consolidated Six months ended**	
	30.6.2008	**30.6.2007**	**30.6.2008**	**30.6.2007**	**30.6.2008**	**30.6.2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Loss) profit for the period has been arrived at after charging (crediting):						
Staff costs including directors' emoluments	3,644	3,021	–	945	3,644	3,966
Reversal of inventories	–	–	–	(1,117)	–	(1,117)
Depreciation and amortisation	149	144	–	311	149	455
Interest income	(1,039)	(4,974)	–	(33)	(1,039)	(5,007)
Net foreign exchange gain	(3,901)	(6,954)	–	–	(3,901)	(6,954)

9. Dividends

	Six months ended	
	30.6.2008	**30.6.2007**
	HK$'000	*HK$'000*
Dividend recognised as distribution – HK$0.04 per share (2007: HK$0.04)	11,047	11,084
Interim dividend, proposed – Nil (2007: HK$0.01)	–	2,762

10. (Loss) earnings per share

From continuing and discontinued operations

The calculation of the basic (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended	
	30.6.2008	**30.6.2007**
	HK$'000	*HK$'000*
(Loss) earnings for the purpose of basic (loss) earnings per share attributable to the equity holders of the Company	(1,528,615)	528,424
	Number of shares	**Number of shares**
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	276,168,323	280,790,340

From continuing operations

The calculation of the basic (loss) earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30.6.2008 HK$'000	30.6.2007 HK$'000
(Loss) earnings for the period attributable to equity holders of the Company	(1,528,615)	528,424
Add: Loss for the period from discontinued operation	–	1,548
(Loss) earnings for the purposes of basic (loss) earnings per share from continuing operations	(1,528,615)	529,972

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

From discontinued operation

For the six months period ended 30 June 2007, basic loss per share for the discontinued operation is HK$0.006 per share. The calculation of the basic loss per share was based on the loss for the period from the discontinued operation of HK$1,548,000 attributable to the ordinary equity holders of the Company and the denominators detailed above for basic earnings per share.

11. Movements in investment properties, property, plant and equipment

The Group's investment properties and buildings were fair valued by the directors.

The directors consider that the fair values of the investment properties and buildings included in property, plant and equipment at 30 June 2008 are not materially different from the professional valuation made at 31 December 2007 and, accordingly, no fair value changes have been recognised in the current period.

12. Debtors, deposits and prepayments

The Group has a policy of allowing credit periods of 30 to 90 days to its trade debtors. An aged analysis of trade debtors is as follows:

	30.6.2008	**31.12.2007**
	HK$'000	*HK$'000*
Trade debtors within 90 days	4,456	1,992
Other debtors, deposits and prepayments	66,900	39,292
	71,356	41,284

13. Creditors and accrued charges

An aged analysis of trade creditors is as follows:

	30.6.2008	**31.12.2007**
	HK$'000	*HK$'000*
Trade creditors due within 90 days	13,688	29,778
Other creditors and accrued charges	86,098	68,217
	99,786	97,995

14. Other borrowings

Other borrowings represent securities margin financing received from stock broking, futures and options broking houses. The entire borrowings are secured by the Group's marketable securities, repayable on demand and bear interest at prevailing market rates.

15. Share capital

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 30 June 2008 and 31 December 2007	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2007	282,883,547	2,829
Repurchase of shares	(6,700,000)	(67)
At 31 December 2007	276,183,547	2,762
Repurchase of shares	(235,000)	(2)
At 30 June 2008	275,948,547	2,760

16. Pledge of assets

At the balance sheet date, the following assets of the Group were pledged to banks and securities houses to secure short term credit facilities granted to the Group:

	30.6.2008	**31.12.2007**
	HK$'000	*HK$'000*
Investment properties	33,300	33,300
Investments held for trading	1,922,193	3,121,898
Available-for-sale investments	244,455	460,628
Pledged bank deposits	8,845	10,718
	2,208,793	3,626,544

17. Disposal of a subsidiary

During the period ended 30 June 2007, the net assets of the non-wholly owned subsidiary at the date of disposal were as follows:

	2007
	HK$'000
Net assets disposed of	118,155
Minority interest	(16,798)
	101,357
Total consideration satisfied by:	
Deposits received in advance	30,027
Deferred consideration included in debtors, deposits and prepayment	71,330
	101,357
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	1

The net assets disposed of are mainly investment properties. The fair value gain of HK$14,707,000 on these investment properties upon the disposal was recognised in the condensed consolidated income statement during the period ended 30 June 2007.

18. Related party transactions

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

	Six months ended	
	30.6.2008	**30.6.2007**
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	2,262	2,400
Retirement benefit costs	30	30
	2,292	2,430

4. WORKING CAPITAL

The Directors are of the opinion that after taking into account the Group's existing cash and bank balances, the present available margin loan facilities, the expected internally generated funds, the proceeds from the Rights Issue and the Placing, the Group has sufficient working capital for its present requirement for the next twelve months from the date of this circular, in the absence of unforeseen circumstances.

5. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$846,540,000 comprising unsecured term loan of HK$300,000,000, secured term loan of HK$65,000,000 and securities margin loans of approximately HK$481,540,000. The securities margin loans were secured by the Group's pledged marketable securities.

As at 31 October 2008, the Group's investments held for trading, available-for-sale investments and securities brokers house deposit with respective carrying values of HK$802,490,000, HK$93,226,000 and HK$6,015,000 were pledged to securities brokers houses to secure short term credit facilities granted to the Group.

Save as otherwise disclosed herein above, the Group did not have any debt securities issued and outstanding, or authorized or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not), any mortgages or charges, or other material contingent liabilities or guarantee at the close of business of 31 October 2008.

6. CONTINGENT LIABILITIES

(a) In respect of the disposal of a subsidiary in prior years, the Group has given an indemnity to the purchaser against all liabilities, losses, costs and expenses suffered and/or incurred by the purchaser in relation to or arising out of the assignment of certain of the subsidiary's business contracts.

(b) In 1997, the Group had given a counter-indemnity to a former substantial shareholder and the ex-chairman of PCCW Limited (formerly known as Tricom Holdings Limited ("Tricom")), and Chambord Investment Inc. in respect of certain indemnities given to Tricom at the time of and to facilitate the listing of Tricom's shares on the Stock Exchange. These indemnities related to the use of the Tricom tradename, the infringement of the permitted use of properties, the guarantees granted to Tricom to secure banking facilities and tax liabilities.

The Directors consider it is not possible to estimate the financial effect of the indemnities and warranty given.

7. LITIGATION

As at 31 October 2008, the material litigations/claims of the Group are disclosed in the paragraph headed "Litigation" in Appendix III. Save as aforesaid, the Group had no other material litigation as at 31 October 2008.

8. FUTURE PROSPECTS OF THE GROUP

Prospects

The outlook for the global financial markets remains gloomy given the lack of confidence of consumers and investors due to the mounting concerns over the well-being of the global financial system, the economic downturn in US and the growth alert for China. As the performance of the Group's investment portfolio is measured by the market-to-market accounting standards, the Group's overall performance in the second half of 2008 will be adversely affected under the prevailing turbulent financial market environment. Although the situation will be difficult and volatile, the Group however believes that there will be attractive investment opportunities available as companies and businesses become grossly undervalued. The Group will seek to take advantage of the investment and business opportunities as they arise to enhance value for its shareholders.

9. MATERIAL CHANGE

As at the Latest Practicable Date, save as disclosed in the interim report 2008 of the Group and that the performance of the Group's investment portfolio is measured by the mark-to-market accounting standards, and therefore the Group's overall performance in the second half of 2008 will be adversely affected under the prevailing turbulent financial market environment, there are no material change in the financial or trading position or outlook of the Group since 31st December 2007, being the date of which the latest published audited financial statements of the Group were made up.

I. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Rights Issue of 275,622,494 Rights Shares at the Subscription Price of HK$0.40 per Rights Share in the proportion of one Rights Share for every one Share held at the Record Date on the net tangible assets of the Group as if the Rights Issue had been completed on 30 June 2008. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on unaudited consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2008, as shown in the unaudited condensed consolidated balance sheet of the Company as at 30 June 2008 as set out in Appendix I to the Circular and the adjustments described below.

Unaudited consolidated net assets attributable to equity holders of the Company as at 30 June 2008	Unaudited intangible assets of the Group as at 30 June 2008	Unaudited consolidated adjusted net tangible assets attributable to equity holders of the Company as at 30 June 2008	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2008 after the completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets per Share as at 30 June 2008 after the completion of the Rights Issue
HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$*
(Note 1)	*(Note 2)*		*(Note 3)*		*(Note 4)*
2,277,951	228,509	2,049,442	107,249	2,156,691	3.91

Notes:

1. The unaudited consolidated net assets attributable to equity holders of the Company as at 30 June 2008 has been extracted from the published interim report of the Company for the six months ended 30 June 2008.

2. The unaudited intangible assets of the Group as at 30 June 2008 represent the goodwill arising on acquisition of an associate of HK$228,509,000 included in the interest in an associate.

3. The estimated net proceeds of approximately HK$107,249,000 from the Rights Issue being proceeds of approximately HK$110,249,000 based on 275,622,494 Rights Shares to be issued at the Subscription Price of HK$0.40 per Rights Share (assume no outstanding Warrants are exercised on or before the Record Date) and after deducting estimated expenses of approximately HK$3,000,000 attributable to the Rights Issue.

4. The calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share is based on 551,571,041 Shares (including the issued share capital of the Company of 275,948,547 Shares as at 30 June 2008 and 275,622,494 Rights Shares) in issue after the completion of the Rights Issue. The unaudited pro forma statement of adjusted consolidated net tangible assets has not taken into account the effect of 326,053 shares repurchased by the Company subsequent to 30 June 2008 up to the Latest Practicable Date.

II. REPORT FROM REPORTING ACCOUNTANTS

The following is the full text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular:

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

TO THE DIRECTORS OF COL CAPITAL LIMITED

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of COL Capital Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 152 and 153 under the heading of "Unaudited Pro Forma Financial Information of the Group" in Appendix II to the circular issued by the Company dated 31 December 2008 (the "Circular"). The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed rights issue on the basis of one rights share for every existing share of the Company might have affected the financial information presented, for inclusion in Appendix II of the Circular. The basis of preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets is set out on page 152 and 153 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma statement of adjusted consolidated net tangible assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of adjusted consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of adjusted consolidated net tangible assets with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma statement of adjusted consolidated net tangible assets is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 June 2008 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 December 2008

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 collectively and individually 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 and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued capital of the Company as at the Latest Practicable Date and immediately after completion of the Rights Issue and assuming full conversion of the Convertible Bonds (assuming all the outstanding Warrants are exercised on or before the Record Date) were and will be as follows:

Authorised		*HK$*
30,000,000,000	Shares as at the Latest Practicable Date	300,000,000.00
Issued and fully paid or credited as fully paid		
275,622,494	Shares as at the Latest Practicable Date	2,756,224.94
661,684,512	Shares after completion of the Rights Issue	6,616,845.12
1,061,684,512	Shares after completion of the Rights Issue and assuming full conversion of the Convertible Bonds	10,616,845.12

All existing shares rank equally in all respects, including in particular as to dividend, voting rights and return on capital.

The issued Shares and the Warrants are listed on the Stock Exchange. No part of the Shares of the Company or any equity/debt securities is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

The nominal value of the Shares is HK$0.01 each.

Save as disclosed above, there were no alternations in the capital of any member of the Group since the date to which the latest published audited accounts of the Company were made up.

Save as disclosed in this circular, there were no capital or no member of the Group were under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

Save for 16,947 Shares issued upon exercise of the Warrants, since 31 December 2007, the date to which the last audited financial statement of the Company were made up, and up to the Latest Practicable Date, there had not been any new issue of Shares.

As at the Latest Practicable Date, the Company had 55,219,762 Warrants entitling holders thereof to subscribe for 55,219,762 Shares.

3. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the last day on which dealings took place in each of the six months immediately preceding the date of the Announcement and in each month before the Latest Practicable Date; and (ii) the Latest Practicable Date.

Date	**Closing price per Share**
30 May 2008	$4.59
30 June 2008	$4.35
31 July 2008	$4.10
29 August 2008	$3.30
30 September 2008	$1.22
31 October 2008	$0.75
21 November 2008 (being the Last Trading Day)	$0.77
The Latest Practicable Date	$0.59

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing on 21st May, 2008 (being the date six months prior to 21st November, 2008, being the last trading day immediately prior to the issue of the Announcement), and ending on the Latest Practicable Date were HK$4.59 on 30th May 2008 and HK$0.46 on 27th October, 2008 respectively.

4. DIRECTORS' INTERESTS IN SECURITIES

(a) Directors' interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive 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 (i) 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 the interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange:

Long Position

Name of Director	Personal interests	Corporate interests	Other interests	Total	Percentage over all issued Shares
Ms. Chong Sok Un	–	330,842,256 *(Note 1 & 2)*	–	330,842,256	120.03%

Notes:

1. On 23rd November 2008, Vigor as underwriter entered into the Underwriting Agreement with the Company to underwrite not less than 169,138,094 Underwritten Shares and not more than 203,060,976 Underwritten Shares at HK$0.40 each subject to the terms and conditions of the Underwriting Agreement.

2. Vigor, a wholly-owned subsidiary of China Spirit Limited ("China Spirit"), held (i) 106,484,400 Shares; (ii) 21,296,880 units of Warrants giving rise to an interest in 21,296,880 underlying shares of the Company; and (iii) 203,060,976 Underwritten Shares. Ms. Chong has 100% beneficial interest in China Spirit and as such Ms. Chong is deemed to have corporate interest in 330,842,256 Shares.

(b) Substantial Shareholders' interests

Save as disclosed below, the Directors and the chief executive of the Company were not aware that there was any person who, as at the Latest Practicable Date, had an 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 would fall to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group.

Long Position

Name	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares as at the Latest Practicable Date
Ms. Chong Sok Un ("Ms. Chong")	Held by controlled corporation *(Note 1 & 2)*	330,842,256	120.03%
China Spirit Limited ("China Spirit")	Held by controlled corporation *(Note1 & 2)*	330,842,256	120.03%
Vigor Online Offshore Limited ("Vigor")	Beneficial owner *(Note 1 & 2)*	330,842,256	120.03%
Mr. John Zwaanstra ("Mr. John Zwaanstra")	Held by controlled corporation *(Note 3)*	42,664,400	15.48%
Penta Investment Advisers Limited ("Penta Investment")	Investment Manager *(Note 4)*	42,664,400	15.48%
Mercurius GP LLC ("Mercurius")	Founder of a discretionary trust *(Note 5)*	16,506,400	5.99%
Mr. Todd Zwaanstra ("Mr. Todd Zwaanstra")	Trustee *(Note 6)*	16,506,400	5.99%

Name	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares as at the Latest Practicable Date
Penta Asia Fund, Ltd. (“Penta Asia”)	Held by controlled corporation *(Note 7)*	16,506,400	5.99%
Lee and Lee Trust (“LL Trust”)	Held by controlled corporation *(Note 8)*	400,000,000	145.13%
Allied Group Limited (“Allied Group”)	Held by controlled corporation *(Note 9)*	400,000,000	145.13%
Allied Properties (H.K.) Limited (“Allied Properties”)	Held by controlled corporation *(Note 10)*	400,000,000	145.13%
AP Jade Limited (“AP Jade”)	Held by controlled corporation *(Note 10)*	400,000,000	145.13%
AP Emerald Limited (“AP Emerald”)	Held by controlled corporation *(Note 10)*	400,000,000	145.13%
Sun Hung Kai & Co. Limited (“SHK & Co.”)	Held by controlled corporation *(Note 10)*	400,000,000	145.13%
Sun Hung Kai Securities Limited (“SHK Securities”)	Held by controlled corporation *(Note 11)*	400,000,000	145.13%
Sun Hung Kai International Limited (“SHK International”)	Placing Agent *(Note 12)*	400,000,000	145.13%

Notes:

1. On 23rd November 2008, Vigor as underwriter entered into the Underwriting Agreement with the Company to underwrite not less than 169,138,094 Underwritten Shares and not more than 203,060,976 Underwritten Shares at HK$0.40 each subject to the terms and conditions of the Underwriting Agreement.

2. Vigor, a wholly-owned subsidiary of China Spirit Limited ("China Spirit"), held (i) 106,484,400 Shares; (ii) 21,296,880 units of Warrants giving rise to an interest in 21,296,880 underlying shares of the Company; and (iii) 203,060,976 Underwritten Shares. Ms. Chong has 100% benefinical interest in China Spirit and as such Ms. Chong is deemed to have corporate interest in 330,842,256 Shares. Ms. Chong is the sole director of China Spirit.

3. Mr. John Zwaanstra is deemed to be interested in (i) 35,736,000 Shares; and (ii) 6,928,400 units of Warrants giving rise to an interest in 6,928,400 underlying shares of the Company through his 100% interest in Penta Investment.

4. Penta Investment has an interest in (i) 35,736,000 Shares; and (ii) 6,928,400 units of Warrants giving rise to an interest in 6,928,400 underlying shares of the Company as an investment manager.

5. Mercurius is the founder of the Mercurius Partners Trust ("Mercurius Trust"), being a discretionary trust and is therefore deemed to have interests in the Shares and the underlying shares of the Company in which Mr. Todd Zwaanstra and Mercurius Trust are interested.

6. Mr. Todd Zwaanstra is deemed to have interest in the Shares and underlying shares of the Company in which Penta Master Fund Limited ("Penta Master") is interested pursuant to his control of more than one-third of the voting power of Penta Asia as trustee of the Mercurius Trust.

7. Penta Asia is deemed to be interested in (i) 12,716,000 Shares; and (ii) 3,790,400 units of Warrants giving rise to an interest in 3,790,400 underlying shares of the Company through its 100% interest in Penta Master.

8. Mr. Lee Seng Hui, Ms. Lee Su Wei and Mr. Lee Seng Huang are the trustees of LL Trust, being a discretionary trust. They together own approximately 44.52% interest in the issued share capital of Allied Group and are deemed to have the same interest held by Allied Group.

9. Allied Group owns approximately 73.90% interest in the issued share capital of Allied Properties and is therefore deemed to have the same interest held by Allied Properties.

10. Through AP Jade and AP Emerald, direct and indirect wholly-owned subsidiaries of Allied Properties respectively, Allied Properties owns approximately 63.20% interest in the issued share capital of SHK & Co. and is therefore deemed to have the same interest held by SHK & Co.

11. SHK Securities is deemed to be interested in 400,000,000 Shares through its 100% interest in SHK International.

12. SHK International acts as placing agent to the Convertible Bonds in the aggregate principle amount of HK$300,000,000 convertible into Shares at HK$0.75 each under the Placing Agreement.

5. DIRECTORS' SERVICE CONTRACTS

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

(b) There are no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Announcement.

(c) There are no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which are continuous contracts with a notice period of 12 months or more.

(d) There are no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which are fixed term contracts with more than 12 months to run irrespective of the notice period.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and their respective associates were considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

7. LITIGATION

(a) In November 1998, a writ was issued against the Company's subsidiaries, Hongkong Digital Television Limited ("Digital TV", formerly Star Interactive Television Limited) and Star Telecom Services Limited ("STSL", formerly Hong Kong Star Internet Limited) by nCube Corporation ("nCube"), claiming the sum of approximately US$1,980,000 (equivalent to approximately HK$15,305,000) plus interest in relation to the alleged purchase of two MediaCube 3000 systems by Digital TV from nCube. The claim of nCube against STSL was on the basis of a chop of STSL on the contract between Digital TV and nCube. STSL had taken legal advice and had been advised that it was very unlikely that STSL would be held liable to the claim of nCube. Digital TV was also opposing the claim of nCube and had taken legal advice.

As advised by its lawyers, Digital TV had reasonable grounds in defending the claim and, accordingly, had not made any provision in the consolidated financial statements in connection with the claim. Digital TV filed a defence in this section on 14 December 1998 and nCube had failed to take further action since that date. There was no progress since then in respect of the litigation.

(b) Stellar One Corporation ("Stellar One") served a statutory demand under Section 178 of the Companies Ordinance for the sum of approximately US$1,152,000 (equivalent to approximately HK$8,983,000) upon Digital TV in November 1998. Stellar One filed a winding up petition against Digital TV in December 1998 which was vigorously opposed by Digital TV. Digital TV applied for an order for security for the costs against Stellar One. On 4 May 1999, the Court ordered Stellar One to pay HK$200,000 to the court as security for the costs of Digital TV on or before 7 May 1999. Stellar One failed to pay that amount to the court.

The petition was dismissed in November 1999 and Stellar One was to pay Digital TV its cost of the petition, which amounted to HK$254,000. Stellar One had indicated that it would proceed to arbitration in Honolulu to recover the alleged amount. Digital TV took legal advice and was advised that the arbitration proceedings had not commenced as of the date of this document. As advised by its lawyers, Digital TV had reasonable grounds in defending the claims and, accordingly, had not made any provision in the consolidated financial statements in connection with the claims.

Save and except for the matters specified above, neither the Company nor any of its subsidiaries is engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against any companies of the Group.

8. CORPORATE INFORMATION

Registered Office
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head Office and Principal Place of Business in Hong Kong
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Wanchai
Hong Kong

Branch Share Registrar in Hong Kong
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Legal Adviser
Robertsons
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Auditors
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Certified Public Accountants
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88 Queensway
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Bank of China (Hong Kong) Limited
52/F,
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Société Générale Bank & Trust
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Merrill Lynch (Asia Pacific) Limited
17/F ICBC Tower
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Hong Kong

ADR Depositary Bank
The Bank of New York
American Depositary Receipts
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New York, NY10011
USA

Company Secretary
Ms. Fung Ching Man, Ada

Authorised Representatives
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47/F., China Online Centre
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Wanchai
Hong Kong

Mr. Kong Muk Yin
47/F., China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

Alternative Authorised Representative
Ms. Fung Ching Man, Ada
47/F., China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

9. PARTICULARS OF DIRECTORS

Executive directors

Ms. Chong Sok Un, aged 54, was appointed as executive director and chairman of the Company on 23rd August 2002. Ms. Chong is also the executive director of APAC Resources Limited and non-executive director of Shanghai Allied Cement Limited. She has been chairman of Long Island Golf & Country Club, Dongguan, China since September 1998. She is now the Vice-Chairman of the 29th Term Board of Directors of Yan Oi Tong. During 1992 to 2000, she was appointed as director and chief executive officer of Shenyin Wanguo (H.K.) Limited.

Dato' Wong Peng Chong, aged 64, was appointed as executive director of the Company on 15th March 2002. Dato' Wong is also the vice-president of Shanghai Allied Cement Limited. Upon his graduation from the University of Malaya in 1967 with a Bachelor of Arts (Honours), he joined the Malaysian Foreign Service and served with several Malaysian diplomatic missions overseas in various capacities. Dato' Wong joined the private sector in 1985 and has served in various senior management positions, including executive directorships in public listed companies, in Hong Kong and Malaysia.

Mr. Kong Muk Yin, aged 43, was appointed as executive director of the Company on 13th May 2002. Mr. Kong is also the executive director of Shanghai Allied Cement Limited. He was graduated from City University of Hong Kong with a bachelor's degree in business studies. He is a fellow member of The Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst and he has extensive experience in corporate finance, financial management, accounting and auditing.

Mr. Lo Wai On, aged 47, was appointed as non-executive director of the Company on 15th March 2002 and then changed his office held to independent non-executive director on 29 October 2002. He is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and has been practicing under the name of his own firm, W.O. Lo & Co., Certified Public Accountants (Practising) since 1986. He has broad experience in providing tax consulting and auditing services to companies including listed companies in Hong Kong.

Mr. Lau Siu Ki, aged 50, was appointed as independent non-executive director of the Company on 3rd June 2004. He has over 25 years of experience in corporate finance, financial advisory and management, accounting and auditing. He is currently working as a consultant in the financial advisory field. Prior to that, Mr. Lau had worked in an international accounting firm for over 15 years. He is a fellow member of both the Association of Chartered Certified Accountants ("ACCA") as well as the Hong Kong Institute of Certified Public Accountants. He is also a member of the Council of ACCA. He has served as a member of the Committee of the Hong Kong branch of ACCA since 1995 and was the Chairman of ACCA Hong Kong for the year 2000/2001. Mr. Lau is also the independent non-executive directors of Carry Wealth Holdings Limited, Greenfield Chemical Holdings Limited, Comba Telecom Systems Holdings Limited, TCL Communication Technology Holdings Limited, Foxconn International Holdings Limited, Proview International Holdings Limited, Samson Holding Ltd and Embry Holdings Limited. He was an independent non-executive director of Forefont International Holdings Limited (now known as Forefront Group Limited) from 25 May 2001 to 18 April 2007 and Sys Solutions Holdings Limited (now known as Enviro Energy International Holdings Limited) from 6 December 2002 to 20 December 2006.

Mr. Zhang Jian, aged 66, was appointed as non-executive director of the Company on 16th October 2006. He is a professional senior engineer in PRC. He is the Vice Chairman of China Manager Council of Construction Enterprises and China Precious Stone Council and the Chairman of Beijing Alumni Association of Xian Construction Technology University and the Outside Director of China National Building Material Group Corporation and also the Chairman of Expert Committee of Sino-Mining International Investment Co. Ltd. He has been awarded National Outstanding Intellect in 1997 and National Top 10 Honest Persons of Outstanding Ability in 2004. Mr. Zhang has been awarded as Influential Person to China Nonferrous Metal Industry in 2005. From 1982 to 1998, he held various senior positions in China Nonferrous Metal Industry Company. From 1998 to 2003, he acted as Chairman and General Manager of China Nonferrous Metal Construction Group Company Ltd.. From 2003 to 2005, he acted as General Manager of China Nonferrous Metal Mining & Construction (Group) Co., Ltd.

10. MATERIAL CONTRACTS

The following contracts (not being a contract entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of the Announcement and ending on the Latest Practicable Date and are or may be material:

(a) an agreement dated 9th May, 2007 entered into between Taskwell Limited ("Taskwell") and Sun Hung Kai Investment Services Limited in respect of the conditional acquisition of 399,485,640 shares in Shanghai Allied Cement Limited by Taskwell for an aggregate consideration of HK$87,762,812;

(b) a sale and purchase agreement dated 11th July, 2007 entered into among Famous Mount Investments Limited, Printronics Group Limited and Shougang Concord Technology Holdings Limited in respect of the acquisition of 40% of the entire issued share capital of Printronics Electronics Limited for an aggregate consideration of HK$181,806,698;

(c) a subscription agreement dated 14th November, 2007 entered into by Mission Time Holdings Limited ("Mission Time") in respect of the subscription for the limited partnership interests in SHK Asian Opportunities Fund, L. P. by Mission Time at an aggregate commitment of up to US$20 million;

(d) an underwriting agreement dated 22nd November, 2007 entered into between the Company and Vigor in relation to the proposed open offer of 276,183,547 Shares;

(e) the Underwriting Agreement; and

(f) the Placing Agreement.

Save as disclosed above, there are no other contracts (not being contracts in the ordinary course of business) being entered into by the members of the Group after the date falling two years prior to the Announcement and ending on the Latest Practicable Date, which are or may be material.

11. MATERIAL CHANGE

As at the Latest Practicable Date, save as disclosed in the interim report 2008 of the Group and that the performance of the Group's investment portfolio is measured by the mark-to-market accounting standards, and therefore the Group's overall performance in the second half of 2008 will be adversely affected under the prevailing turbulent financial market environment, there are no material change in the financial or trading position or outlook of the Group since 31st December 2007, being the date of which the latest published audited financial statements of the Group were made up.

12. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group. Save for the Underwriting Agreement, Vigor has not entered into any material contract in which any Director has a material personal interest as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31st December 2007 (being the date to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

None of the Directors was or will be given any benefits as compensation for loss of office or otherwise in connection with the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver. Save for the Underwriting Agreement, there is no agreement, arrangement or understanding (including any compensation arrangement) between Vigor or parties acting in concert with it, and any Directors, recent Directors, Shareholders or recent Shareholders and any other person which is having any connection with or conditional on or dependent upon the outcome of the Rights Issue and/or the Whitewash Wavier or otherwise connected with the Rights Issue and/or the Whitewash Wavier. There is no agreement or arrangement to which Vigor is a party, which relates to circumstances in which they may or may not involve or seek to involve a pre-condition or condition to the Rights Issue and/or the Whitewash Waiver and the consequences of its doing so, including details of any break fees payable as a result.

As at the Latest Practicable Date, save for the Underwriting Agreement and the Irrevocable Undertakings, there is no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Rights Issue and/or the Whitewash Waiver or otherwise connected with the Rights Issue and/or the Whitewash Waiver.

13. SHAREHOLDINGS AND DEALINGS

(a) Except that Vigor is a company entirely and indirectly owned by Ms. Chong Sok Un who is the chairman of the Company, the Company and the Directors did not have any interest in the shares, convertible securities, warrants, options or derivatives of Vigor and, save as disclosed on page 31 herein, had no dealings in the shares, convertible securities, warrants, options or derivatives of Vigor during the period starting six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(b) No shareholdings in the Company were managed on a discretionary basis by fund manager connected with the Company nor did any such fund manager deal in any shares, convertible securities, warrants, options or derivatives which carry voting rights of the Company during the period starting six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(c) Save for the 106,484,400 Shares held by Vigor and the repurchase of Shares made by the Company as disclosed on page 31 herein, none of the Underwriter, its concert parties and any of their respective directors owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and none of them had dealt for value in any such securities during the period starting six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(d) No person with whom Vigor or its associates or their respective concert parties had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and none of them had dealt for value in any such securities during the period starting six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(e) None of the subsidiaries of the Company nor a pension fund of the Company or its subsidiaries nor Asia Investment Management Limited nor Deloitte, nor any other advisers to the Company as specified in class (2) of the definition of associate (excluding exempt principal traders) in the Takeovers Code, their respective ultimate holding companies, nor any of their respective subsidiaries or fellow subsidiaries owned or controlled any shares, convertible securities, warrants, options or derivatives of the Company or Vigor as at the Latest Practicable Date, and none of them had any dealings in the shares of the Company during the period starting six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(f) Save for the Underwriting Agreement and the Irrevocable Undertaking, at no time during the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date was any member of the Group a party to any arrangement to enable the Directors and their associates to acquire benefits by means of the acquisition of the Shares or any other body corporate.

(g) None of the directors of the Company had borrowed or lent Shares.

(h) Vigor, the controlling shareholders of the Company, the underwriter to the Rights Issue and which has irrevocably undertaken to take up its entitlement under the Rights Issue, holds 38.63% of the current issued share capital of the Company.

(i) None of Vigor nor parties acting in concert with it had borrowed or lent any Shares.

(j) Vigor has obtained a standby margin facility of HK$90 million with Sun Hung Kai Investment Services Limited for the sole purpose of satisfying the terms and conditions under the Underwriting Agreement. Subject to the Underwriter having to take up the Rights Shares not taken up by Shareholders under the Rights Issue, Vigor and the parties acting in concert with it may require financing where Shares acquired in pursuance of the Rights Issue may be transferred, charged or pledged to Sun Hung Kai Investment Services Limited. Otherwise Shares acquired in the Rights Issue will be kept by Vigor. So far as the Directors are aware and save as disclosed above, no securities of the Company acquired pursuant to the Rights Issue will be transferred, charged or pledged to any other persons.

14. EXPERT AND CONSENT

The following is the qualifications of the expert who have given opinion or advice which are contained in this circular:

Name	Qualification
Asia Investment Management Limited	a licensed corporation under the SFO to carry out Type Limited 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Deloitte Touche Tohmatsu (“Deloitte”)	Certified Public Accountants

As at the Latest Practicable Date, each of Asia Investment Management Limited and Deloitte:–

(a) did not have any direct or indirect interest in any assets which have since 31st December 2007 (being the date to which the latest published audited accounts 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; and

(b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Asia Investment Management Limited and Deloitte has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its reports or letters, as the case may be, and reference to its name in the form and context in which they respectively appear.

15. GENERAL

(a) The registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

(b) The registered office of Vigor is the offices of TrustNet (British Virgin Islands) Limited, TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands and its correspondence address is 47th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong. The sole shareholder of Vigor is China Spirit Limited and Ms. Chong is the sole shareholder of China Spirit Limited.

(c) The registered office of China Spirit Limited is Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands and its correspondence address is 47th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong. Ms. Chong's address is 47th Floor, China Online Centre, 333 Lockhart Road, Wanchai, HK.

(d) The head office and principal place of business in Hong Kong of the Company is 47th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong.

(e) The secretary of the Company is Ms. Fung Ching Man, Ada, an associate member of the Institute of Chartered Secretaries and Administrators.

(f) The principal share registrar and transfer office is Butterfield Fulcrum Group (Bermuda) Limited, Rosebank Centre, 11 Bermudiana Road, Pembroke HM 08, Bermuda.

(g) The Hong Kong branch share registrar of the Company is Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong.

(h) The qualified accountant of the Company is Mr. Kong Muk Yin. He graduated from City University of Hong Kong with a bachelor's degree in business studies. He is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst.

(i) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the principal office of the Company at 47/F., China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong, and will also be available on the websites of the Company at http://www.irasia.com/listco/hk/colcapital and the SFC at http://www.sfc.hk/ during normal business hours on any business day from the date of this circular up to and including the date of the SGM:–

(a) the memorandum and Bye-laws of the Company and memorandum and articles of association of Vigor;

(b) the material contracts referred to under the paragraph headed "Material Contracts" in this Appendix;

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

(d) the unaudited consolidated financial statements of the Company for the six months ended 30th June, 2008;

(e) the consent letter from Asia Investment Management Limited and Deloitte Touche Tohmatsu referred to in the paragraph headed "Expert and consent" in this appendix;

(f) the Irrevocable Undertaking given by Vigor in terms as set out on page 15 of this circular;

(g) a letter from the Independent Board Committee, the text of which is set out on pages 38 to 39 of this circular;

(h) a letter from Asia Investment Management Limited, the text of which is set out on pages 40 to 64 of this circular; and

(i) the circular issued pursuant to the requirements set out in Chapter 14 and 14A of the Listing Rules which have been issued since 31st December 2007, the date of the latest published audited accounts.

COL Capital Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00383)

NOTICE IS HEREBY GIVEN that a special general meeting (the "Meeting") of COL Capital Limited (the "Company") will be held at Plaza V, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wan Chai, Hong Kong on Friday, 16th January, 2009 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**, conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (as defined below), to be allotted and issued to the qualifying shareholders of the Company pursuant to the terms and conditions of the Rights Issue (as defined below); (ii) the granting of the Whitewash Waiver (as defined below) by the executive director of the Corporate Finance Division of the Securities and Futures Commission; (iii) the registration and filing of all relevant documents relating to the Rights Issue required by law to be registered or filed with the Registrar of Companies in Hong Kong and/or Bermuda; and (iv) the obligations of Vigor Online Offshore Limited (the "Underwriter") under the underwriting agreement dated 23rd November, 2008 (the "Underwriting Agreement" including, if any, all supplemental agreements relating thereto) made between the Company and the Underwriter becoming unconditional and the Underwriting Agreement not being terminated in accordance with the terms thereof prior to 4:00 p.m. on the second business day after the date which is the latest time for acceptance of, and payment for, the Rights Shares (as defined below), as set out in the circular dated 31st December, 2008 (the "Circular") despatched by the Company to the Shareholders (a copy of which has been produced to the Meeting marked "A" and signed by the chairman of the Meeting for the purpose of identification):

   (a) the allotment and issue, by way of a rights issue, of not less than 275,622,494 new shares and not more than 330,842,256 new shares ("Rights Shares") of par value of HK$0.01 each (the "Shares") in the issued share capital of the Company (the "Rights Issue"), at a price of HK$0.40 per Rights Share to the Shareholders whose names appear on the register of members of the Company on the date by reference to which entitlements under the Rights Issue will be determined (other than those Shareholders (the "Excluded Shareholders") with registered addresses outside Hong Kong and whom the board of directors of the Company (the "Directors"), after making relevant enquiry, considers their exclusion from the Rights Issue to be necessary or expedient), in the proportion of one Rights Share for every one Share then held on the relevant date and otherwise pursuant to and in accordance with the terms and conditions set out in the Circular be and is hereby approved;

(b) (i) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholders of the Company and, in particular, (ii) the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements or Excluded Shareholders as they may, in their absolute discretion, deem necessary or expedient or appropriate;

(c) the Underwriting Agreement, a copy of which has been produced at the Meeting marked "B" and signed by the Chairman of the Meeting for identification purpose, together with all transactions contemplated thereunder be and are hereby approved, confirmed and ratified, and that the Directors be and are hereby authorised to do such acts and execute such other documents with or without amendments and affix the common seal of the Company thereto (if required) as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the Underwriting Agreement;

(d) the waiver ("Whitewash Waiver") in respect of any obligation under the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") of Vigor Online Offshore Limited ("Vigor") and the parties acting in concert with it (such term as defined in the Takeovers Code) to make a mandatory general offer for all issued Shares which may, but for such waiver, arise upon completion of the Rights Issue be approved; and

(e) the Directors be and are hereby authorised to do all such acts and execute such other documents with or without amendments and affix the common seal of the Company thereto (if required) as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the Rights Issue and the Whitewash Waiver."

2. "**THAT** subject to and conditional upon, among others, the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the Conversion Shares (as defined below),

   (a) the agreement (the "Placing Agreement") entered into between the Company and Sun Hung Kai International Limited dated 23rd November, 2008 in relation to the placing of HK$300,000,000 in aggregate principal amount of the convertible bonds due 2012 at an issue price of HK$0.75 per unit of the convertible bond at an interest rate of 9% per annum convertible into the Shares (the "Convertible Bonds"), a copy of the Placing Agreement having been produced to the Meeting and marked "C" and initialed by the chairman of the Meeting for the purpose of identification, and the transactions contemplated thereby be and are hereby approved, confirmed and ratified;

   (b) the allotment and issue of up to 400,000,000 shares of HK$0.75 each in the share capital of the Company (the "Conversion Shares") upon exercise of the conversion rights attaching to the Convertible Bonds be and is hereby approved and the Directors be and are hereby authorised to allot and issue the Conversion Shares pursuant to and in accordance with the Convertible Bonds; and

   (c) the Directors be and are hereby authorised to do all such acts and things as they consider necessary, desirable or expedient in connection with the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds."

By Order of the Board,
COL Capital Limited
Fung Ching Man, Ada
Company Secretary

Hong Kong, 31st December, 2008

Registered Office
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head Office and Principal Place of Business in Hong Kong
47/F., China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

Notes:

i. Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holder of any class of shares in the Company shall be 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. A member may appoint more than one proxy to attend on the same occasion.

ii. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorised.

iii. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority shall be deposited at the branch share registrars of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

iv. In accordance with Rule 32 and Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code and Rule 3.2 of the Repurchase Code, Vigor and any of its concert parties (such term as defined under the Takeover Code) with a material interest in the Rights Issue which is different from the interests of all other Shareholders shall abstain from voting on the above ordinary resolutions 1(a) to (e).