THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

G·PROP
(HOLDINGS) LIMITED

G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 286)

(1) DISCLOSEABLE TRANSACTION: ACQUISITION OF PRC COMPANY;
(2) SUBSCRIPTION OF SHARES AND CONVERTIBLE BONDS AND WHITEWASH WAIVER; AND
(3) NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to
G-Prop (Holdings) Limited

BNP PARIBAS
CORPORATE & INVESTMENT BANKING

Independent financial adviser to the
Independent Board Committee and the Independent Shareholders

寶來資本(亞洲)有限公司
Polaris Capital (Asia) Limited

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

A letter from the Board is set out on pages 6 to 26 of this circular. A letter from the Independent Board Committee is set out on page 27 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 52 of this circular.

A notice convening the SGM to be held at Function Room of Queensway and Victoria, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 11:00 a.m. on Wednesday, 12 September 2007 is set out on pages 115 to 118 of this circular. If you are not able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

28 August 2007

CONTENT

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

"acting in concert"	the meaning ascribed to it under the Takeovers Code
"Acquisition"	the proposed acquisition of 100% equity interests in the PRC Company pursuant to the Acquisition Agreement
"Acquisition Agreement"	the agreement dated 1 August 2007 entered into between the Vendor, the Purchaser and KB Sub in relation to the Acquisition
"AK"	Asian Kingdom Limited, being one of the subscribers under the Subscription Agreement and ultimately and beneficially owned by Mr. Lau
"AK Bonds"	the Convertible Bonds to be issued by the Company to AK pursuant to the Subscription Agreement
"AK Subscription Shares"	the Subscription Shares to be allotted and issued by the Company to AK pursuant to the Subscription Agreement
"Announcement"	the joint announcement dated 7 August 2007 issued by the Company, AK, KB and KB Sub in relation to, among other matters, the Acquisition, the Subscription and the Whitewash Waiver
"Board"	the board of Directors
"Bondholder(s)"	holder(s) of the Convertible Bonds
"CE"	Chinese Estates Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange, being the Controlling Shareholder of the Company
"Combined Concert Group"	AK, KB Sub, CE, Mr. Lau, KB and parties acting in concert with any of them
"Company"	G-Prop (Holdings) Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange

"Connected Person(s)"	the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	the meaning ascribed to it under the Listing Rules
"Conversion Price"	HK$0.162, being the conversion price for the subscription of one Conversion Share upon the exercise of the Conversion Rights attaching to the Convertible Bonds, subject to adjustments under the terms and conditions of the Convertible Bonds
"Conversion Right(s)"	the right(s) of a Bondholder to convert the whole or part of the outstanding principal amount of the Convertible Bonds into Shares subject to the terms and conditions of the Convertible Bonds
"Conversion Share(s)"	the new Share(s) to be allotted and issued to the Bondholder(s) upon the exercise of the Conversion Rights attaching to the Convertible Bonds
"Convertible Bonds"	collectively, the AK Bonds and the KB Bonds
"Directors"	the directors of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the Board committee comprising Mr. Leung, Yun-fai, Mr. Lam, Yat-fai and Dr. David Chain, Chi-woo, being the independent non-executive Directors, established by the Board for the purpose of advising the Independent Shareholders in relation to the Acquisition, the Subscription and the Whitewash Waiver
"Independent Financial Adviser" or "Polaris Capital"	Polaris Capital (Asia) Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Subscription and the Whitewash Waiver

"Independent Shareholders"	Shareholders other than members of the Combined Concert Group and those who are interested or involved in the Subscription
"Independent Third Party(ies)"	third party(ies) independent of the Company and its Connected Persons
"KB"	Kingboard Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"KB Bonds"	the Convertible Bonds to be issued by the Company to KB Sub pursuant to the Subscription Agreement
"KB Director(s)"	the director(s) of KB
"KB Group"	KB and its subsidiaries
"KB Sub"	Fame Ascent Investments Limited, an indirect wholly-owned subsidiary of KB, being one of the subscribers under the Subscription Agreement and a party to the Acquisition Agreement
"KB Subscription Shares"	the Subscription Shares to be allotted and issued by the Company to KB Sub pursuant to the Subscription Agreement
"Last Trading Day"	30 July 2007, being the last trading date of the Shares prior to the signing of the Subscription Agreement
"Latest Practicable Date"	24 August 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Lau"	Mr. Joseph Lau, Luen-hung, the sole ultimate beneficial owner and a director of AK and also a director and the Controlling Shareholder of CE
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"PRC Company"	內蒙古伊澤礦業投資有限公司 (unofficial English translation as Inner Mongolia Yize Mining Investment Co., Ltd.), a company established in the PRC on 16 November 2004
"PRC GAAP"	the generally accepted accounting principles in the PRC
"Purchaser"	Grade Crystal Investments Limited, an indirect wholly-owned subsidiary of the Company and the purchaser under the Acquisition Agreement
"Relevant Period"	the period commencing on 6 February 2007 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held on Wednesday, 12 September 2007 for the purposes of considering, and if thought fit, approving, among other matters, the Acquisition, the Subscription and the Whitewash Waiver
"Shareholder(s)"	shareholder(s) of the Company
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	collectively, the subscription of the Subscription Shares and the Convertible Bonds by AK and KB Sub in accordance with the terms of the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 1 August 2007 entered into between the Company (as issuer) and AK and KB Sub (both as subscribers) in relation to the Subscription

"Subscription Price"	the price of HK$0.162 per Subscription Share payable by AK and KB Sub pursuant to the Subscription Agreement
"Subscription Shares"	collectively, the AK Subscription Shares and the KB Subscription Shares
"Takeovers Code"	the Code on Takeovers and Mergers of Hong Kong
"Vendor"	山東魯能礦業集團有限公司 (unofficial English translation as Shandong Luneng Mining Group Ltd.), the vendor under the Acquisition Agreement
"Whitewash Waiver"	a waiver applied for by AK, CE, KB Sub and parties acting in concert with any of them from compliance with the requirements to make a mandatory general offer in cash under Rule 26 of the Takeovers Code pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code as a result of the subscription of the Subscription Shares pursuant to the Subscription Agreement and the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights attaching to the Convertible Bonds
"%"	per cent.

In this circular, for purpose of illustration only, amounts quoted in RMB have been converted into HK$ at the rate of RMB1.00 to HK$1.03. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 286)

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

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

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

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

28 August 2007

To the Shareholders

Dear Sir or Madam

(1) DISCLOSEABLE TRANSACTION: ACQUISITION OF PRC COMPANY; AND (2) SUBSCRIPTION OF SHARES AND CONVERTIBLE BONDS AND WHITEWASH WAIVER

1. INTRODUCTION

The Board announced in the Announcement that on 1 August 2007, the Purchaser entered into the Acquisition Agreement and the Company entered into the Subscription Agreement.

The purpose of this circular is to give you further information regarding, among others, the Acquisition, the Subscription and the Whitewash Waiver, the advice of the Independent Board Committee to the Independent Shareholders and the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and to give you notice of the SGM at which ordinary resolutions will be proposed to seek the Independent Shareholders' approval of the Acquisition, the Subscription and the grant of the Whitewash Waiver.

2. ACQUISITION AGREEMENT

2.1 Date

1 August 2007

2.2 Parties

(1)	Vendor:	a domestic limited liability company established in the PRC whose business scope includes, among other things, investment in raw coal processing and the sale of chemical products. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties and that there were no prior transactions between the Vendor and the Group which may require aggregation under Rule 14.22 of the Listing Rules.
(2)	Purchaser:	an indirect wholly-owned subsidiary of the Company.
(3)	KB Sub:	an indirect wholly-owned subsidiary of KB.

2.3 Subject matter of the Acquisition Agreement

100% equity interest in the PRC Company after completion of the reorganisation as more particularly described in paragraph 2.4 below. There is no restriction which applies to the subsequent sale of such equity interest pursuant to the terms of the Acquisition Agreement.

2.4 Pre-completion reorganisation

As at the date of the Acquisition Agreement, the PRC Company was a domestic limited liability company established in the PRC. The PRC Company is in the development stage of setting up a plant in Erdos (鄂爾多斯) in Inner Mongolia of the PRC for manufacturing methanol products using coal as raw materials ("**Methanol Project**"). The approved size of the Methanol Project is 1,800,000 tonnes per annum.

The Vendor had undertaken in the Acquisition Agreement that within 90 days from the date of the Acquisition Agreement, it shall procure the existing business, assets and liabilities of the PRC Company be split up (分立) to the effect that the existing business, assets and liabilities (other than those relating to the Methanol Project) will be owned by a new company to be established by the Vendor, and that the PRC Company will solely own the business, assets and liabilities relating to the Methanol Project.

The assets to be retained by the PRC Company after the split up process will mainly comprise 12 sets of flat in Erdos, certain land use rights for the construction of the plant for the Methanol Project and certain construction contracts in relation to the Methanol Project. The liabilities to be retained by the PRC Company after the split up process will mainly include certain sums due to the service provider and PRC governmental authority incurred in relation to the Methanol Project. The PRC Company has also obtained various governmental approvals for the construction of the plant for the Methanol Project and the construction of such plant is expected to commence after completion of the Acquisition. As to the remaining approvals required for the Methanol Project, to the best knowledge of the Directors, the Directors believe that there is no legal impediment in obtaining such approvals under current government polices in the PRC. During the split up process which is permitted under the PRC Company Law, the PRC Company will transfer all its assets and liabilities which are not related to the Methanol Project to a new company to be established by the Vendor. The split up process of the PRC Company is subject to approval by the relevant PRC governmental authorities which is expected to be obtained within 90 days from the date of the Acquisition Agreement.

2.5 Consideration

Pursuant to the Acquisition Agreement, the consideration for the Acquisition is RMB59,962,900 (equivalent to HK$61,761,787) which is required to be paid by the Purchaser in cash in the following manner:

(1) RMB10,000,000 (equivalent to HK$10,300,000) ("**Deposit**") shall be paid within 15 days after the date of the Acquisition Agreement;

(2) RMB49,962,900 (equivalent to HK$51,461,787) ("**Balance of Consideration**") shall be paid within two weeks after the granting of the new Certificate of Approval (批准證書) to the PRC Company by the Commerce Department (商務廳) of the PRC. The Purchaser has undertaken to apply for and obtain the new Certificate of Approval (批准證書) of the PRC Company within three weeks after the completion of the split up procedures of the PRC Company.

Out of the Deposit, the Vendor shall pay RMB2,940,400 (equivalent to HK$3,028,612) to the PRC Company for the settlement of certain liabilities of the PRC Company in the equivalent amount before the reorganisation mentioned in paragraph 2.4 above.

As at the Latest Practicable Date, the Deposit has been paid.

2.6 Basis of the consideration

The consideration was determined after arm's length negotiation between the Vendor, the Purchaser and KB Sub and on normal commercial terms taking into account of various factors, including the unaudited pro forma assets value of the PRC Company as at the completion of the split up process and the growth prospects and earnings potentials of the PRC Company as more particularly discussed in the paragraph 2.10 below.

2.7 Completion of the Acquisition

According to the terms of the Acquisition Agreement, the Acquisition by the Purchaser is conditional upon obtaining the approval from the Independent Shareholders.

Furthermore, pursuant to the Subscription Agreement, the Company has undertaken in favour of AK and KB Sub that in the event that the Shareholders (who are not required, under the Takeovers Code and the Listing Rules or by the SFC or the Stock Exchange, to abstain from voting on the relevant resolution) only approve the Acquisition Agreement but not (i) the allotment and issue of the Subscription Shares; (ii) the creation and issue of the Convertible Bonds and authorising the Board to allot and issue the Conversion Shares upon the exercise of Conversion Rights attaching to the Convertible Bonds; and (iii) the Whitewash Waiver, the Company shall procure the Purchaser (being its indirect wholly-owned subsidiary) not to proceed with the Acquisition in accordance with the terms of the Acquisition Agreement. In such event, KB Sub will assume the obligations of the Purchaser under the Acquisition Agreement to proceed with the Acquisition in accordance with the terms of the Acquisition Agreement.

Immediately after the completion of the Acquisition, the PRC Company will become an indirect wholly-owned subsidiary of the Company. It is expected by the Directors that the consolidated net asset value of the Group will decrease by approximately HK$5.0 million, principally representing the difference between the amount of the consideration for the Acquisition and the cost directly attributable to the Acquisition and the unaudited net asset value of the PRC Company (taking into account the fair value of the property interests of the PRC Company as described in Appendix III to this circular).

In view of the above undertaking, Shareholders and public investors should note that the Purchaser will only proceed with the Acquisition if the Independent Shareholders also approve (i) the allotment and issue of the Subscription Shares; (ii) the creation and issue of the Convertible Bonds and the allotment and issue of the Conversion Shares; and (iii) the grant of the Whitewash Waiver.

The Acquisition shall be treated as completed when the Balance of Consideration is paid to the Vendor.

2.8 Fall back arrangement

KB Sub has joined as a party to the Acquisition Agreement so that if the Purchaser decides not to, or fails to, perform its obligations under the Acquisition Agreement for whatever reasons, KB Sub will take up the obligations to perform the Acquisition Agreement in place of the Purchaser. In such event, KB Sub shall reimburse, without interest and on a dollar-for-dollar basis, all sums paid by the Purchaser under the Acquisition Agreement within 10 days after the Purchaser has notified KB Sub in writing about its decision not to, or its failure to, perform its obligations under the Acquisition Agreement.

2.9 Information of the PRC Company

To the best knowledge of the Company and KB having made all reasonable enquiries and according to the existing Business Licence (企業法人營業執照) of the PRC Company, the business scope of the PRC Company is investment in mining, geological prospecting, raw coal processing and coal electricity; sale of mining industry machinery and equipment, building materials, chemical product; mining industry technical service (where PRC's laws and regulation require approvals, no production and operation prior to obtaining approval).

Upon completion of the Acquisition, the PRC Company will be undertaking the Methanol Project solely. Subject to completion of the Acquisition by the Purchaser, the Directors expect that construction of the first phase of the plant for the Methanol Project will be completed by 2010 and construction of the second phase is expected to be completed by 2012. To the best knowledge of the Directors, the present market price of methanol is in the range of about RMB1,800 to RMB2,550 per tonne depending on factors such as the demand and supply of methanol. It is expected that the sale of methanol can be recognised by the PRC Company after the commercial operation of the Methanol Project commences in 2010. It is intended by the Directors that the Methanol Project will be financed by, including but not limit to, the proceeds from the Subscription, project financing, bank borrowings, shareholders loan, and equity financing.

Pursuant to the "關於為鄂爾多斯市四個煤炭轉化項目配置資源的意見" issued by the Land and Resources Bureau of Inner Mongolia Autonomous Region dated 30 May 2006, the Methanol Project is qualified for allocation of coal mine resources and a detailed coal resource allocation plan will be issued by the People's Government of Inner Mongolia Autonomous Region.

Pursuant to a written undertaking issued by the local people's government of Erdos in favour of the Purchaser, such local people's government has undertaken to the Purchaser that within 60 days after the commencement of construction of the plant for the Methanol Project, the local people's government of Erdos will process the procedures in respect of the grant of the exploration right to a coal mine with one billion tonnes of coal reserves. In the event that the negotiation with the relevant PRC governmental authority for the grant of the exploration right to such coal mine reserves is not successful, the PRC Company will purchase coal from other sources. The Directors believe that the Group would be able to secure stable source of coal from other coal suppliers in Inner Mongolia at acceptable prices given the abundant coal supply in Inner Mongolia.

As at 31 July 2007, the unaudited total assets and total liabilities of the PRC Company (before completion of the split up procedures and prepared under the PRC GAAP) were approximately RMB160,159,000 (equivalent to approximately HK$164,964,000) and approximately RMB60,159,000 (equivalent to approximately HK$61,964,000) respectively.

On the assumption that the split up procedures were completed on 31 July 2007, the unaudited pro forma total assets and total liabilities of the PRC Company would be approximately RMB27,828,000 (equivalent to approximately HK$28,663,000) and approximately RMB3,333,400 (equivalent to approximately HK$3,433,000) respectively.

Since the PRC Company is in the development stage, it has not recorded any revenue during the two years ended 31 December 2006. According to PRC GAAP, all expenses incurred by the PRC Company (as a project company) at the development stage could be capitalised. Accordingly, no profit or loss has been recorded in the audited financial statements of the PRC Company for the two years ended 31 December 2006.

2.10 Reasons for the Acquisition

The opportunity to acquire the PRC Company by the Group was first introduced by KB to the Group. KB identified the opportunity to acquire the PRC Company and had negotiated with the Vendor to acquire the PRC Company on the condition that the PRC Company would undertake the pre-completion reorganisation as referred to in paragraph 2.4 above.

KB invited Mr. Lau to co-invest in the PRC Company on the basis of KB taking a 60% equity interest and the remainder for Mr. Lau. In view of the long-term development potentials of the PRC Company, Mr. Lau asked KB to consider the possibility of the Company, through its indirect wholly-owned subsidiary, to acquire the PRC Company. KB considered Mr. Lau's proposal and was agreeable to such proposal on the condition that both KB and Mr. Lau would invest in the Company through the Subscription. In addition, in order to provide the Vendor with certainty in respect of the Acquisition and to lock in the opportunity, it was proposed that KB Sub joined as a party to the Acquisition Agreement and would assume the obligations of the Purchaser under the Acquisition Agreement should the Purchaser decide not to, or fail to, perform its obligations under the Acquisition Agreement.

The Group is principally engaged in property investment and property leasing in Hong Kong. Having regard to the low level of business activities of the Group in recent years and that a significant portion of its assets is currently in the form of cash and small property interests, the Directors have actively and consistently sought for new investment opportunities in order to increase the value of the Company, irrespective of whether these opportunities falls within the Company's principal business activities.

The Directors consider that the Acquisition provides the Group with a business diversification opportunity into the new energy-related business activities in the PRC and its future potential.

Methanol has a wide application in chemical and plastics industries and is the principal raw materials of a number of chemical products. The Directors believe that the Methanol Project has a good business potential in light of the increasing domestic demands for fuel and energy in the PRC with its continuous economic growth.

The PRC market is a global consumer of coal and for which there is a shortage of this irreplaceable form of energy. In view of the continued economic growth and accelerated industrialisation and urbanisation in the PRC and the development of the global economy, coal and other natural resources will have its sustained demand. The Directors believe that the potential of the PRC Company will be further enhanced when a coal mine reserve is allocated to the PRC Company as it may lower the raw material cost of the PRC Company by providing a stable source of coal as raw materials for the Methanol Project and a potential revenue source for the PRC Company through engaging in the sale of coal in the PRC market in addition to the sale of methanol.

After considering the above factors, the executive Directors are of the view that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having taken into account the advice of the Independent Financial Adviser, the independent non-executive Directors are also of the view that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Please refer to the letter from the Independent Board Committee set out on page 27 of this circular.

It is the intention of the Directors and the Combined Concert Group that the Group will continue its current business which is property investment and property leasing in Hong Kong after the completion of the Acquisition and the Subscription.

Other than the expansion of the Group's business to undertake the Methanol Project as contemplated by the Acquisition Agreement, the Combined Concert Group has no intention to introduce any change to the existing business of the Group, including any redeployment of the fixed assets of the Group, and to discontinue the employment of the employees of the Group after the completion of the Acquisition and the Subscription.

2.11 Listing Rules implications

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

3. SUBSCRIPTION OF SUBSCRIPTION SHARES AND CONVERTIBLE BONDS – SUBSCRIPTION AGREEMENT DATED 1 AUGUST 2007 AND WHITEWASH WAIVER

3.1 Issuer

The Company

3.2 Subscribers

(1) AK, an investment holding company ultimately and wholly owned by Mr. Lau. Mr. Lau is a director and the Controlling Shareholder of CE, which is in turn the Controlling Shareholder of the Company.

(2) KB Sub, an indirect wholly-owned subsidiary of KB. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the Subscription, each of KB Sub and KB is an Independent Third Party.

3.3 Subscription Shares and the Convertible Bonds

Pursuant to the Subscription Agreement, the Company has conditionally agreed to:

(1) allot and issue to each of AK and KB Sub, and each of AK and KB Sub has conditionally agreed to subscribe for, 493,678,883 Subscription Shares and 740,518,325 Subscription Shares respectively at the issue price of HK$0.162 per Subscription Share; and

(2) issue to each of AK and KB Sub, and each of AK and KB Sub has conditionally agreed to subscribe for, the AK Bonds and the KB Bonds with principal amounts of HK$72,000,000 and HK$108,000,000 respectively.

The Company is not obliged to issue any of the Subscription Shares and/or the Convertible Bonds unless the completion of subscription of the Subscription Shares and the Convertible Bonds by AK and KB Sub as contemplated under the Subscription Agreement shall take place simultaneously.

The Company will seek the grant of a special mandate to allot, issue or otherwise deal in the Subscription Shares and the Conversion Shares from the Independent Shareholders at the SGM.

The effect on the changes in the Company's shareholding structure upon the completion of the Subscription and the conversion of the Convertible Bonds are set out in paragraph 3.13 below.

The Subscription Shares and the Conversion Shares will rank equally in all respects (including the rights to dividend or other distribution) among themselves and with all other Shares in issue as at the date of their allotment and issue.

3.4 Subscription Price and the Conversion Price

The Subscription Price and the Conversion Price of HK$0.162 each represents:

– a discount of approximately 92.17% to the closing price of HK$2.07 per Share as quoted on the Stock Exchange on the Last Trading Day;

– a discount of approximately 92.36% to the average closing price of approximately HK$2.12 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

– a discount of approximately 92.47% to the average closing price of approximately HK$2.151 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day; and

– a discount of approximately 91.78% to the closing price of HK$1.97 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Subscription Price and the Conversion Prices are determined by the Company, AK and KB Sub on arm's length basis by reference to the latest audited consolidated net asset value of HK$0.162 per Share (based on the audited financial statements of the Company for the year ended 31 December 2006).

The Company, AK and KB Sub have also taken into account, among other things, the following factors when determining the Subscription Price and the Conversion Price:

– the low level of revenue of the Company in recent years;

– the declining profit of the Company in recent years;

– that a substantial portion of the Company's assets is in the form of cash and its relatively small holdings of property assets (e.g. car parking spaces); and

– the relatively small size of the Company's asset value relative to its considerably larger market capitalisation.

In view of the above, the executive Directors consider that although the Subscription Price and the Conversion Price represent more than 90% discount of the recent trading price of the Shares, it is fair and reasonable to use the audited consolidated net asset value of the Company per Share as the pricing benchmark of the Subscription Price and the Conversion Price.

3.5 Conditions of the Subscription

Completion of the Subscription shall be conditional upon the following conditions being fulfilled or waived (as the case may be) at or before 5:00 p.m. on 31 December 2007 (or such other day as may be agreed between the parties):

(1) the passing of ordinary resolutions by the Shareholders (who are not required, under the Takeovers Code and the Listing Rules or by the SFC or the Stock Exchange, to abstain from voting on the relevant resolution) at the SGM approving (i) the Acquisition Agreement and the transactions contemplated thereunder; (ii) the allotment and issue of the Subscription Shares; and (iii) the creation and issue of the Convertible Bonds and authorising the Board to allot and issue the Conversion Shares upon the exercise of Conversion Rights attaching to the Convertible Bonds;

(2) the Executive granting the Whitewash Waiver and the satisfaction of any condition attached to such Whitewash Waiver;

(3) the passing by the Shareholders (who are not required, under the Takeovers Code and the Listing Rules or by the SFC or the Stock Exchange, to abstain from voting on the relevant resolution) at the SGM of an ordinary resolution to approve the Whitewash Waiver;

(4) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in (i) the Subscription Shares; and (ii) the Conversion Shares which may fall to be allotted and issued upon the exercise of the Conversion Rights attaching to the Convertible Bonds;

(5) if required, the Bermuda Monetary Authority granting its consent to the issue of (i) the Subscription Shares; (ii) the Convertible Bonds; and (iii) the Conversion Shares which may fall to be issued upon the exercise of the Conversion Rights attaching to the Convertible Bonds;

(6) the Company is reasonably satisfied that the Acquisition by the Purchaser pursuant to the Acquisition Agreement shall take place in accordance with the terms of the Acquisition Agreement; and

(7) none of the warranties made by the Company under the Subscription Agreement having been breached in any material respect nor is misleading or untrue in any material respect, or if there is any breach of any the warranties which is capable of being remedied, such breach has been remedied to the reasonable satisfaction of AK and KB Sub.

None of the above conditions (other than condition (7)) can be waived. KB Sub (for itself and on behalf of AK) may at its absolute discretion at any time waive in writing condition (7) above.

If any of the conditions above are not fulfilled or waived (as the case may be) by 5:00 p.m. on 31 December 2007 (or such other day as may be agreed between the parties), the Subscription shall lapse and none of the parties shall have any claim against the other of them save for any antecedent breach.

3.6 Completion of the Subscription

Completion of the Subscription will take place on the third business day following the fulfillment or waiver (as the case may be) of all conditions referred to above.

3.7 Board seat

Subject to completion of the Subscription:

(a) the Company will appoint two persons nominated by KB Sub as additional executive Directors to the Board; and

(b) the Company will appoint such persons with the appropriate expertise and experience as nominated by KB Sub to act as chief executive officer, chief financial officer and general manager of the PRC Company with effect from the completion of the Acquisition.

There is no intention of the parties that any of the existing Directors will resign after the completion of the Subscription and that any of the new executive Directors which may be appointed will become chairman of the Company.

3.8 Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds were determined after arm's length negotiations between the Company, AK and KB Sub and are summarised below:

(1)	Principal amount:	HK$72,000,000 and HK$108,000,000 for each of AK and KB Sub respectively
(2)	Interest:	Zero coupon
(3)	Maturity date:	the third anniversary of the issue date of the Convertible Bonds (if that is not a business day, the first business day thereafter)
(4)	Conversion period:	The Convertible Bonds are convertible in whole or in part into new Shares by the Bondholders at any time from the issue date of the Convertible Bonds at the Conversion Price, subject to adjustment as detailed in the sub-paragraph headed "Conversion Price" below. Any conversion shall be made in amounts of not less than a whole multiple of HK$500,000 and no fraction of a Share shall be issued on conversion. Notwithstanding any conditions attached to the Convertible Bonds, each Bondholder shall only exercise the Conversion Rights attaching to the Convertible Bonds only if it is confirmed by the Company in writing that the allotment and issue of the Conversion Shares to such Bondholder

pursuant to an exercise of the Conversion Right attaching to the Convertible Bonds will not cause the Company to be in breach of the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules.

(5)	Conversion Price:	HK$0.162 per Conversion Share (subject to adjustment for subdivision or consolidation of Shares, bonus issues, capital reduction, rights issue and other events which have dilution effects on the issued share capital of the Company).
(6)	Conversion Shares:	The Conversion Shares will be issued free from any encumbrances or third party rights of any kind and will rank pari passu in all respects with the existing issued Shares together with all rights to dividends and other distributions declared, made or paid on or after the date on which the name of the Bondholder is entered into the Company's register of Shareholders as holder of the relevant Conversion Shares.
(7)	Redemption:	The Company has no right to redeem the Convertible Bonds prior to the maturity date. The Bondholder may, at any time during the period commencing from the day immediately after the second anniversary of the issue date of the Convertible Bonds and expiring on the maturity date, by giving the Company seven business days' prior notice, request the Company to redeem the outstanding principal amount of the Convertible Bonds held by it provided that the Bondholder shall only make such redemption request after making prior consultation with the Company and is reasonably satisfied that after making the redemption as requested by such Bondholder, the Company will be able to pay its other debts when they fall due.
(8)	Final redemption and mandatory redemption by the Company:	Unless the Conversion Rights have been exercised in full during the conversion period in accordance with the terms of the Convertible Bonds, the Company is obliged to redeem any Convertible Bonds which remains outstanding on the maturity date.

Upon the occurrence of an event of default, the Bondholder may, unless such event of default has been waived in writing by it, by notice in writing require the Company to redeem the whole (but not part) of the outstanding principal amount of the Convertible Bonds.

(9) Voting rights at general meeting: The Bondholder shall not be entitled to attend or vote at any general meeting of the Company by reason only of it being a Bondholder.

(10) Transferability: The Convertible Bonds may be assigned or transferred in whole or in part to any third party provided that any transfer of the Convertible Bonds to any Connected Persons of the Company shall be subject to the requirements (if any) that the Stock Exchange may impose from time to time.

The Company has undertaken to the Stock Exchange that it will disclose to the Stock Exchange any dealings in the Convertible Bonds by any Connected Persons or their associates (as defined in the Listing Rules).

3.9 Reasons for the Subscription

As discussed in paragraph 2.10 above, in view of the growth potentials of the PRC Company, the Group will devote substantial resources to develop the Methanol Project approved to be undertaken by the PRC Company. KB Group is principally engaged in the manufacture and sale of laminates, printed circuit boards and chemicals (including methanol) and KB Group is an experienced market player in the methanol industry.

The Directors consider that the Subscription not only represents an ideal opportunity for the Company to raise additional capital for its future business development and enhance its capital base but also bring to the Group an experienced market player in the methanol industry which could provide technical and industry support to the Group in particular to the design, development, implementation and operation of the Methanol Project. The Directors also consider that the Group will benefit from AK being a substantial shareholder of the Company as a result of the Subscription as AK is a company ultimately and wholly owned by Mr. Lau who has over 31 years of experience in corporate finance, manufacturing and property investment and development and is the Controlling Shareholder of CE. As such, the Directors believe that the Subscription will significantly enhance the shareholder base of the Company in terms of management expertise and financial strength.

The Directors also consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since the Convertible Bonds are non-interest bearing and therefore do not have any immediate negative impact on the working capital condition of the Group.

The executive Directors consider that the terms of the Subscription Agreement (including the Subscription Price and the Conversion Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Having taken into account the advice of the Independent Financial Adviser, the independent non-executive Directors also consider that the terms of the Subscription Agreement (including the Subscription Price and the Conversion Price) are fair and reasonable so far as the Independent Shareholders are concerned. Please refer to the letter from the Independent Board Committee as set out on page 27 of this circular.

3.10 Use of proceeds

The Company will receive approximately HK$373 million net of expenses from the Subscription which the Directors intend to use for the construction of the plant of the Methanol Project.

3.11 Application for listing

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares which may fall to be issued upon the exercise of the Conversion Rights attaching to the Convertible Bonds.

3.12 Connected transaction and Whitewash Waiver

The entering into of the Subscription Agreement by the Company constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

As Mr. Lau is a director and the Controlling Shareholder of CE (which in turn is the Controlling Shareholder of the Company and currently owns, through its subsidiaries, approximately 34.99 % of the issued share capital of the Company), AK (being ultimately and wholly owned by Mr. Lau) and CE are parties acting in concert in relation to the Company under the Takeovers Code.

By virtue of the arrangements contemplated under the Subscription and upon the entering into of the Subscription Agreement, KB (through its interest in KB Sub) and Mr. Lau (through his interest in AK) are parties acting in concert in relation to the Company under the Takeovers Code.

On the above basis, CE, Mr. Lau, AK, KB and KB Sub are parties acting in concert in relation to the Company under the Takeovers Code.

Upon completion of the allotment and issue of the Subscription Shares, AK, KB Sub and parties acting in concert with them will, in aggregate, hold approximately 74.55% of the enlarged issued share capital of the Company.

An application has been made by AK, CE, KB Sub and parties acting in concert with them to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that subject to the approval by the Independent Shareholders by way of a poll at the SGM, he will waive the obligation for the Combined Concert Group and parties acting in concert with it to make a general offer which may result from the subscription of the Subscription Shares and the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights attaching to the Convertible Bonds.

The Whitewash Waiver covers the following situations:

(1) the increase in shareholding by AK and KB Sub as a result of the allotment and issue of the Subscription Shares;

(2) the increase in shareholding by each of (a) KB Sub; and (b) AK and CE as a result of the allotment and issue of the Conversion Shares thereby exceeding the 2% creeper; and

(3) KB Sub becoming the leader of the Combined Concert Group as a result of KB Sub exercising the Conversion Rights attaching to the KB Bonds in full.

Save for the entering into of the Subscription Agreement, none of AK, KB Sub and parties acting in concert with any of them has acquired any Shares during the period commencing on the date falling six months prior to the date of the Subscription Agreement and up to the Latest Practicable Date.

3.13 Changes in the Company's shareholding structure

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and the changes thereto as a result of the allotment and issue of the Subscription Shares and the conversion of the Convertible Bonds at the Conversion Price:

Name of Shareholders	Shareholding as at the Latest Practicable Date		Immediately after the allotment and issue of the Subscription Shares but before any conversion of the Convertible Bonds at the Conversion Price		Immediately after the allotment and issue of the Subscription Shares and assuming that only AK exercises its Conversion Rights to the extent that 25% of the Shares are held in public hands		Immediately after the allotment and issue of the Subscription Shares and assuming that only KB Sub exercises its Conversion Rights to the extent that 25% of the Shares are held in public hands	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Combined Concert Group								
Subsidiaries of CE	277,858,761	34.99	277,858,761	13.70	277,858,761	13.46	277,858,761	13.46
AK#	–	–	493,678,883	24.34	530,220,031	25.68	493,678,883	23.91
KB Sub*	–	–	740,518,325	36.51	740,518,325	35.86	777,059,473	37.63
Public	516,199,039	65.01	516,199,039	25.45	516,199,039	25.00	516,199,039	25.00
Total	794,057,800	100.00	2,028,255,008	100.00	2,064,796,156	100.00	2,064,796,156	100.00

Notes:

\# AK is a company ultimately and wholly-owned by Mr. Lau, a director and the Controlling Shareholder of CE, which is in turn the Controlling Shareholder of the Company.

* KB Sub is an indirect wholly-owned subsidiary of KB.

Shareholders and public investors should note that the above shareholding table is theoretical in nature and it is a term of the Convertible Bonds that any conversion shall be made in amounts of not less than a whole multiple of HK$500,000 and no fraction of a Share shall be issued on conversion.

As a result of the Subscription and upon full conversion of the KB Bonds, KB Sub will become the leader in the Combined Concert Group for the purpose of the Takeovers Code.

After the subscription of the Subscription Shares but before any conversion of the Convertible Bonds at the Conversion Price, KB will be interested in approximately 36.51% of the Shares and the Company will become an associate of KB. The equity method of accounting will be applied by KB in accordance with Hong Kong Accounting Standard 28 issued by the Hong Kong Institute of Certified Public Accountants.

Shareholders and public investors should note that immediately upon completion of the Subscription, the shareholding of the Combined Concert Group in the Company will exceed 50% of the voting rights of the Company and that they may increase their holding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company if such increase falls within the ambit of the Whitewash Waiver.

3.14 Dilution effect on shareholding of the Company

As set out in paragraph 3.13 above, the interests of the Company held by the public shareholders as at the Latest Practicable Date is approximately 65.01%. Subject to the obtaining of the approval from the Independent Shareholders on, among other things, the Subscription, the allotment and issue of the Subscription Shares will dilute the shareholding of the public Shareholders as illustrated in the shareholding table set out under paragraph 3.13 above. The Company foresees that there may be further dilution effects in the future on the shareholding of the public Shareholders resulting from an exercise of the Conversion Rights attaching to the Convertible Bonds.

Subject to the obtaining of approval from the Independent Shareholders on, among other things, the Subscription and for so long as there is any outstanding Convertible Bonds, the Company will disclose by way of announcement all relevant details of the conversion of the Convertible Bonds in the following manner:

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

(a) whether there is any conversion of the Convertible Bonds during the relevant month, and if yes, details of the conversion, including the conversion date, number of Conversion Shares issued and Conversion Price for each conversion. However, if there is no conversion during the relevant month, a negative statement will be made to that effect;

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

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

(d) the total issued share capital of the Company as at the commencement and the last day of the relevant month;

(2) in addition to the Monthly Announcement, if the cumulative amount of Conversion Shares issued pursuant to the conversion of the Convertible Bonds reaches 5% of the then 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 Subscription Agreement (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange including the details as stated in (1) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement in respect of the Subscription Agreement (as the case may be) up to the date on which the total amount of Conversion Shares issued pursuant to the conversion amounted to 5% of the then 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 Subscription Agreement (as the case may be). The subsequent Monthly Announcements will only be released through the website of the Stock Exchange.

4. IMPLICATIONS ON RULES 14.82 AND 14.92 OF THE LISTING RULES

4.1 Rule 14.82 of the Listing Rules

Reference is made to the announcements of the Company dated 26 June 2007 ("**June Announcement**") and 31 July 2007 ("**July Announcement**") respectively. As stated in the July Announcement, upon completion of the Major Transaction (as defined in the June Announcement) but before the completion of the Legend Disposal (as defined in the June Announcement), the Company will satisfy the requirement under Rule 14.82 of the Listing Rules which requires that the Company shall not consist wholly or substantially of cash or short-dated securities.

Immediately upon completion of the Acquisition and the Subscription, the percentages of cash to total assets and net assets of the Group will be approximately 82% and 128% respectively. It is expected that part of the net proceeds from the Subscription will be utilised to construct the plant of the Methanol Project shortly after the completion of the Acquisition, barring unforeseen circumstances, the Company is able to satisfy the requirements under Rule 14.82 of the Listing Rules.

4.2 Rule 14.92 of the Listing Rules

Pursuant to Rule 14.92 of the Listing Rules, a listed issuer may not dispose of its existing business for a period of 24 months after a change of control (as defined in the Takeovers Code) unless the assets acquired from the person or group of persons gaining such control or his/their associates and any other assets acquired by the listed issuer after such change in control can meet the trading record requirement of Rule 8.05 of the Listing Rules.

In this connection, the Company will comply with Rule 14.92 of the Listing Rules and will not dispose of its existing business (i.e. property investment and property leasing in Hong Kong, including the 31 car parks together with 5 adjoining spaces acquired by the Group as announced in the June Announcement) within 24 months after the completion of the Subscription.

5. RECONCILIATION STATEMENT

Disclosure of the reconciliation of the Group's properties from the audited consolidated financial statements of the Group as at 31 December 2006 to the valuation as at 15 August 2007 as required under Rule 5.07 of the Listing Rules is set out below:

	Investment Properties *HK$'000*	**Assets classified as held for sale** *HK$'000*	**Total** *HK$'000*
Valuation of properties owned by the Group (including those contracted to be sold by the Group) as at 15 August 2007 as set out in the property valuation report on the Group's property interests in Appendix II to this circular	29,050	11,100	40,150
Net book value of the Group's Investment properties and assets classified as held for sale as at 31 December 2006 as set out in the audited consolidated balance sheet of the Group as at 31 December 2006	35,600	9,338	44,938
Less: Net book value of the Group's investment properties and assets classified as held for sale disposed of during 1 January 2007 up to 15 August 2007	(25,260)	(9,338)	(34,598)

		Investment Properties HK$'000	Assets classified as held for sale HK$'000	Total HK$'000
Add:	Value of the investment properties acquired by the Group during 1 January 2007 up to 15 August 2007	29,050	–	29,050
Add/ (Less):	Transfer from Group's investment properties to assets classified as held for sale	(10,340)	10,340	–
Net book value as at 15 August 2007		29,050	10,340	39,390
Revaluation surplus as at 15 August 2007		–	760	760

6. SGM

The Company will convene the SGM at Function Room of Queensway and Victoria, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 11:00 a.m. on Wednesday, 12 September 2007 to consider, among other things, the Acquisition, the Subscription and the grant of the Whitewash Waiver. Resolutions will be put to the vote by the Independent Shareholders at the SGM by way of poll. A notice of the SGM is set out on pages 115 to 118 of this circular.

As stated above, only Independent Shareholders (i.e. shareholders other than members of the Combined Concert Group and those who are interested or involved in the Subscription) are permitted to vote at the SGM. So far as the Directors are aware, as at the Latest Practicable Date, CE and its associates holding approximately 34.99% of the issued share capital of the Company were the only parties amongst the Combined Concert Group holding Shares and would be required to abstain from voting in respect of the resolutions proposed to be passed at the SGM, and no other Shareholder would be required to abstain from voting at the SGM.

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

7. PROCEDURES FOR DEMANDING A POLL

Under the bye-laws of the Company, a poll can be demanded at the SGM by:

(a) the chairman of the SGM; or

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

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

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

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

8. RECOMMENDATION

Your attention is drawn to the advice of the Independent Board Committee set out on page 27 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition, the Subscription and the grant of the Whitewash Waiver and the principal factors and reasons considered by them in arriving at such advice set out on page 28 to page 52 in this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Acquisition, the Subscription and the grant of the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to vote in favour of each of the ordinary resolutions to be proposed at the SGM to approve the Acquisition, the Subscription and the grant of the Whitewash Waiver at the SGM.

9. ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Lam, Kwong-wai
Company Secretary

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

G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 286)

28 August 2007

To the Independent Shareholders

Dear Sir or Madam

(1) DISCLOSEABLE TRANSACTION: ACQUISITION OF PRC COMPANY; AND (2) SUBSCRIPTION OF SHARES AND CONVERTIBLE BONDS AND WHITEWASH WAIVER

We refer to the circular issued by the Company to its Shareholders and dated 28 August 2007 ("Circular") of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board to consider the terms of the Acquisition, the Subscription and the grant of the Whitewash Waiver. Polaris Capital has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice, we consider that the terms of the Acquisition and those of the Subscription (including the Subscription Price and the Conversion Price) are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of each of the ordinary resolutions to be proposed at the SGM to approve the terms of the Acquisition, the Subscription and the grant of the Whitewash Waiver at the SGM.

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

The following is the full text of a letter of advice from Polaris Capital to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement, the Subscription Agreement and the grant of the Whitewash Waiver for the purpose of incorporation in this circular.

寶來資本(亞洲)有限公司
Polaris Capital (Asia) Limited

28 August 2007

To the Independent Board Committee and
the Independent Shareholders

G-Prop (Holdings) Limited
26th Floor
MassMutual Tower
38 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

ACQUISITION OF PRC COMPANY,
SUBSCRIPTION OF SHARES AND CONVERTIBLE BONDS
AND
WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the Subscription and the grant of the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 28 August 2007 issued by the Company to its shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 1 August 2007, the Purchaser entered into the Acquisition Agreement pursuant to which the Purchaser had agreed to acquire 100% equity interest in the PRC Company from the Vendor, being an Independent Third Party. As one of the percentage ratios calculated under the Listing Rules in respects of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In addition, the Acquisition is conditional upon obtaining the approval from the Independent Shareholders and subject to the obtaining of Independent Shareholders' approval of the Subscription and the Whitewash Waiver.

On the same date, the Company entered into the Subscription Agreement with AK and KB Sub pursuant to which the Company had conditionally agreed to (i) allot and issue to each of AK and KB Sub, and each of AK and KB Sub had conditionally agreed to subscribe for, 493,678,883 Subscription Shares and 740,518,325 Subscription Shares respectively at the issue price of HK$0.162 per Subscription Share; and (ii) issue to each of AK and KB Sub, and each of AK and KB Sub had agreed to subscribe for, the AK Bonds and KB Bonds with principal amounts of HK$72 million and HK$108 million respectively. As AK is ultimately and wholly owned by Mr. Lau, a director and the Controlling Shareholder of CE (which in turn is the Controlling Shareholder of the Company), AK is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Subscription Agreement by the Company constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement and Independent Shareholders' approval requirements.

By virtue of the arrangement contemplated under the Subscription and upon entering into the Subscription Agreement, KB (through its interest in KB Sub) and Mr. Lau (through his interest in AK) become parties acting in concert in relation to the Company under the Takeovers Code. On the above basis, CE, Mr. Lau, AK, KB and KB Sub are parties acting in concert in relation to the Company under the Takeovers Code.

Upon completion of the Subscription Agreement, the beneficial interest of the Combined Concert Group in the Company will increase from approximately 34.99% to approximately 74.55%. Accordingly, an application has been made by AK, CE, KB Sub and parties acting in concert with them to the Executive for the Whitewash Waiver, which if granted, will be subject to approval by the Independent Shareholders by way of a poll at the SGM.

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors, was formed to advise the Independent Shareholders as to whether each of the Acquisition Agreement, the Subscription Agreement and the grant of the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. We, Polaris Capital, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Polaris Capital is not connected with the directors, chief executive and substantial shareholders of the Company or AK or KB or any of its subsidiaries or their respective associates and is independent for the purpose of Rule 13.84 of the Listing Rules and is therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information and representations contained or referred to in the Circular and the information and representations provided to us by the Company and the Directors. We have assumed that all statements, information and representations contained or referred to in the Circular and all information and representations which have been provided by the Company and the Directors, for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so at the date hereof. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have no reason to doubt the truth, accuracy or completeness of the information provided to us by the Company and the Directors. We consider that we have reviewed sufficient information to reach an informed view. We have not, however, carried out any form of in-depth investigation into the business and affairs of the Group, the PRC Company, AK, CE, KB, KB Sub and their respective associates, nor have we conducted any independent verification of the information provided.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the terms of the Acquisition and the Subscription, we have taken into consideration the following principal factors and reasons:

I. Background and reasons for the Acquisition

(i) Historical financial performance and prospects of the Group

The Group is principally engaged in property investment and property leasing in Hong Kong. The level of business activities of the Group has been low in recent years and currently a significant portion of the Group's assets is in the form of cash and small property interests.

The following is a summary of the financial results of the Group for each of the three years ended 31 December 2006 and the six months ended 30 June 2007:

	Six months ended 30 June	**Year ended 31 December**		
	2007	**2006**	**2005**	**2004**
	(Unaudited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,706	3,512	4,698	9,362
Profit before tax	1,687	5,511	9,216	10,204
Profit attributable to the Shareholders	1,687	4,819	7,092	10,510

During the three years ended 31 December 2006, the Group had been experiencing a continuous decline in turnover and profits. The turnover of the Group in 2006 decreased by approximately 62.8% from approximately HK$9.4 million in 2004 to approximately HK$3.5 million in 2006 while the profit attributable to the Shareholders in 2006 dropped by approximately 54.3% from approximately HK$10.5 million in 2004 to approximately HK$4.8 million in 2006. Such significant decline was generally due to the drop in level of business activities undertaken by the Group over the past three years.

It was noted in the announcement of the interim results of the Group for the six months ended 30 June 2007 that the Group's net assets as at 30 June 2007 of approximately HK$122.4 million decreased by approximately HK$6.3 million or 4.9% when compared with the Group's net assets as at 31 December 2006 of approximately HK$128.7 million. Such decrease was mainly attributable to the final dividend payment of HK$7.9 million made in 2007 for the year ended 31 December 2006.

The percentage of cash to total assets and net assets of the Group as at 31 December 2006 was approximately 65.8% and 68.5% respectively and the percentage of cash to total assets and net assets of the Group as at 30 June 2007 was approximately 71.1% and 78.3% respectively.

The Group had entered into a number of sale and purchase agreements to sell properties which comprise certain levels of the godown in Kwai Chung and completed the sale of some of these properties. Following the completion of the sale of such properties, the Group's assets mainly comprise a number of car parking spaces.

Having regard to the low level of business activities of the Group in recent years and that a significant portion of its assets is currently in the form of cash and small property interests, the Directors have actively and consistently sought for new investment opportunities in order to increase the value of the Company, irrespective of whether these opportunities fall within the Company's principal business activities.

(ii) The opportunity to acquire the PRC Company

As noted in the Letter from the Board, the opportunity to acquire the PRC Company by the Group was first introduced to the Group by KB. KB, through its subsidiaries, is principally engaged in the manufacture and sale of laminates, printed circuit boards and chemicals (including methanol) and the KB Group is an experienced market player in the methanol industry. KB identified the opportunity to acquire the PRC Company and had negotiated with the Vendor that it would acquire the PRC Company on the condition that the PRC Company would undertake the pre-completion reorganisation as described in paragraph 2.4 in the Letter from the Board.

It was further noted in the Letter from the Board that Mr. Lau was invited by KB to co-invest in the PRC Company on the basis of KB taking a 60% equity interest and the remainder for Mr. Lau. In view of the long-term development potentials of the PRC Company, Mr. Lau asked KB to consider the possibility of the Company, through its indirect wholly-owned subsidiary, to acquire the PRC Company. KB considered Mr. Lau's proposal and was agreeable to such proposal on the condition that both KB and Mr. Lau would invest in the Company through the Subscription. In addition, in order to provide the Vendor with certainty in respect of the Acquisition and to lock in the opportunity, it was proposed that KB Sub would join as a party to the Acquisition Agreement and assume the obligations of the Purchaser under the Acquisition Agreement should the Purchaser decide not to, or fail to, perform its obligations under the Acquisition Agreement.

The Directors consider that the Acquisition provides the Group with a business diversification opportunity into the new energy-related business activities in the PRC and its future potential.

Methanol has a wide application in chemical and plastics industries and is the principal raw material of a number of chemical products. The Directors believe that the Methanol Project has a good business potential in light of the increasing domestic demand for fuel and energy in the PRC with its continuous economic growth.

(iii) Information of the PRC Company and the Methanol Project

As at the date of the Acquisition Agreement, the PRC Company was a domestic limited liability company established in the PRC. The PRC Company is in the development stage of setting up a plant in Erdos, Inner Mongolia Autonomous Region, the PRC for the Methanol Project. The approved size of the Methanol Project is 1,800,000 tonnes per annum.

The Vendor had undertaken in the Acquisition Agreement that within 90 days from the date of the Acquisition Agreement, it shall procure the existing business, assets and liabilities of the PRC Company be split up (分立) to the effect that the existing business, assets and liabilities (other than those relating to the Methanol Project) will be owned by a new company to be established by the Vendor, and that the PRC Company will solely own the business, assets and liabilities relating to the Methanol Project. The split up process of the PRC Company is subject to approval by the relevant PRC governmental authorities which is expected to be obtained within 90 days from the date of the Acquisition Agreement.

The assets to be retained by the PRC Company after the split up process will mainly comprise 12 sets of flat in Erdos, certain land use rights for the construction of the plant for the Methanol Project and certain construction contracts in relation to the Methanol Project. The liabilities to be retained by the PRC Company after the split up process will mainly include certain sums due to the service provider and PRC governmental authority incurred in relation to the Methanol Project. As at 31 July 2007, the unaudited total assets value and total liabilities of the PRC Company (before completion of the split up procedures and prepared under the PRC GAAP) were approximately RMB160,159,000 (approximately HK$164,964,000) and approximately RMB60,159,000 (approximately HK$61,964,000) respectively. On the assumption that the split up procedures were completed on 31 July 2007, the unaudited and pro forma total assets value and total liabilities of the PRC Company would be approximately RMB27,828,000 (approximately HK$28,663,000) and approximately RMB3,333,400 (approximately HK$3,433,000) respectively.

Investment in and construction of the plant for the Methanol Project is subject to relevant PRC governmental approvals. As at the date of the Acquisition Agreement, the PRC Company has obtained some of the approvals. As to the remaining approvals required for the Methanol Project, to the best knowledge of the Directors, the Directors believe that there is no legal impediment in obtaining such approvals under current government policies in the PRC.

As advised by the Directors, the total investment of the first phase of the Methanol Project is estimated to be around RMB4,000 million (approximately HK$4,120 million). The first phase and the second phase of the Methanol Project are designed to have an annual production capacity of one million tonnes and 800,000 tonnes of methanol respectively. Currently, the Methanol Project is at its designing and planning stage and construction of the Methanol Project is expected to commence after completion of the Acquisition Agreement.

As advised by the Directors, it is intended that construction of the first phase is expected to be completed by 2010 and construction of the second phase is expected to be completed by 2012. To the best knowledge of the Directors, the present market price of methanol is in the range of about RMB1,800 to RMB2,550 per tonne depending on factors such as the grade of the product and the demand and supply. It is expected that the sale of methanol can be recognised by the PRC Company after the commercial operation of the Methanol Project commences in 2010. It is intended by the Directors that the Methanol Project will be financed by, including but not limited to, the proceeds from the Subscription, project financing, bank borrowings, shareholders loan, and equity financing.

Pursuant to the "關於為鄂爾多斯市四個煤炭轉化項目配置資源的意見" (Views on resource allocation plan for the four coal energy related projects in Erdos City) issued by the Land and Resources Bureau of Inner Mongolia Autonomous Region dated 30 May 2006, the Methanol Project is qualified for allocation of coal mine resources and a detailed coal resource allocation plan will be issued by the People's Government of Inner Mongolia Autonomous

Region. Pursuant to a written undertaking issued by the local people's government of Erdos in favour of the Purchaser, such local people's government has undertaken to the Purchaser that within 60 days after the commencement of construction of the plant for the Methanol Project, the local people's government of Erdos will process the grant procedures in respect of the exploration right to a coal mine with one billion tonnes of coal reserves. It is the current intention of the Group that it will invest a total of RMB2,099 million (approximately HK$2,162 million) within three years from obtaining such exploration right to build a coal mine with an expected annual production capacity of nine million tonnes.

In the event that the negotiation with the relevant PRC governmental authority for the grant of the exploration right to such coal mine reserves is not successful, the PRC Company will purchase coal from other coal mines in the nearby region. As advised by the Directors, Inner Mongolia has one of the largest coal reserves in the PRC and it is currently a local government policy to encourage the development of coal energy related projects in Inner Mongolia in order to stimulate the local economic growth. The Directors believe that the Group would be able to secure stable source of coal from other coal suppliers in Inner Mongolia at acceptable prices given the abundant coal supply in Inner Mongolia.

The PRC market is a global consumer of coal and for which there is a shortage of this irreplaceable form of energy. In view of the continued economic growth and accelerated industrialisation and urbanisation in the PRC and the development of the global economy, there will be sustained demand for coal and other natural resources. The Directors believe that the Group's potential will be further enhanced when a coal mine reserve is allocated to the PRC Company as it may lower the raw material cost of the PRC Company by providing a stable source of coal as raw materials for the Methanol Project and a potential revenue source for the PRC Company through engaging in the sale of coal in the PRC market in addition to the sale of methanol.

In light of the low level of business activities of the Group in recent years, we consider that it is commercially sensible for the Group to seek other business opportunities so as to diversify its business and to increase its revenue sources. The Directors have indicated that the Company has the intention to continue its current business which is property investment and property leasing in Hong Kong.

Given the above background, we concur with the Directors' view that the Acquisition provides the Group with a business diversification opportunity into the new energy related business activities in the PRC and the Methanol Project has a good business potential in light of the increasing domestic demand for fuel and energy in the PRC and its continuous economic growth and we consider that the Acquisition is in the interests of the Company and the Shareholders as a whole.

II. Terms of the Acquisition

(i) Consideration

Pursuant to the Acquisition Agreement, the consideration for the Acquisition (the "**Consideration**") is RMB59,962,900 (equivalent to HK$61,761,787) which shall be paid by the Purchaser in cash in the following manner:

(a) RMB10,000,000 (equivalent to HK$10,300,000) ("**Deposit**") shall be paid within 15 days after the date of the Acquisition Agreement;

(b) RMB49,962,900 (equivalent to HK$51,461,787) shall be paid within two weeks after the granting of the new Certificate of Approval (批准證書) to the PRC Company by the Commerce Department (商務廳) of the PRC. The Purchaser has undertaken to apply for and obtain the new Certificate of Approval (批准證書) of the PRC Company within three weeks after the completion of the split up procedures of the PRC Company.

Out of the Deposit, the Vendor shall pay RMB2,940,400 (equivalent to HK$3,028,612) to the PRC Company for the settlement of certain liabilities of the PRC Company in the equivalent amount before the reorganisation mentioned in paragraph 2.4 in the Letter from the Board. As at the Latest Practicable Date, the Deposit has been paid.

As stated in the Letter from the Board, the Consideration was determined after arm's length negotiation between the Vendor, the Purchaser and KB Sub and on normal commercial terms taking into account various factors, including the pro forma assets value of the PRC Company as at the completion of the split up process and the growth prospects and earnings potentials of the PRC Company.

It was noted in the Letter from the Board that on the assumption that the split up procedures were completed on 31 July 2007, the unaudited and pro forma total assets value and total liabilities of the PRC Company would be approximately RMB27,828,000 (equivalent to approximately HK$28,663,000) and approximately RMB3,333,400 (equivalent to approximately HK$3,433,000) respectively. The assets to be retained by the PRC Company immediately after the split up process will mainly comprise 12 sets of flat in Erdos, certain land use rights for the construction of the plant for the Methanol Project and certain construction contracts in relation to the Methanol Project.

The Directors have engaged Norton Appraisals Limited, an independent property valuer, to prepare a valuation report in respect of the property interests of the PRC Company (assuming that the split up process has been completed) after the signing of the Acquisition Agreement. It was indicated in the property valuation report prepared by Norton Appraisals Limited dated 28 August 2007 that the market value of such property interests in their existing state were approximately RMB62,500,000 as at 1 August 2007. In order to assess the fairness and reasonableness of the Consideration, we have compared the Consideration with such market value given the fact that the principal asset of the PRC Company immediately after the split up will comprise certain land use rights and properties.

Based on the fact that the asset to be held by the PRC Company mainly comprises a parcel of land and some properties with a market value of RMB62,500,000 of the PRC Company as appraised by Norton Appraisals Limited, we are of the view that the Consideration is considered to be fair and reasonable so far as the Independent Shareholders are concerned.

III. Background and reasons for the Subscription

As discussed above, in view of the growth potentials of the PRC Company, the Group will devote substantial resources to develop the Methanol Project approved to be undertaken by the PRC Company. It was noted from the Letter from the Board that the Directors consider that the Subscription represents an ideal opportunity for the Company to raise additional capital for its future business development and enhance its capital base. The Directors also consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since the Convertible Bonds are non-interest bearing and therefore do not have any immediate negative impact on the working capital condition of the Group.

Since the KB Group is an experienced market player in the methanol industry, the Directors consider that it can provide technical and industry support to the Group in particular to the design, development, implementation and operation of the Methanol Project. The Directors also consider that the Group will benefit from AK being a substantial shareholder of the Company as a result of the Subscription as AK is a company ultimately and wholly owned by Mr. Lau who has over 31 years of experience in corporate finance, manufacturing and property investment and development and is the Controlling Shareholder of CE. As such, the Directors believe that the Subscription will significantly enhance the shareholder base of the Company in terms of management expertise and financial strength.

Other than the Subscription, the Directors advised that they had also explored other possible equity financing alternatives such as rights issue and open offer. However, the Directors believe that the Subscription was the most straight forward equity financing alternative to introduce the KB Group as a Controlling Shareholder of the Company.

Having taken into consideration the potential of the Methanol Project, its substantial capital requirement, the strong shareholders' support from KB and AK, the Directors believe that the Subscription is in the interests of the Shareholders and the Company as a whole. We concur with the Directors' view that the Subscription is in the interests of the Company and the Shareholders as a whole.

IV. Terms of the Subscription

As stated in the Letter from the Board, the Subscription Price and the Conversion Price of HK$0.162 has been determined after arm's length negotiation between the Company, AK and KB Sub with reference to the latest audited consolidated net asset value of the Company of HK$0.162 per Share (based on the audited financial statements of the Company for the year ended 31 December 2006).

For our assessment purpose, we note that each of the Subscription Price and the Conversion Price of HK$0.162 represents:

(a) a discount of approximately 92.17% to the closing price of HK$2.07 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 92.36% to the average closing price of approximately HK$2.12 per Share for the last five trading days up to and including the Last Trading Day;

(c) a discount of approximately 92.47 % to the average closing price of approximately HK$2.151 per Share for the last 10 trading days up to and including the Last Trading Day;

(d) a discount of approximately 91.78% to the average closing price of approximately HK$1.97 per Share on the Latest Practicable Date; and

(e) a premium of approximately 5.19% over the unaudited consolidated net asset value of the Company as at 30 June 2007 of approximately HK$0.154 per Share (based on the unaudited financial statements of the Company for the six months ended 30 June 2007).

It is also noted that the Company, AK and KB Sub have also taken into account, among other things, the following factors when determining the Subscription Price and the Conversion Price:

- the low level of revenue and declining profit of the Company in recent years;

- that a substantial portion of the Company's assets is in the form of cash and its relatively small holdings of property assets such as car parking spaces; and

- the relatively small size of the Company's asset value relative to its considerably larger market capitalisation.

(i) Subscription Price

Ratio analysis

In order to assess the fairness and reasonableness of the Subscription Price, we have conducted ratio analysis of certain companies which are listed on the Main Board of the Stock Exchange and principally engaged in property investment and property leasing in Hong Kong. For this purpose, we have considered the following multiples:

(a) Price-earning multiples ("**P/E**")

Based on the consolidated net profit of the Company for the year ended 31 December 2006 of approximately HK$4.8 million and 794,057,800 Shares in issue as at the Latest Practicable Date, the earnings per Share would be approximately HK$0.006. The Subscription Price would represent a P/E of approximately 27 times based on such earnings per Share.

Assuming that 3,139,366,118 Shares were in issue as a result of the issue of the Subscription Shares and the Conversion Shares upon the full conversion of the Convertible Bonds and the audited consolidated net profit of the Company for the year ended 31 December 2006 of approximately HK$4.8 million, the earnings per Share would be diluted to approximately HK$0.00153. On this basis, the Subscription Price would represent a P/E of approximately 105.9 times.

(b) Price to net asset value ("**P/NAV**")

In general, P/NAV multiple is most commonly considered by the investment public when valuing companies which are principally engaged in the property investment business. As stated above, the Subscription Price was determined with reference to the latest audited consolidated net asset value of the Company for the year ended 31 December 2006 of HK$0.162 per Share. Accordingly, the P/NAV multiple for the Subscription Price equals to one.

For the purpose of comparison, we have selected 13 companies that are principally engaged in the business similar to those of the Group and had market capitalisation within the range between HK$1,000 million and HK$3,000 million (based on their respective market capitalisation as at the Latest Practicable Date) which is similar to that of the Group.

The following table sets out P/E and P/NAV multiples of the Company and the 13 selected comparable listed companies based on their respective market price as at the Latest Practicable Date and their publicly available full year financial information.

Company name	**Market capitalisation** *(HK$ million)*	**P/E** *(x)*	**P/NAV** *(x)*
Chi Cheung Investment Company Limited	1,050.2	11.1	1.4
Tai Sang Land Development Limited	1,075.9	3.5	0.5
Tern Properties Company Limited	1,108.1	12.4	0.8
Cheuk Nang Holdings Limited	1,365.9	4.0	0.3
Hon Kwok Land Investment Company, Limited	1,412.0	12.3	0.6
YT Realty Group Limited	1,607.1	5.6	0.6
Keck Seng Investments (Hong Kong) Limited	1,871.1	9.2	1.1
Asia Standard International Group Limited	2,083.7	5.9	0.4
Capital Estate Limited	2,325.5	11.0	2.3
USI Holdings Limited	2,423.1	3.3	0.9
Tian Teck Land Limited	2,611.0	9.3	1.0
Termbray Industries International Limited	2,638.7	191.3	3.2
Hong Kong Ferry (Holding) Company Limited	2,850.2	23.4	0.8
	Average	**23.2**	**1.1**
	High	**191.3**	**3.2**
	Low	**3.3**	**0.3**
The Company	1,564.3	328.3	12.1
Implied multiples for the Subscription Price		105.9	1.0

Source: Bloomberg

Note: The ratios were calculated on the basis of the companies' respective market capitalisation determined as according to Bloomberg as at the Latest Practicable Date and the companies' respective annual reports.

As set out in the table above, the implied P/E multiple for the Subscription Price of 105.9 times is substantially higher than the average P/E multiple of the comparable companies selected for comparison. It is noted that the Group had been experiencing deteriorating profit given the low level of business activities undertaken by the Group in recent years. However, we note that the implied P/E multiple for the Subscription Price is still below the P/E multiple of the Company of 328.3 times (the "**Trading P/E Multiple**") calculated based on the closing price of the Shares as at the Latest Practicable Date. On the basis that the Trading P/E Multiple is significantly above the normal range of the P/E multiples of the comparable companies selected, we consider the Trading P/E Multiple to be unreasonably high relatively to the market value.

We noted from the table above that the P/NAV multiples for the comparable companies range between 0.3 and 3.2 times and the average is approximately 1.1 times. The implied P/NAV multiple for the Subscription Price of 1.0 time lies within the said range and is in line with the average value. Although the implied P/NAV is consistent with the average value, it falls below the P/NAV multiple of the Company of 12.1 times (the "**Trading P/NAV Multiple**") calculated based on the closing price of the Shares as at Latest Practicable Date. As shown in the above table, the Trading P/NAV Multiple is significantly above the normal range of the P/NAV multiples of the comparable companies selected and is therefore considered to be unreasonably high relatively to the market value. Based on the above analysis, we consider the Subscription Price to be reasonable.

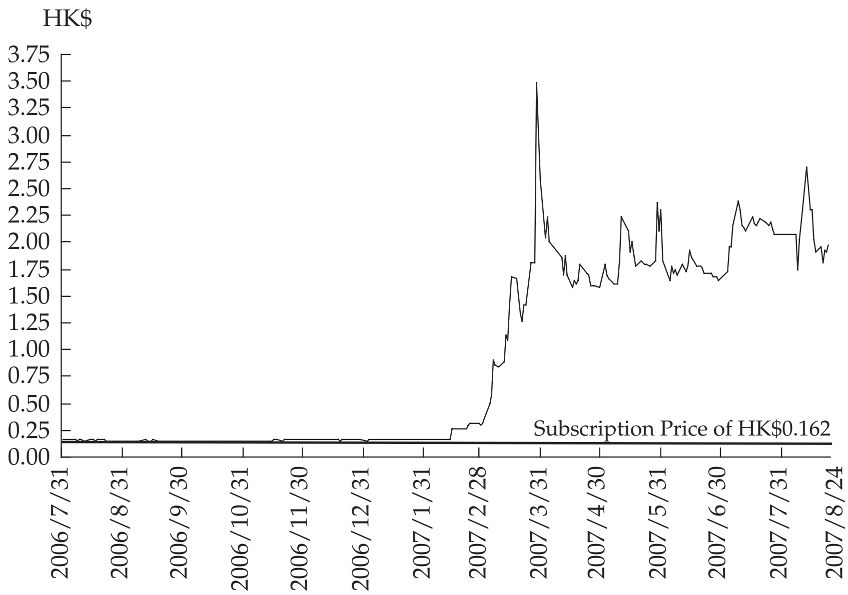
It should, however, be noted that the scope of businesses, scale of operations, asset base, prospects of the Company are not entirely the same as those set out in the table above. As such, information should be used with care.

For the purpose of assessing the fairness and reasonableness of the Subscription Price, the following approach is further taken into consideration:

Share price performance analysis

The following chart illustrates the closing price of the Shares traded on the Stock Exchange from 31 July 2006 (being the first trading day of the 12-month period up to and including the Last Trading Day) (the "**Review Period**") and up to the Latest Practicable Date:

Share Price Performance



During the Review Period, the highest closing price was HK$3.49 per Share recorded on 29 March 2007 and the lowest closing price was HK$0.141 per Share recorded on 6 November 2006. The Subscription Price of HK$0.162 represents a discount of approximately 95.36% to such highest closing price per Share and a premium of approximately 14.89% over lowest closing price per Share. For reference purpose, the Subscription Price also represents a discount of approximately 91.78% to the closing price of the Shares of HK$1.97 on the Latest Practicable Date.

As shown in the chart above, the Shares had been traded within the range of HK$0.141 and HK$0.17 during the period from the beginning of the Review Period and up to the mid February 2007. Since then, the closing price of the Shares surged sharply to a level of approximately HK$1.81 per Share on 26 March 2007 and hit its peak of HK$3.49 on 29 March 2007. Upon reviewing the announcements released by the Company and our discussions with the Directors, we believe that there was no conclusive reason for such sudden surge in market prices of the Shares after mid February 2007. The closing price of the Shares then fluctuated within the range between approximately HK$1.6 and approximately HK$2.5 and stayed above the HK$1.6 level during the rest of the Review Period and up to the Latest Practicable Date.

In the 30-day period immediately preceding the Last Trading Day (the "**Last 30 Trading Days**"), the trading of the Shares was relatively active and the closing price of the Shares rose from a level of approximately HK$1.65 in the end of June 2007 to a level of approximately HK$2.0 in early July 2007 which was maintained up to the Last Trading Day. The trading of the Shares was suspended on 31 July 2007 pending the release of the Announcement and the trading of the Shares was resumed on 8 August 2007. Since there was no substantial change to the assets and business of the Group during the Last 30 Trading Days, we consider that the surge in share price in the end of the June 2007 and the closing price of the Shares remaining at relatively stable level of approximately HK$2.0 in the Last 30 Trading Days have no correlation to the fundamentals of the Company and such price movement could probably due to market speculation.

On 8 August 2007 (being the first trading day immediately following the Announcement) the closing price dropped to HK$1.74 and quickly regained momentum to hit HK$2.69 on 13 August 2007. During the period from 8 August 2007 to the Latest Practicable Date, the closing price of the Shares fluctuated within the range between HK$1.74 and HK$2.69 and the average closing price for this period was approximately HK$2.06 per Share. The Subscription Price represents a discount of approximately 92.14% to such average.

As indicated above, the Subscription Price was below the closing price of the Shares during the period from 14 February 2007 and up to the Latest Practicable Date. However, it should be noted that the Shares had been consistently traded at closing prices slightly above or below the Subscription Price from the beginning of the Review Period and up to 13 February 2007. The fluctuation in the closing price of the Shares was quite substantial during the period from 14 February 2007 and up to the Latest Practicable Date when compared with the relatively stable price movement during the period from the beginning of the Review Period and up to and including 13 February 2007.

We noted that the Shares continued to be traded at closing prices which were a substantial premium to the Subscription Price during the period after the release of the Announcement up to and including the Latest Practicable Date. Since it will take time to build the business of the PRC Company, we are unable to comment at this stage on whether the current Share price level could be sustained in the future. In this regard, the Independent Shareholders are advised to closely monitor the market price of the Shares and they are recommended to consider to realise their investment in the Shares in the open market if they are not confident or are uncertain with the future prospects of the Group.

(ii) Terms of the Convertible Bonds

(1) Maturity date

The maturity date of the Convertible Bonds will be the date falling on the third anniversary from the date of issue of the Convertible Bonds. It was noted in the Letter from the Board that the Directors intend to use the net proceeds from the Subscription for the construction of the plant of the Methanol Project and the construction of the first phase of the Methanol Project is expected to be completed by 2010. Under the terms of the Subscription Agreement, a Bondholder may exercise its redemption right after the second anniversary of the issue date of the Convertible Bonds. Having considered the above factors, we consider that the Convertible Bonds, having a maturity date on the third anniversary of its issue date, are able to provide financial flexibility for the Company in financing the Methanol Project and we are of the view that the maturity date of the Convertible Bonds is fair and reasonable so far as the Independent Shareholders are concerned.

(2) Coupon Rate

Given that the Convertible Bonds carry a zero coupon rate and the interest rate of short-term bank borrowings ranges from the 12-month Hong Kong Interbank Offered Rate of 4.43% to the prime rate of 7.75% as quoted from the website of Hang Seng Bank as at the Latest Practicable Date, we are of the view that the coupon rate of the Convertible Bonds is in the interests of the Company.

(3) Conversion Price

The Conversion Price represents a discount of approximately 92.17% to the closing price of HK$2.07 per Share as quoted on the Stock Exchange on the Last Trading Day, equals to the audited consolidated net asset value per Share of the Company as at 31 December 2006 of HK$0.162 and represents a premium of approximately 5.19% over the unaudited consolidated net asset value per Share of the Company as at 30 June 2007 of approximately HK$0.154.

The Conversion Price is the same as the Subscription Price. Given that the financial performance of the Group may not be significantly improved if no other new business is injected to the Group before the commencement of commercial operation of the Methanol Project in 2010, we are of view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

On the basis that (i) the issue of the Convertible Bonds is an integral part of the Subscription Agreement; (ii) the Directors believe that the issue of the Subscription Shares and the Convertible Bonds is the most appropriate financing alternative currently available to the Group; and (iii) the analysis of the Subscription Price (which is the same as the Conversion Price) above, we are of the view that despite the Conversion Price is at a discount to the closing price of the Shares, it is fair and reasonable so far as the Independent Shareholders are concerned.

Having considered the above factors and analysis, in particular that:

(i) the Subscription Price and the Conversion Price have been determined on an arm's length basis and taking into account (a) the low level of revenue and declining profit of the Company in recent years; (b) that a substantial portion of the Company's assets is in the form of cash and its relatively small holdings of property assets such as car parking spaces; and (c) the relatively small size of the Company's asset value relative to its considerably larger market capitalisation;

(ii) the Subscription Price and the Conversion Price were determined with reference to the audited consolidated net asset value per Share of the Company as at 31 December 2006;

(iii) each of the Subscription Price and the Conversion Price was at a premium to the unaudited consolidated net asset value per Share of the Company as at 30 June 2007;

(iv) the implied P/NAV for the Subscription Price is within the range of the P/NAV multiples of the comparable companies and is in line with the average value;

(v) it is justifiable for the Subscription Price and the Conversion Price to be at a discount to the recent Share prices due to the reasons we have put forth in the paragraph headed "Share price performance analysis" above which explains the historical price trend and performance of the Shares; and

(vi) the terms of the Convertible Bonds, including the time to maturity, coupon rate and the Conversion Price, are fair and reasonable so far as the Independent Shareholders are concerned;

we consider that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

V. Financial effects of the Acquisition and Subscription on the Group

Earnings

Since the PRC Company is in the development stage, it has not recorded any revenue during the two years ended 31 December 2006. According to PRC GAAP, all expenses incurred by the PRC Company (as a project company) at the development stage could be capitalised. Accordingly, no profit or loss has been recorded in the audited financial statements of the PRC Company for the two years ended 31 December 2006. The sale of methanol can be recognised by the PRC Company after the commencement of the commercial operation of the Methanol Project which is expected to take place in 2010. Accordingly, it will have no effect on the earnings position of the Group before commercial operation of the Methanol Project.

Upon the issue of the Subscription Shares and the Convertible Bonds (assuming no conversion thereof) and without taking into account the expenses to be incurred in relation to such issue, there will be no effect on the Group's earnings as the Convertible Bonds carry zero coupon rate and assuming there are no expenses incurred in relation to such issue.

Cashflow

As advised by the Directors, the Consideration shall be paid by the Purchaser in cash which will be satisfied by internal resources of the Group. The Directors confirmed that the Group has sufficient internal resources to fund the Acquisition. Based on the unaudited consolidated balance sheet of the Company as at 30 June 2007, the cash and cash equivalent of the Group amounted to HK$95.8 million. The Group will also obtain net proceeds of approximately HK$373 million from the Subscription. As such, the Acquisition will not have any immediate material adverse impact on the cashflow of the Group. We were advised by the Directors that the total investment to be deployed in the first phase of the Methanol Project is estimated to be around RMB4,000 million (approximately HK$4,120 million) within three years after completion of the Acquisition Agreement. It is expected that construction of the first phase will be completed by 2010 and construction of the second phase will be completed by 2012. The Directors estimated that the initial funding requirement for the Methanol Project in the first year after commencement of construction is about RMB291 million (approximately HK$300 million) which will be financed by the net proceeds from the Subscription.

In respect of any future capital commitment in relation to the Methanol Project, the Directors are actively considering various financing alternatives including project financing, bank borrowings, shareholders loan, equity financing and/or a combination of all. The Acquisition and the Methanol Project will have material adverse impact on the cashflow of the Group before commercial operation of the Methanol Project in 2010.

Upon commencement of full commercial operations of the first phase and the second phase of the Methanol Project, it is expected that there will be positive impact on the cashflow of the Group due to the revenue to be generated. The designed annual production capacity of the first phase and the second phase of the Methanol Project is one million tonnes and 800,000 tonnes of methanol respectively. Using the lower end of the current market price range of methanol of between RMB1,800 to RMB2,550 per tonne, it is estimated that the annual revenue to be generated by the first phase and the second phase of the Methanol Project upon commencement of their full commercial operations would be approximately RMB1,800 million and approximately RMB1,440 million per annum respectively.

In the event that there is redemption of the Convertible Bonds in full in accordance with the terms of the Convertible Bonds by the Company, the cash position of the Group will decrease by HK$180 million. However, it is a term of the Convertible Bonds that a Bondholder may only request the Company to redeem the outstanding principal amount of the Convertible Bonds held by it provided that the Bondholder has made prior consultation with the Company and is reasonably satisfied that after making the redemption as requested by such Bondholder, the Company is able to pay its other debts when they fall due. Such redemption right is only exercisable by a Bondholder after the second anniversary of the issue date of the Convertible Bonds.

Independent Shareholders should note that, in the hypothetical case that the principal amount of HK$180 million remains idle during the tenor of the Convertible Bonds, the Group could deposit the said amount with banks and earn an interest income from the banks.

Net Asset Value

According to the interim results of the Company for the six months ended 30 June 2007, the unaudited consolidated net asset value of the Company as at 30 June 2007 was approximately HK$122.4 million. Assuming that the Acquisition and the issue of Subscription Shares had been completed on 30 June 2007, the consolidated net asset value of the Company would be approximately HK$348.4 million.

On a per Share basis, based on the unaudited consolidated net asset value of the Company as at 30 June 2007 of approximately HK$122.4 million and 794,057,800 Shares in issue as at the Latest Practicable Date, the unaudited consolidated net asset value per Share of the Company as at 30 June 2007 was approximately HK$0.154. Assuming that the Acquisition and the issue of Subscription Shares had been completed on 30 June 2007, the consolidated net asset value per Share of the Company would be approximately HK$0.172 (based on 2,028,255,008 Shares in issue as enlarged by the issue of the Subscription Shares).

In addition, the consolidated net tangible assets of the Company would be approximately HK$343.4 million if the Acquisition and the issue of Subscription Shares had been completed on 30 June 2007. On a per Share basis, the consolidated net tangible assets of the Company per Share would be approximately HK$0.169 (based on 2,028,255,008 Shares in issue as enlarged by the issue of the Subscription Shares) if the Acquisition and the issue of Subscription Shares had been completed on 30 June 2007.

Independent Shareholders should note that the major difference between the consolidated net assets of the Company after completion of the Acquisition and the Subscription and the consolidated net tangible assets of the Company after completion of the Acquisition and the Subscription is the goodwill arising from the Acquisition. The goodwill arises principally due to the difference in the Consideration, together with the costs directly attributable to the Acquisition and the unaudited net asset value of the PRC Company (taking into account the fair value of the property interests of the PRC Company as described in Appendix III to the Circular).

Upon the issue of Convertible Bonds, an equity component of the Convertible Bond will be included in the equity of the consolidated balance sheet of the Company as required by Hong Kong Accounting Standard 32 ("**HKAS 32**"). Accordingly, there will be a positive impact on the net asset value of the Group. Upon full conversion of the Convertible Bonds and assume that (i) such conversion occurs immediately after the issue of Subscription Shares and (ii) there will be no expenses to be incurred in relation to the issue of Conversion Shares, the Company expects that the consolidated net asset value of the Company will be increased by HK$149.4 million.

Gearing

The Group did not have borrowings and any financial instrument used for hedging purpose as at 30 June 2007. While the issue of Subscription Shares will enlarge the equity base of the Group by HK$199.9 million, the issue of Convertible Bonds and the conversion thereof will have certain effects on the gearing of the Group as analysed below.

Upon the issue of Convertible Bonds (but no conversion thereof), the Company expects an increase in the Group's liabilities by the liability component of the Convertible Bonds and a corresponding increase in the Group's equity by the equity component of the Convertible Bonds. After consultation with the Directors, we were advised that it is presently impracticable to quantify with accuracy the liability and equity components of the Convertible Bonds as the determination of the fair value of the liability component of the Convertible Bonds at initial recognition would require the use of the prevailing market rate of interest for a similar instrument with a similar credit rating that can only be ascertained at the time of issue of the Convertible Bonds.

Immediately upon the full conversion of the Convertible Bonds into Conversion Shares, the net asset value of the Group will be increased due to the issue of Conversion Shares and the liabilities of the Group will be reduced due to the cancellation of the liability component of the Convertible Bonds. However, if we assume the full conversion of the Convertible Bonds immediately after the issue of Subscription Shares and there are no expenses in relation to the issue of Conversion Shares, there will be no effect on the liabilities of the Group and the net asset value of the Group will be increased by HK$149.4 million. Therefore, the full conversion of Convertible Bonds will result in improvement in the gearing position of the Group.

Based on the above, the Acquisition (together with the Subscription) would have an immediate positive effect on the financial position of the Group in terms of cashflow and net asset value. On such basis, we are of the view that the Acquisition (together with the Subscription) is in the interests of the Company and the Shareholders as a whole.

VI. Dilution effect on the shareholding of the Company

As a result of the Subscription, an aggregate of 1,234,197,208 Subscription Shares will be issued at the Subscription Price and an aggregate of 1,111,111,110 Conversion Shares will be issued at the Conversion Price assuming that Conversion Rights attaching to the Convertible Bonds are fully exercised.

The 1,234,197,208 Subscription Shares represents:

(i) approximately 155.43% of the issued share capital of the Company as at the Latest Practicable Date;

(ii) approximately 60.85% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares; and

(iii) approximately 39.31% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Conversion Shares.

The 1,111,111,110 Conversion Shares represent:

(i) approximately 139.93% of the issued share capital of the Company as at the Latest Practicable Date; and

(ii) approximately 35.39% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Conversion Shares.

As disclosed in the table set out in the section headed "Changes in the Company's shareholding structure" in the Letter from the Board, the interests of the Company held by public Shareholders as at the Latest Practicable Date was approximately 65.01%. Subject to the obtaining of the approval from the Independent Shareholders on, among other things, the Subscription, the issue of the Subscription Shares will dilute the shareholding of the existing public Shareholders from approximately 65.01% to 25.45% (assuming no Conversion Rights are exercised).

The Company foresees there may be further dilution effect on the shareholding of the existing public Shareholders in the future resulting from an exercise of the Conversion Rights attaching to the Convertible Bonds. In the event that the Conversion Rights attaching to the Convertible Bonds are fully exercised, the shareholding of the existing public Shareholders will be further diluted to 16.44%.

We were advised by the Directors that they had considered various financing alternatives to raise funds for the Company. The Directors were of the view that pure debt financing would adversely affect the gearing of the Company and the interest expenses thereof would inevitably impact the profitability of the Company. In light of the above and in view that the issue of the Subscription Shares and the

Conversion Shares will enlarge and strengthen the capital base of the Company, the Directors consider that the Subscription (being a combination of issue of Subscription Shares and Convertible Bonds) is the most appropriate financing alternative available to the Company.

We consider the aforementioned extents of dilution on the shareholding interests of the existing public Shareholders to be significant. However, as balanced by the fact that the Group is in need of capital for its present and future business development and that the Subscription is the most practicable financing method available to the Group at present, and taking into account the above factors, in particular:

(i) the issue of the Subscription Shares and the Conversion Shares will enlarge capital base of the Company and strengthen the gearing position of the Group on a pro forma basis;

(ii) the reasons for the Acquisition and the Subscription;

(iii) the funding requirement of the Methanol Project in the first year after completion of the Acquisition Agreement;

(iv) the benefit of having KB Group and AK as the Controlling Shareholder group;

(v) the Directors having considered that the Company would not be able to participate in the Methanol Project if the Subscription does not take place as the completion of the Acquisition by the Purchaser is made conditional upon, among other things, the obtaining of the Independent Shareholders' approval on the Subscription and the Whitewash Waiver;

we are of the opinion that the issue of the Subscription Shares and Conversion Shares is an acceptable means of financing alternative to raise funds for the Company and consider that the possible dilution on the shareholding interests of the existing public Shareholders to be justifiable.

VII. The Whitewash Waiver

Background

By virtue of the arrangement contemplated under the Subscription and upon the entering into of the Subscription Agreement, KB (through its interest in KB Sub) and Mr. Lau (through his interest in AK) become parties acting in concert in relation to the Company under the Takeovers Code. As AK is ultimately and wholly owned by Mr. Lau, a director and the Controlling Shareholder of CE (which in turn is the Controlling Shareholder of the Company), AK is a party acting in concert with Mr. Lau and CE. On this basis, CE, Mr. Lau, AK, KB and KB Sub are parties acting in concert in relation to the Company under the Takeovers Code.

Upon completion of the Subscription Agreement, the beneficial interest of AK and KB Sub and parties acting in concert with them in the Company will increase from approximately 34.99% to approximately 74.55%. Accordingly, AK and KB Sub will be obliged to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by AK and KB Sub and parties acting in concert with any of them under Rule 26.1 of the Takeovers Code, unless a Whitewash Waiver is obtained from the Executive.

An application has been made by AK, CE, KB Sub and parties acting in concert with them to the Executive for the grant of the Whitewash Waiver, which if granted, will be subject to approval by the Independent Shareholders by way of a poll at the SGM, which AK and KB Sub and parties acting in concert with them will abstain from voting on the relevant resolution. The Whitewash Waiver will cover the following situations:

(1) the increase in shareholding by AK and KB Sub as a result of the allotment and issue of the Subscription Shares;

(2) the increase in shareholding by each of (a) KB Sub and (b) AK and CE as a result of the allotment and issue of the Conversion Shares thereby exceeding the 2% creeper; and

(3) KB Sub becoming the leader of the Combined Concert Group as a result of KB Sub exercising the Conversion Rights attaching to the KB Bonds in full.

Save for the entering into of the Subscription Agreement, none of AK, KB Sub and parties acting in concert with any of them has acquired any Shares during the period commencing on the date falling six months prior to the date of the Subscription Agreement and up to the Latest Practicable Date.

The Whitewash Waiver as a condition to the Subscription Agreement

It is a condition precedent to the completion of the Subscription Agreement that the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription Agreement will lapse and the Subscription will not proceed.

We also noted from the Letter from the Board that pursuant to the Subscription Agreement, the Company has undertaken in favour of AK and KB Sub that the Company shall procure the Purchaser not to proceed with the Acquisition in the event that the Independent Shareholders only approve the Acquisition Agreement but not the Subscription and the Whitewash Waiver.

Mr. Lau and CE and parties acting in concert with them shall remain as the largest group of Shareholders

As at the Latest Practicable Date, Mr. Lau, through his interests in CE, was beneficially interested in 277,858,761 Shares, representing approximately 34.99% of the existing issued share capital of the Company.

As CE, Mr. Lau, AK, KB and KB Sub are parties acting in concert in relation to the Company under the Takeovers Code, upon completion of the Subscription Agreement, the beneficial interest of Mr. Lau and parties acting in concert with him in the Company will increase from approximately 34.99% to approximately 74.55%. On such basis, the Independent Shareholders should note that Mr. Lau and CE and parties acting in concert with them shall remain as the largest group of Shareholders upon completion of the Subscription.

KB Sub will become the leader of the Combined Concert Group upon completion of the Subscription Agreement and KB Sub exercising the Conversion Rights attaching to the KB Bonds in full

Immediately after the issue of Subscription Shares and as a result of KB Sub exercising the Conversion Rights attaching to the KB Bonds in full, KB Sub will become the leader of the Combined Concert Group. As stated in the Letter from the Board, the Directors consider that KB can provide technical and industry support to the Group in particular to the design, development, implementation and operation of the Methanol Project. As such, we consider that it is reasonable for KB to become the leader of the Combined Concert Group given its critical role in the Methanol Project.

The granting and approval of the Whitewash Waiver will enable the Group and all the Shareholders, including the Independent Shareholders, to take the opportunity to enjoy the benefits upon completion of the Acquisition and the Subscription which include, among other things, (i) the opportunity for the Group to acquire the PRC Company in order to participate in the Methanol Project; (ii) the potential and prospects of the Methanol Project; (iii) the increase in net asset value and the enhancement of the equity base of the Group as a result of the Subscription. Having taken into consideration the fairness and reasonableness of the terms of the Subscription Agreement and the benefits of the Acquisition and the Subscription above, we are of the view that the granting of the Whitewash Waiver is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

VIII. Risk factors

Independent Shareholders should carefully consider the risks and uncertainties associated with the Methanol Project, including but not limited to, certain PRC governmental approvals not having been obtained by the Company for the Methanol

Project, completion of the construction of the plant for the Methanol Project may not be on schedule as originally estimated by the Directors, the Company may or may not obtain sufficient financial resources to fund the Methanol Project, and there might be changes in the regulatory environment and market sentiment for the methanol industry in the PRC.

Independent Shareholders should note that the Convertible Bonds will be subject to revaluation at every financial year end of the Company as required by HKAS 32 and therefore there may be material financial impact on the income statements and the balance sheet of the Company after such revaluation.

It should be noted that we have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition Agreement, the terms of the Subscription Agreement and the grant of the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. However, we have not been appointed to express our opinions on the risks and uncertainties mentioned above.

RECOMMENDATION

Having considered the principal factors and reasons stated above, we are of the view that the terms of the Acquisition Agreement and the Subscription Agreement and the grant of the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we would advise the Independent Shareholders to vote in favour of each of the resolutions to be proposed at the SGM to approve the Acquisition Agreement, the Subscription Agreement and the grant of the Whitewash Waiver at the SGM. We would also advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of all such resolutions.

Yours faithfully
For and on behalf of
Polaris Capital (Asia) Limited
Julie Sun
Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following financial information has been prepared by the Directors based on the audited consolidated financial statements of the Group for each of the three years ended 31 December 2004, 2005 and 2006 and on the unaudited consolidated financial statements of the Group for the six months ended 30 June 2007. Deloitte Touche Tohmatsu, the auditors of the Company for the two years ended 31 December 2005, and HLB Hodgson Impey Cheng, the auditors of the Company for the year ended 31 December 2006, expressed unqualified opinions on the financial statements of the Company for each of the three years ended 31 December 2004, 2005 and 2006.

	For the six months ended 30 June	For the year ended 31 December		
	2007	**2006**	**2005**	**2004**
				Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,706	3,512	4,698	9,362
Profit before tax	1,687	5,511	9,216	10,204
Income tax expenses	–	(692)	(2,124)	306
Profit for the year/period attributable to the Shareholders	1,687	4,819	7,092	10,510
Dividends	–	7,941	7,941	–
Dividend per share *(HK$)*	–	0.01	0.01	–
Earnings per share - basic and diluted *(HK cents)*	0.21	0.61	0.89	1.50

	As at 30 June	As at 31 December		
	2007	**2006**	**2005**	**2004**
				Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets and Liabilities				
Total assets	134,767	133,813	136,107	126,205
Total liabilities	(12,344)	(5,137)	(4,309)	(27,291)
	122,423	128,676	131,798	98,914
Net assets to equity holders of the Company	122,423	128,676	131,798	98,914
Minority interest	–	–	–	–
	122,423	128,676	131,798	98,914
Net assets per share to equity holders of the Company *(HK$)*	0.15	0.16	0.17	0.14
Number of Shares issued	794,057,800	794,057,800	794,057,800	691,257,800

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the audited consolidated financial statements of the Group as extracted from the annual report of the Company for the year ended 31 December 2006:

Consolidated Income Statement

For the year ended 31st December, 2006

	Notes	2006 HK$'000	2005 HK$'000
Turnover	6	3,512	4,698
Direct costs		(1,689)	(2,037)
Gross profit		1,823	2,661
Other operating income	8	2,409	1,042
Administrative expenses		(3,293)	(2,913)
Finance costs	9	–	(159)
(Loss)/gain on disposals of investment properties		(746)	3,538
Surplus arising on revaluation of investment properties		5,318	5,047
Profit before tax	10	5,511	9,216
Income tax expense	12	(692)	(2,124)
Profit for the year		4,819	7,092
Dividends	13	7,941	7,941
Earnings per share	14		
Basic and diluted (HK cents)		0.61	0.89

Consolidated Balance Sheet
At 31st December, 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current assets			
Investment properties	16	35,600	107,720
Intangible asset	17	–	–
Interests in associates	18	–	–
Interests in jointly controlled entities	19	–	–
Available-for-sale financial assets	20	220	220
		35,820	107,940
Current assets			
Trade and other receivables	21	593	608
Short-term loans receivable	22	–	–
Cash and cash equivalents		88,062	27,559
		88,655	28,167
Assets classified as held for sale	15	9,338	–
		97,993	28,167
Current liabilities			
Trade and other payables	23	3,229	3,132
Amounts due to fellow subsidiaries	24	185	146
		3,414	3,278
Net current assets		94,579	24,889
Total assets less current liabilities		130,399	132,829
Non-current liabilities			
Deferred tax liabilities	27	1,723	1,031
		1,723	1,031
Total assets and liabilities		128,676	131,798
Capital and reserves			
Share capital	25	7,940	7,940
Share premium and reserves		120,736	123,858
Total equity		128,676	131,798

Consolidated Statement of Changes in Equity
For the year ended 31st December, 2006

	Share capital *HK$'000*	Share premium *HK$'000*	Translation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1st January, 2005	6,912	–	234	91,768	98,914
Profit for the year	–	–	–	7,092	7,092
Issue of new ordinary shares *(Note 25)*	1,028	25,186	–	–	26,214
Transaction costs attributable to issue of new ordinary shares	–	(422)	–	–	(422)
At 31st December, 2005 and 1st January, 2006	7,940	24,764	234	98,860	131,798
Dividends paid	–	–	–	(7,941)	(7,941)
Profit for the year	–	–	–	4,819	4,819
At 31st December, 2006	7,940	24,764	234	95,738	128,676

Consolidated Cash Flow Statement
For the year ended 31st December, 2006

	2006 HK$'000	2005 HK$'000
Operating activities		
Profit before tax	5,511	9,216
Adjustments for:		
Interest income	(1,846)	(429)
Surplus arising on revaluation of investment properties	(5,318)	(5,047)
Loss/(gain) on disposals of investment properties	746	(3,538)
Interest expenses	–	159
Write back of allowance for bad and doubtful debts	(327)	(388)
Operating cash flows before movements in working capital	(1,234)	(27)
Decrease in trade and other receivables	342	801
Increase/(decrease) in trade and other payables	97	(658)
Increase/(decrease) in amounts due to fellow subsidiaries	39	(206)
Cash used in operations	(756)	(90)
Income tax paid	–	–
Net cash used in operating activities	(756)	(90)
Investing activities		
Interest received	1,846	429
Proceeds from disposal of investment properties	67,354	8,945
Net cash generated from investing activities	69,200	9,374
Financing activities		
Interest paid	–	(159)
Repayment of borrowings	–	(23,149)
Net proceeds from issue of new ordinary shares	–	25,792
Dividends paid	(7,941)	–
Net cash (used in)/generated from financing activities	(7,941)	2,484
Net increase in cash and cash equivalents	60,503	11,768
Cash and cash equivalents at the beginning of the year	27,559	15,791
Cash and cash equivalents at the end of the year	88,062	27,559

Notes to the Financial Statements

For the year ended 31st December, 2006

1. GENERAL INFORMATION

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

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

The Company's principal activity is investment holding and the principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in Notes 32, 33 and 34 respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The new HKFRSs adopted by the Group in the consolidated financial statements are set out as follows:

HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS – Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above new HKFRSs has no material impact on the accounting policies and the results and financial position of the Group.

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – Int 8	Scope of HKFRS 2[2]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[3]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[4]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st May, 2006.
3 Effective for annual periods beginning on or after 1st June, 2006.
4 Effective for annual periods beginning on or after 1st November, 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations ("Ints") issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

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

A summary of significant accounting policies followed by the Group and the Company in the preparation of the consolidated financial statements is set out below:

(a) Basis of consolidation

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

Subsidiaries

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

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

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

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

Associates

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

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

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

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

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

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

(b) Goodwill

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

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of an associate is included in the cost of the investment of the relevant associate.

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

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

(c) Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted by the Company on the basis of dividend received or receivables.

(d) Revenue recognition

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

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

(e) Investment properties

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

(f) Patent

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

(g) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(h) Leasing

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

The Group as lessor

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

The Group as lessee

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

(i) 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 its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into 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 income statement in the period in which the foreign operation is disposed of.

(j) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or 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 by the balance sheet date.

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

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

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

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

(k) Retirement benefits scheme contributions

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

(l) Financial instruments

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

Financial assets

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, trade and other receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories under HKAS 39. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the asset of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Group's financial liabilities are mainly comprised of other financial liabilities which include secured borrowings from a fellow subsidiary, trade and other payables and amounts due to fellow subsidiaries which fall within the category of other financial liabilities. These financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

(m) Cash and cash equivalents

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

(n) Provision

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

(o) Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company

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

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

(p) Related party transactions

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

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

(q) Assets classified as held for sale

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

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade receivables and trade payables. 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.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Income taxes

As at 31st December, 2006, a deferred tax asset has been recognised in relation to the unused tax losses of approximately HK$2,077,000 (2005: HK$1,140,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal takes place.

6. TURNOVER

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

	2006	**2005**
	HK$'000	*HK$'000*
Rental income	3,227	4,189
Income from loans financing	285	509
	3,512	4,698

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions – (i) investment and finance and (ii) properties investment. These divisions are the basis on which the Group reports its primary segment information. The business segments of energy saving machine (manufacturing and trading of energy saving machine) and other investments (trading of investments in securities) have not been presented because of these segments for the years did not have significant contribution to the Group.

Principal activities are as follows:

Investment and finance	–	investing and financing activities
Properties investment	–	property rental and leasing of equipment and trading of properties held for resale

Segment information about these businesses is presented below:

For the year ended 31st December, 2006

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

For the year ended 31st December, 2005

	Investment and finance *HK$'000*	Properties investment *HK$'000*	Consolidated *HK$'000*
Income statement:			
Turnover			
External sales	509	4,189	4,698
Segment result	897	10,744	11,641
Interest income			429
Unallocated corporate expenses			(2,695)
Finance costs			(159)
Profit before tax			9,216
Income tax expense			(2,124)
Profit for the year			7,092
Balance sheet:			
Assets			
Segment assets	–	108,866	108,866
Unallocated corporate assets			27,241
Consolidated total assets			136,107
Liabilities			
Segment liabilities	–	3,104	3,104
Unallocated corporate liabilities			1,205
Consolidated total liabilities			4,309
Other segment information			
Surplus arising on revaluation of investment properties	–	5,047	5,047
Impairment losses reversed in the income statement	388	–	388

Geographical segments

The Group's operations are principally located in Hong Kong. All identifiable assets of the Group are located in Hong Kong. Accordingly, no geographical segments is presented.

8. OTHER OPERATING INCOME

	2006	2005
	HK$'000	*HK$'000*
Other operating income included the followings:		
Interest income	1,846	429
Write back of allowance for bad and doubtful debts	327	388

9. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on bank and other borrowings not wholly repayable within five years	–	159

10. PROFIT BEFORE TAX

	2006	2005
	HK$'000	*HK$'000*
Profit before tax have been arrived at after charging:		
Staff costs:		
Directors' remuneration *(Note 11)*	204	153
Salaries and other benefits	1,066	976
Retirement benefit scheme contributions excluding directors and after forfeited contribution of HK$9,000 (2005: HK$8,000)	52	40
	1,322	1,169
Auditors' remuneration	300	460
and after crediting:		
Property rental income, net of outgoings of HK$965,000 (2005: HK$1,103,000)	2,262	3,086

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The aggregate amount of emoluments payable to the directors of the Company during the year was HK$204,000 (2005: HK$153,000).

The remuneration of every director for the year ended 31st December, 2006 and 31st December, 2005 is shown as below:

Name of directors	Directors' fees		Salaries and other benefits		Retirement scheme contributions		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors								
Halina Hung, Shi-wei	4	–	–	–	–	–	4	–
Aaron Tam, Chong-cheong	–	–	–	–	–	–	–	–
Leung, Wing-pong	10	–	–	–	–	–	10	–
Kong, Chi-ming	10	–	–	–	–	–	10	–
	24	–	–	–	–	–	24	–
Independent non-executive directors								
Leung, Yun-fai	60	52	–	–	–	–	60	52
Lam, Yat-fai	60	51	–	–	–	–	60	51
David Chain, Chi-woo	60	50	–	–	–	–	60	50
	180	153	–	–	–	–	180	153
	204	153	–	–	–	–	204	153

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2005: one) was independent non-executive director of the Company whose emoluments are included in (a) above. The emoluments of the remaining four (2005: four) individuals were as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	1,125	976
Retirement benefit scheme contributions	52	41
	1,177	1,017

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

During the year ended 31st December, 2006 and 2005, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group. No directors waived any emoluments in the year ended 31st December, 2006 and 31st December, 2005.

12. INCOME TAX EXPENSE

	2006	2005
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax of the Company and its subsidiaries	–	–
Deferred tax *(Note 27)*	692	2,124
	692	2,124

No provision for Hong Kong Profits Tax has been made as the group companies which are subject to Hong Kong Profits Tax either incurred tax losses for the year or have tax losses brought forward to set off assessable profit for the year.

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

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

	2006		2005	
	HK$'000	%	*HK$'000*	%
Profit before tax	5,511		9,216	
Tax at the Hong Kong Profits tax rate of 17.5%	965	17.5	1,612	17.5
Tax effect of income not taxable for tax purpose	(1,264)	(22.9)	(2,523)	(27.4)
Tax effect of expenses not deductible for tax purposes	977	17.7	714	7.7
Tax effect of tax losses/deferred tax assets not recognised	1,850	33.6	2,321	25.2
Utilisation of tax losses previously not recognised	(1,836)	(33.3)	–	–
Tax charge for the year	692	12.6	2,124	23.0

Details of deferred tax are set out in note 27.

13. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Proposed final dividend of HK$0.01 (2005: HK$0.01) per share	7,941	7,941

The directors of the Company have resolved to recommend the payment of a final dividend of HK$7,941,000 representing HK$0.01 (2005: HK$0.01) per share in respect of the year ended 31st December, 2006. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

The proposed final dividends for the year ended 31st December, 2005 of HK$0.01 per share was approved by the shareholders in general meeting and paid during the year.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK$4,819,000 (2005: HK$7,092,000) and on the weighted average number of ordinary shares in issue of 794,057,800 shares during the year (2005: 781,383,827 shares).

For the year ended 31st December, 2006 and 2005, diluted earnings per share has been presented even though there were no diluting events during the years.

15. ASSETS CLASSIFIED AS HELD FOR SALE

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

16. INVESTMENT PROPERTIES

	HK$'000
Fair value	
At 1st January, 2005	108,080
Disposals	(5,407)
Increase in fair value recognised in the income statement	5,047
At 31st December, 2005 and 1st January, 2006	107,720
Disposals	(68,100)
Increase in fair value recognised in the income statement	5,318
Reclassification to assets classified as held for sale	(9,338)
At 31st December, 2006	35,600

The Group's investment properties comprise land and buildings in Hong Kong as follows:

	2006 *HK$'000*	**2005** *HK$'000*
Long leases	–	620
Medium-term leases	35,600	107,100
	35,600	107,720

The fair value of the Group's investment properties at 31st December, 2006, has been arrived at on the basis of a valuation carried out on the date by Norton Appraisals Limited, independent qualified professional surveyors not connected with the Group. Norton Appraisals Limited has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation, which conformed to The Hong Kong Institute of Surveyors Valuation Standards on Properties (1st Edition) published by the Hong Kong Institute of Surveyors was based on open market value basis.

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

17. INTANGIBLE ASSET

	Patent
	HK$'000
Cost	
At 1st January, 2005, 31st December, 2005 and 31st December, 2006	29,670
Amortisation and impairment	
At 1st January, 2005, 31st December, 2005 and 31st December, 2006	29,670
At 31st December, 2006 and 31st December, 2005	–

18. INTERESTS IN ASSOCIATES

	2006	**2005**
	HK$'000	*HK$'000*
Share of net assets of associates	–	–

Details of the Group's associates at 31st December, 2006 are set out in note 33.

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

	2006	**2005**
	HK$'000	*HK$'000*
Turnover	1,395	–
Loss for the year	(12,678)	(12,432)
Loss attributable to the Group	–	–
Total assets	15,633	11,023
Total liabilities	(75,196)	(65,875)
Net liabilities	(59,563)	(54,852)
Net assets attributable to the Group	–	–

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2006	**2005**
	HK$'000	*HK$'000*
Share of net assets of jointly controlled entities	–	–

Details of the Group's jointly controlled entities at 31st December, 2006 are set out in note 34.

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

	2006	2005
	HK$'000	*HK$'000*
Turnover	–	–
Loss for the year	(20)	(24)
Loss attributable to the Group	–	–
Total assets	4,314	4,314
Total liabilities	(160,497)	(160,485)
Net liabilities	(156,183)	(156,171)
Net assets attributable to the Group	–	–

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2006	2005
	HK$'000	*HK$'000*
Club debentures	220	220

21. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Group are trade receivables of HK$271,000 (2005: HK$182,000) comprising mainly rental receivables which are billed in advance and settlements are expected upon receipts of billings. Its aged analysis at the balance sheet date is as follows:

	2006	2005
	HK$'000	*HK$'000*
Within 30 days	215	172
31-60 days	38	3
Over 60 days	18	7
	271	182

The Directors consider that the carrying amounts of the Group's trade and other receivables at 31st December, 2006 approximate to their fair values.

22. SHORT-TERM LOANS RECEIVABLE

	2006	2005
	HK$'000	*HK$'000*
Loans receivable	3,203	3,530
Less: Allowance for bad and doubtful debts	(3,203)	(3,530)
	–	–

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

23. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade creditors of HK$10,000 (2005: HK$146,000). Its aged analysis at the balance sheet date is as follows:

	2006	2005
	HK$'000	*HK$'000*
Within 30 days	4	28
31-60 days	–	10
Over 60 days	6	108
	10	146

The Directors consider that the carrying amount of the Group's trade and other payables at 31st December, 2006 approximate to their fair values.

24. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand. The Directors consider that the carrying amounts of the Group's amounts due to fellow subsidiaries at 31st December, 2006 approximate to their fair values.

25. SHARE CAPITAL

	Number ordinary shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 31st December, 2006 and 2005	80,000,000,000	800,000
Issued and fully paid:		
At 1st January, 2005	691,257,800	6,912
Issue of new ordinary shares *(note)*	102,800,000	1,028
At 31st December, 2006 and 2005	794,057,800	7,940

Note: Pursuant to a share placing agreement dated 1st February, 2005, the Company issued 102,800,000 ordinary shares at price of HK$0.255 per share in February, 2005. The proceeds was mainly used to repay the secured borrowings from a fellow subsidiary. The new shares issued during the year rank pari passu with the then existing shares in all respect.

26. SHARE OPTION SCHEME

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

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

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

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

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

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

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

No options were outstanding at 31st December, 2006 and 31st December, 2005 under the 2002 Scheme. No options were granted, exercised, cancelled or lapsed during the two years.

27. DEFERRED TAX LIABILITIES/(ASSETS)

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

	Revaluation of investment properties *HK$'000*	Accelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1st January, 2005	(2,321)	3,175	(1,947)	(1,093)
Charge to the income statement for the year	858	305	807	1,970
Realised on disposal of investment property	264	(110)	–	154
At 31st December, 2005	(1,199)	3,370	(1,140)	1,031
Charge to the income statement for the year	945	130	(937)	138
Realised on disposal of investment property	1,514	(960)	–	554
At 31st December, 2006	1,260	2,540	(2,077)	1,723

At 31st December, 2006, the Group has unused tax losses of HK$709,818,000 (2005: HK$709,059,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$11,869,000 (2005: HK$6,516,000) of such losses. No deferred tax assets have been recognised in respect of the remaining tax losses of HK$697,949,000 (2005: HK$702,543,000) due to the unpredictability of future profit streams. All unused tax losses may be carried forward indefinitely.

28. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2006 *HK$'000*	2005 *HK$'000*
Minimum lease payments paid under operating leases	56	42

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

	2006 *HK$'000*	2005 *HK$'000*
Within one year	59	7

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

The Group as lessor

Property rental income earned during the year was HK$3,227,000 (2005: HK$4,189,000) with a rental yields of approximately 7.18% (2005: 3.89%). Certain properties have committed tenants for the next two years.

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

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Within one year	2,334	1,627
In the second to fifth year inclusive	632	455
	2,966	2,082

29. RETIREMENT BENEFIT SCHEMES

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

The total cost charged to consolidated income statement of HK$52,000 (2005: HK$40,000) after forfeited contribution for HK$9,000 (2005: HK$8,000) represents contributions payable to these schemes by the Group for the year.

30. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions

During the year ended 31st December, 2006:

(i) The Group paid interest of HK$ Nil (2005: HK$159,000) to Oriental Ford Finance Limited, a fellow subsidiary of the Company. This interest was charged at prevailing market rates based on outstanding balances during the year.

(ii) The Group paid rent of HK$56,000 (2005: HK$42,000) to Chinese Estates, Limited, a fellow subsidiary of the Company, for the lease of office premises to the Group. The amount paid was based on terms agreed by both parties.

(iii) The Group received rental income of HK$118,000 (2005: HK$118,000) from The House of Kwong Sang Hong Limited, an associated company of Chinese Estates. The rental was charged at a fixed amount of approximately HK$10,000 per month, which was based on terms agreed by both parties.

(b) Compensation of key management personnel

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

	2006	**2005**
	HK$'000	*HK$'000*
Salaries and other short-term benefits	463	406
Pension scheme contributions	22	19
	485	425

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

(c) Balance

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

31. BALANCE SHEET OF THE COMPANY

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

	Note	**2006** HK$'000	**2005** HK$'000
Non-current assets			
Interests in subsidiaries		59,057	89,309
Club debenture		100	100
		59,157	89,409
Current assets			
Prepayment and other receivables		309	280
Bank balances and cash		86,995	26,575
		87,304	26,855
Current liabilities			
Accruals and other payables		467	487
Amount due to a fellow subsidiary		122	109
		589	596
Net current assets		86,715	26,259
Total assets less current liabilities		145,872	115,668
Non-current liability			
Amounts due to subsidiaries		36,150	65
Total assets and liabilities		109,722	115,603
Capital and reserves			
Share capital		7,940	7,940
Share premium and reserves	*(a)*	101,782	107,663
		109,722	115,603

Note:

(a) Share premium and reserves

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
The Company			
At 1st January, 2005	–	81,919	81,919
Shares placement	24,764	–	24,764
Profit for the year	–	980	980
At 31st December, 2005	24,764	82,899	107,663
Dividends	–	(7,941)	(7,941)
Profit for the year	–	2,060	2,060
At 31st December, 2006	24,764	77,018	101,782

32. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2006 are as follows:

Name of Subsidiary	Place of incorporation	Nominal value of issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company Directly	Indirectly	Principal activity
Boria Enterprises Limited	Hong Kong	HK$20	–	100%	Property investment
Gold Concept Limited	Hong Kong	HK$2	–	100%	Property investment
Great King Limited	Hong Kong	HK$2	–	100%	Property investment
Legend Power Ltd. *(note)*	British Virgin Islands	US$2,000	–	100%	Investment holding
Superkey Development Limited	Hong Kong	HK$2	–	100%	Property investment

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

All of the above subsidiaries operate in Hong Kong.

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

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

33. ASSOCIATES

Details of the Group's associates which are held indirectly by the Company at 31st December, 2006 are as follows:

Name of associate	Form of business and structure	Place of incorporation	Proportion of nominal value of issued share capital held	Principal activity
Legend GP (Canada) Limited	Incorporated	British Virgin Islands	50%	Investment holding
Legend Power System Inc.	Incorporated	Canada	50%	Trading of energy saving machines

34. JOINTLY CONTROLLED ENTITIES

Details of the Group's jointly controlled entities which are held indirectly by the Company at 31st December, 2006 are as follows:

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

35. POST BALANCE SHEET EVENTS

(a) On 27th December, 2006 and 8th December, 2006, Superkey Development Limited and Boria Enterprises Limited ("Boria"), indirect wholly owned subsidiaries of the Company, entered into two sale and purchase agreements with two independent third parties ("the Purchasers") in relation to the disposals of a car park located at No. 4106, 4/F., Bank of America Tower, 12 Harcourt Road, Hong Kong (the "Car Park") and a property located at 3rd Floor, Chung Kiu Godown Building, 63-71 Lei Muk Road, Kwai Chung, New Territories, Hong Kong (the "Property") at considerations of HK$538,000 and HK$8,800,000 respectively. The Car Park was satisfied by the Purchasers in cash and the transaction was completed on 19th January, 2007. The Property shall be satisfied in cash and the transaction would be completed on or before 31st May, 2007. Details of the disposal of the Property was disclosed in the Company's announcement dated 12th December, 2006.

(b) On 4th January, 2007 and 16th January, 2007, Boria further entered into two preliminary sale and purchase agreements with another two separately independent third parties in relation to the disposals of 11th Floor and 7th Floor to 10th Floor, Chung Kiu Godown Building, 63-71 Lei Muk Road, Kwai Chung, New Territories, Hong Kong at consideration of approximately HK$5.18 million and HK$20.66 million respectively, which shall be satisfied by the two purchasers in cash and completed on or before 25th July, 2007 and on 6th August, 2007 respectively. Details of the two disposals were disclosed in the Company's announcement dated 8th January, 2007 and 13th February, 2007.

36. COMPARATIVE FIGURES

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

37. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 8th March, 2007.

3. UNAUDITED INTERIM RESULTS

The following is the unaudited consolidated financial statements of the Group as extracted from the interim results announcement for the six months ended 30 June 2007 of the Company dated 2 August 2007:

Consolidated Income Statement
For the six months ended 30 June 2007

		For Six Months ended 30 June	
		2007	**2006**
		(Unaudited)	Unaudited)
	Notes	*HK$'000*	*HK$'000*
Turnover	*3*	1,706	1,803
Direct costs		(114)	(1,053)
Gross profit		1,592	750
Other operating income	*4*	1,918	942
Administrative expenses		(1,744)	(1,960)
Loss on disposal of assets classified as held for sale		(79)	–
Surplus arising on revaluation of investment properties		–	2,560
Profit before tax	*5*	1,687	2,292
Income tax expense	6	–	(451)
Profit for the period		1,687	1,841
Interim Dividend	*7*	Nil	Nil
Earnings per share – basic and diluted (HK$)	*8*	0.0021	0.0023

Consolidated Balance Sheet
As at 30 June 2007

	30 June 2007 (Unaudited) *HK$'000*	31 December 2006 (Unaudited) *HK$'000*
Non-current assets		
Investment properties	–	35,600
Intangible asset	–	–
Interests in associates	–	–
Interests in jointly controlled entities	–	–
Available-for-sales financial assets	100	220
	100	35,820
Current assets		
Trade and other receivables	3,238	593
Short-term loans receivable	–	–
Cash and cash equivalents	95,829	88,062
	99,067	88,655
Assets classified as held for sale	35,600	9,338
	134,667	97,993
Current liabilities		
Trade and other payables	10,576	3,229
Amounts due to fellow subsidiaries	45	185
	10,621	3,414
Net current assets	124,046	94,579
Total assets less current liabilities	124,146	130,399
Non-current liabilities		
Deferred taxation liabilities	1,723	1,723
	1,723	1,723
Total assets and liabilities	122,423	128,676
Capital and reserves		
Share capital	7,940	7,940
Share premium and reserves	114,483	120,736
Total equity	122,423	128,676

Notes to Financial Statements

1. BASIS OF PREPARATION

The consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standards ("HKASs") 34 "Interim Financial Reporting" and Hong Kong (IFRIC) Interpretations ("HKIFIC-int") 10 "Interim Financial Reporting and Impairment" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The consolidated interim financial statements are unaudited and have been reviewed by the Company's audit committee.

The basis of preparation and the principal accounting policies applied in the preparation of the consolidated interim financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA issued the following new or revised HKASs and INTs (hereinafter collectively referred to "new HKFRSs") which are currently in use and effective for accounting periods beginning on or after 1 January 2007. For the purpose of preparing and presenting the consolidated interim financial statements, the Group has adopted all these new HKFRSs. The first time adoption of these new HKFRSs had no material effect on how the results for current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

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 Group has not early adopted of the following new or revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new or revised standards or interpretations will have no material impact on the consolidated interim financial statements of the Group.

HKAS 23 Revised	Borrowing Costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC) – Int 11	HKFRS 2-Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	Service concession arrangements[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008

3. TURNOVER

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

	Six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
Rental income	1,676	1,594
Income from finance	30	209
	1,706	1,803

Business segments

For management purposes, the Group is currently organised into two operating divisions - (i) investment and finance and (ii) properties investment. These divisions are the basis on which the Group reports its primary segment information. The business segments of energy saving machine (manufacturing and trading of energy saving machine) and other investments (trading of investments in securities) have not been presented because of these segments for the periods did not have significant contribution to the Group.

Principal activities are as follows:

Investment and finance	–	investing and financing activities
Properties investment	–	property rental and leasing of equipment and trading of properties held for resale

Segment information about these businesses is presented below:

	Investment and Finance Six month ended 30 June		Properties Investment Six month ended 30 June		Consolidation Six month ended 30 June	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Income statement:						
Turnover						
External sales	30	209	1,676	1,594	1,706	1,803
Segment result	89	462	1,141	3,137	1,230	3,599
Interest Income					1,831	478
Unallocated corporate expenses					(1,374)	(1,785)
Profit before tax					1,687	2,292
Income tax expense					–	(451)
Profit for the period					1,687	1,841
Other segment information						
Impairment losses reversed in the income statement	31	253			31	253
Surplus arising on revaluation of investment properties			–	2,560	–	2,560

Geographical segments

The Group's operations are principally located in Hong Kong. All identifiable assets of the Group are located in Hong Kong. Accordingly, no geographical segments are presented.

4. OTHER OPERATING INCOME

	Six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
Interest income, other than from loans receivable	1,858	478
Written back of allowance for bad and doubtful debts	31	253
Gain on disposal of an subsidiary company	28	–
Gain on disposal of an associated company	–	105
Other income	1	106
	1,918	942

5. PROFIT BEFORE TAX

	Six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
Profit before tax have been arrived at after charging:		
Staff costs:		
Directors' remuneration	120	100
Salaries and other benefits	340	623
Retirement benefit scheme contributions excluding directors and after forfeited contribution of HK$18,000 (2006: HK$8,000)	(5)	29
	455	752
and after crediting:		
Property rental income, net of outgoings of HK$114,000 (2006: HK$570,000)	1,562	1,024

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax of the Company and its subsidiaries	–	–
Deferred taxation	–	451
	–	451

No provision for Hong Kong Profits Tax has been made as the group companies which are subject to Hong Kong Profits Tax either incurred tax losses for period or have tax losses brought forward to set off assessable profit for the period.

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

7. INTERIM DIVIDEND

The Board of Directors resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period of HK$1,687,000 (2006: HK$1,841,000) and on the weighted average number of ordinary shares in issue of 794,057,800 shares during the period (2006: 794,057,800 shares).

For the six months ended 30 June 2007 and 30 June 2006, diluted earnings per share has been presented even though there were no dilutive potential ordinary shares in issue.

9. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the current period's presentation.

4. INDEBTEDNESS STATEMENT

Other than the borrowings to fellow subsidiaries of approximately HK$45,000 and apart from intra-group liabilities, the Group did not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities as at the close of business on 30 June 2007, being the latest practicable date for the purpose of this indebtedness statement.

5. MATERIAL CHANGE

The Directors confirm that save as disclosed in the interim results announcement of the Group for the six months ended 30 June 2007, the announcements and respective circulars: (i) dated 8 January 2007 and 27 January 2007 in relation to the purchase of the 11/F of Chung Kiu Godown Building at approximately HK$5.18 million; (ii) dated 13 February 2007 and 28 March 2007 in relation to the disposal of the 7/F to 10/F of Chung Kiu Godown Building at approximately HK$20.66 million; (iii) dated 28 March 2007 and 19 April 2007 in relation to the disposal of the 4/F to 5/F and one car parking space of Chung Kiu Godown Building at approximately HK$10.8 million; and (iv) dated 26 June 2007 and 16 July 2007 in relation to the purchase of 31 car parking spaces with 5 adjoining spaces at approximately HK$29.3 million, there were no material changes in the financial or trading position or outlook of the Group since 31 December 2006, the date to which the last published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Norton Appraisals Limited, an independent property valuer, in connection with the valuations of the property interests of the Group as at 15 August 2007.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

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

28 August 2007

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

Ref : NAL/PW/NK/TC/R07184

Dear Sirs,

In accordance with your instructions from G-Prop (Holdings) Limited and its subsidiaries (hereinafter together referred to as the "**Group**") for us to value the property interests in Hong Kong Special Administrative Region ("**Hong Kong**") (as more particularly described in the attached Summary of Values), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of the property interests in their existing states as at 15 August 2007 (hereinafter referred to as the "**date of valuation**") for public documentation purpose.

Basis of Valuation

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

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

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

Valuation Methodology

In valuing the property interests under Group I and Group II which are subject to existing tenancies, we have adopted Investment Approach by taking into account the current rents passing and the reversionary potential of the properties.

Valuation Assumptions

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

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

Title Investigation

We have caused land title searches of the properties at the relevant Land Registries. We have not, however, examined the original documents to ascertain the existence of any amendments which may not appear on the copies handed to us.

Limiting Conditions

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

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

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

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

Our valuations have compiled with all the requirements contained in the Chapter 5 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors.

Remarks

Unless otherwise stated, all monetary amounts stated in our valuation certificates are in Hong Kong dollars.

Our Summary of Values and the Valuation Certificates are enclosed herewith.

Yours faithfully,
For and on behalf of
Norton Appraisals Limited

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

Note: Mr. M. K. Wong is a Registered Professional Surveyor who has more than 15 years' experience in valuation of properties in Hong Kong.

Summary of Values

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

	Property	Capital Value in existing state as at 15 August 2007 *HK$*	Interest attributable to the Group	Capital Value attributable to the Group as at 15 August 2007 *HK$*
1.	25 Car Parking Spaces on various Floors and 5 Adjoining Spaces at the 2nd and 4th Floors of the Bank of East Asia Harbour View Centre, No. 56 Gloucester Road, Wan Chai, Hong Kong	$21,250,000	100%	$21,250,000
2.	Six Parking Spaces and Carport Basement of No. 9 Queen's Road Central, Central, Hong Kong	$7,800,000	100%	$7,800,000
	Sub-total:	**$29,050,000**		**$29,050,000**

Group II: Property interest contracted to be sold by the Group in Hong Kong

	Property	Capital Value in existing state as at 15 August 2007 *HK$*	Interest attributable to the Group	Capital Value attributable to the Group as at 15 August 2007 *HK$*
3.	The whole of 4th Floor (including the Flat Roof thereof), the whole of 5th Floor and Car Parking Space No. 25 on Ground Floor, Chung Kiu Godown Building, Nos. 63-71 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	$11,100,000	100%	$11,100,000
	Sub-total:	**$11,100,000**		**$11,100,000**
	GRAND TOTAL:	**$40,150,000**		**$40,150,000**

Valuation Certificate

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

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 15 August 2007 *HK$*
1.	25 Car Parking Spaces on various Floors and 5 Adjoining Spaces at the 2nd and 4th Floors of the Bank of East Asia Harbour View Centre, No. 56 Gloucester Road, Wan Chai, Hong Kong 683,040/ 19,581,678th equal and undivided shares of and in the Remaining Portion of Inland Lot No. 2818. The Remaining Portion of Section D of Inland Lot No. 2818. The Remaining Portion of Section F of Inland Lot No. 2817 and Section M of Inland Lot No. 2817	Bank of East Asia Harbour View Centre (the "**Building**") is a 31-storey commercial building with ancillary carparking facilities completed in 1990. The property comprises 25 car parking spaces scattered on Ground to 4th floor together with 5 adjoining spaces at the 2nd and 4th floors of the Building which are also occupied as car parking spaces. Inland Lot Nos. 2817 and 2818 are each held under two Government Leases for a common term of 99 years commencing from 26th March, 1929 and 25th May, 1929 respectively each renewable for a further term of 99 years.	19 out of 25 car parking spaces are subject to various monthly licenses, yielding a total monthly income of $73,100 inclusive of rates and services charges whilst the remaining 6 car parking spaces are currently vacant. 4 out of 5 adjoining spaces are subject to 4 separate licences yielding a total monthly income of $15,000 inclusive of rates and services charges whilst the remaining 1 adjoining space is currently vacant.	$21,250,000 *(see Note ii below)* (100% interest attributable to the Group: $21,250,000)

Notes:

i) The property comprises:

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

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

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

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

iv) The property is subject to the following encumbrances:

(A) Memorandum of Change of Name of Building vide Memorial No. UB8646782 dated 15 March 2002;

(B) Mortgage in favour of Liu Chong Hing Bank Limited (rename as "Chong Hing Bank Limited") and the consideration is part of all monies vide Memorial No. UB9016212 dated 10 September 2003; and

(C) Partial release vide Memorial No. 07080901630025 dated 30 July 2007 under Deeds Pending Registration.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 15 August 2007 *HK$*
2.	Six Parking Spaces and Carport Basement of No. 9 Queen's Road Central, Central, Hong Kong 9/23,086th equal and undivided shares of and in Sections A and B and the Remaining Portion of Section C and the Remaining Portion of Marine Lot No. 101, the Remaining Portion of Section A of Marine Lot No. 102, Section C of Marine Lot No. 103 and the Remaining Portion of Inland Lot No. 514	No. 9 Queen's Road Central (the "**Building**") is a 35-storey commercial building completed in 1992. The property comprises six parking spaces and the loading/unloading area on the carport basement of the Building. Marine Lot Nos. 101, 102 and 103 are held under respective Government Leases for a common term of 999 years commencing from 16th November, 1855 whilst Inland Lot No. 514 is held under another Government Lease for a term of 999 years commencing from 21st January, 1857.	3 parking spaces are subject to 3 separate monthly licences, yielding a total monthly income of $19,200 exclusive of rates and service charges whilst the remaining parking spaces are currently vacant.	$7,800,000 (100% interest attributable to the Group: $7,800,000)

Notes:

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

ii) The property is subject to the following encumbrances:

(A) Deed of Grant of Easements vide Memorial No. UB8614256 dated 21 January 2002;

(B) Mortgage in favour of Liu Chong Hing Bank Limited (rename as "Chong Hing Bank Limited") and the consideration is part of all monies vide Memorial No. UB9016212 dated 10 September 2003; and

(C) Partial release vide Memorial No. 07080901630025 dated 30 July 2007 under Deeds Pending Registration.

Group II - Property interest contracted to be sold by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 15 August 2007 *HK$*
3.	The whole of 4th Floor (including the Flat Roof thereof), the whole of 5th Floor and Car Parking Space No. 25 on Ground Floor, Chung Kiu Godown Building, Nos. 63-71 Lei Muk Road, Kwai Chung, New Territories, Hong Kong 19/242th equal and undivided shares of and in the Lot No. 974 in Demarcation District 450 (the "Lot")	The property comprises the whole of 4th and 5th Floors together with one car parking space on Ground Floor of a 24-storey industrial building. The building was completed in or about 1979. The total gross floor area of the property (excluding car parking space) is approximately 2,302.21 sq.m. (24,781 sq.ft.) together with a flat roof on 4th Floor having a gross floor area of 827.02 sq.m. (8,902 sq.ft.). The subject site is held under New Grant No. 4287 for a term of 99 years commencing from 1st July, 1898 less the last three days thereof which was statutorily extended to 30th June, 2047. The Government rent for the Lot is HK$230 per annum.	The whole of 4th and 5th Floors are let under two tenancies for terms of 2 years with the latest one expiring on 14 November 2008, yielding a total monthly income of $68,165 (exclusive of government rates and management fee) whereas the car parking space and the flat roof on 4th Floor are currently vacant.	$11,100,000 (100% interest attributable to the Group: $11,100,000)

Notes:

i) The registered owner of the property is Boria Enterprises Limited, which is wholly-owned subsidiary of the Group, vide Memorial No. TW1174186 dated 15 September 1997.

ii) The property is subject to a preliminary for sale and purchase agreement in favour of Best World Enterprises Limited for a consideration of $10,805,000 vide Memorial No. 07050400930100 dated 24 March 2007.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Norton Appraisals Limited, an independent property valuer, in connection with the valuation of the property interests of the PRC Company as at 1 August 2007.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

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

28 August 2007

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

Ref: NAL/PW/TC/R07162

Dear Sirs,

In accordance with the instructions from G-Prop (Holdings) Limited (hereinafter referred to as the "**Group**") for us to value the property interests located in Erdos City, Inner Mongolia Autonomous Region, the People's Republic of China (hereinafter referred to as the "**PRC**") (as more particularly described in the attached Summary of Values), we confirm that we have carried out inspections, made relevant enquires and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of those property interests as at 1 August 2007 (hereinafter referred to as the "**date of valuation**") for public documentation purpose.

Basis of Valuation

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

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

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

Valuation Methodology

In valuing the property interests, we have adopted Direct Comparison Approach assuming such property interests are capable of being sold in their existing states on a strata-titled basis with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets.

Valuation Assumptions

Our valuations have been made on the assumption that the owner sells the properties on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the values of the property interests.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting sales of the properties and no forced sale situation in any manner is assumed in our valuations.

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

Title Investigation

We have not investigated the title to or any liabilities against the properties. We have, however assumed that transferable land use rights of the properties for the specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the advice given by the Group and its PRC legal adviser, Jingtian & Gongcheng Attorneys At Law (the "**PRC legal adviser**"), regarding the title to the properties as at the date of valuation.

Limiting Conditions

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

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

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

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

We have no reason to doubt the truth and accuracy of the information provided to us by the Group. We have been also advised by the Group that no material facts have been omitted from the information provided.

Our valuations have been prepared in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors and the requirement as stated in the Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Remarks

Unless otherwise stated, all monetary amounts stated in our valuation certificates are in Hong Kong dollars. The exchange rate adopted in our valuations is HK$1 = RMB0.97 which was the approximate exchange rate prevailing as at the date of valuation.

Our Summary of Values and the Valuation Certificates are enclosed herewith.

Yours faithfully,
For and on behalf of
Norton Appraisals Limited

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

Note: Mr. M. K. Wong is a Registered Professional Surveyor who has more than 15 years' experience in valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUES

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

	Property	Capital Value in its existing state as at 1 August 2007
1.	A parcel of land located at Da Qi San Shang Liang Industrial District, Shu Lin Zhao Xiang Guan Nian Fung Village, Da La Te Qi County, Erdos City, Inner Mongolia Autonomous Region, the PRC	HK$59,200,000

Group II – Property interest held by the PRC Company for owner occupation in the PRC

2.	The whole of Block 2 and Unit Nos. 451 and 452 on 5th Floor of Block 4, Yu Long Garden ("裕隆花園"), Wen Yuan Street South, Jin Peng Road West, Da Qi Shu Village, Da La Te Qi County, Erdos City, Inner Mongolia Autonomous Region, the PRC	HK$3,300,000
	Total:	**HK$62,500,000**

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

	Property	Description and Tenure	Particulars of Occupancy	Capital Value in its existing state as at 1 August 2007
1.	A parcel of land located at Da Qi San Shang Liang Industrial District, Shu Lin Zhao Xiang Guan Nian Fung Village, Da La Te Qi County, Erdos City, Inner Mongolia Autonomous Region, the PRC	The property comprises a parcel of land with a registered site area of approximately 666,670 sq.m. (7,176,036 sq.ft.) and is planned to be developed into a industrial complex known as "魯能煤電化循環經濟產業園" (Lu Neng Coal and Electricity Cycle Economic Development Zone) (the "Development"). The land use rights of the property are to be granted for a term of 50 years from the issuance date of the Certificate for State-owned Land Use Rights for industrial use.	The property is currently a vacant site.	HK$59,200,000

Notes:

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

(A)	Site area	:	666,670 sq.m.
(B)	Use	:	industrial
(C)	Land use term	:	50 years
(D)	Plot ratio	:	not less than 0.8
(E)	Total investment	:	not less than RMB9,115,400,000

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

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

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

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

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

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

(C) The Company has been duly incorporated and has full corporate power and legal capacity to carry out on the business specified in the Business Licence of the Company.

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

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

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

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

Group II – Property interest held by the PRC Company for owner occupation in the PRC

	Property	Description and Tenure	Particulars of Occupancy	Capital Value in its existing state as at 1 August 2007
2.	The whole of Block 2 and Unit Nos. 451 and 452 on 5th Floor of Block 4, Yu Long Garden ("裕隆花園"), Wen Yuan Street South, Jin Peng Road West, Da Qi Shu Village, Da La Te Qi County, Erdos City, Inner Mongolia Autonomous Region, the PRC	Yu Long Garden (the "Development") is a large scale low-rise residential development completed in about 2005. The property comprises the whole of Block 2 which accommodating ten residential units and two residential units on the 5th Floor of Block 4 of the Development. The total gross floor area of the property is approximately 1,614.99 sq.m.. The land use rights of the property have been granted for common terms up to 1st September, 2073 for residential use.	The property is currently owner-occupied.	HK$3,300,000

Notes:

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

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

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

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

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

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

(A) According to the Certificates for Building Ownership and the Certificates for State-owned Land Use Rights. The Company has duly obtained the land use rights of the property for the common term up to 1st September, 2073 for residential use;

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

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

(D) The Company has been duly incorporated and has full corporate power and legal capacity to carry out on the business specified in the Business Licence of the Company.

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

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

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

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document (other than information relating to AK and KB Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement (other than those relating to AK and KB Group) in this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to AK and KB Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statements in this circular misleading.

The directors of AK jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group, KB Group, the Vendor and the PRC Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statements in this circular misleading.

The directors of KB Sub jointly and severally accept full responsibility for the accuracy of the information contained in this circular in respect of the KB Group (including KB Sub) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular in respect of the KB Group (including KB Sub) have been arrived at after due and careful consideration and there are no other facts not contained in this circular in respect of the KB Group (including KB Sub) the omission of which would make any statements in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was as follows:

Authorised:		*HK$*
80,000,000,000	Shares	800,000,000
Issued:		
794,057,800	Shares	7,940,578

All the issued Shares are fully paid up and rank pari passu in all respects including all rights as to dividends, voting and capital.

Since 31 December 2006, the date to which the latest audited financial statement of the Company was made up, and up to the Latest Practicable Date, the Company has not issued any new Shares.

Save for the Subscription, no share or loan capital of the Company had been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares had been issued or granted or agreed conditionally or unconditionally to be issued or granted as at the Latest Practicable Date.

3. MARKET PRICES

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the period commencing six months preceding the date of the date of the Announcement; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
31 January 2007	Suspended
28 February 2007	0.29
30 March 2007	2.59
30 April 2007	1.58
31 May 2007	2.31
29 June 2007	1.65
Last Trading Day	2.07
Latest Practicable Date	1.97

The highest and lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period were HK$3.49 and HK$0.255 on 29 March 2007 and 15 February 2007 respectively.

4. DISCLOSURE INTERESTS

As at the Latest Practicable Date,

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

(b) none of the Directors had any interest, direct or indirect, in any asset which have since 31 December 2006, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which was significant in relation to the business of the Group;

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

5. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

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

Long Positions in the Company:

Name of Shareholder	Number of Shares in the Company	Capacity	*Note*	Percentage of Shareholding *(%)*
Million Point Limited	50,000,000	Beneficial owner	*1*	6.30
Cosmos Success Limited	50,000,000	Interest of a controlled corporation	*1*	6.30
Chinese Estates, Limited	50,000,000	Interest of a controlled corporation	*1*	6.30
Luckpoint Investment Limited	76,877,685	Beneficial owner	2	9.68
China Entertainment and Land Investment Company, Limited	76,877,685	Interest of a controlled corporation	2	9.68
Paul Y. Holdings Company Limited	150,981,076	Beneficial owner and interest of a controlled corporation	*3&4*	19.01
CE	277,858,761	Interest of a controlled corporation	*1, 2, 3&4*	34.99

Name of Shareholder	Number of Shares in the Company	Capacity	*Note*	Percentage of Shareholding *(%)*
AK	938,123,327	Beneficial owner	*7*	118.14
Crown Jade Limited	938,123,327	Interest of a controlled corporation	*7*	118.14
Mr. Lau	1,215,982,088	Founder of trust, beneficiary of trust and interest of controlled corporations	*5&7*	153.14
Global King Ltd.	277,858,761	Trustee	*6*	34.99
GZ Trust Corporation	277,858,761	Trustee, beneficiary of trust and interest of a controlled corporation	*6*	34.99
KB Sub	1,407,184,991	Beneficial owner	*8*	177.21
Jamplan (BVI) Limited	1,407,184,991	Interest of controlled corporation	*8*	177.21
KB	1,407,184,991	Interest of controlled corporations	*8*	177.21

Notes:

1. Million Point Limited ("**Million Point**") was the beneficial owner of 50,000,000 Shares. Each of CE, Chinese Estates, Limited and Cosmos Success Limited was deemed to be interested in the same parcel of Shares in which Million Point was interested since CE owned the entire issued share capital of Chinese Estates, Limited, which in turn owned the entire issued share capital of Cosmos Success Limited, which in turn owned the entire issued share capital of Million Point.

2. Luckpoint Investment Limited ("**Luckpoint**") was the beneficial owner of 76,877,685 Shares. Each of CE and China Entertainment and Land Investment Company, Limited ("**CELI**") was deemed to be interested in the same parcel of Shares in which Luckpoint was interested since CE owned the entire issued share capital of CELI, which in turn owned the entire issued share capital of Luckpoint.

3. Paul Y. Holdings Company Limited ("**Paul Y.**") was the beneficial owner of 113,818,911 Shares. CE was deemed to be interested in the same parcel of Shares in which Paul Y. was interested since CE owned the entire issued share capital of Paul Y..

   In addition, Great Empire International Ltd. ("**Great Empire**") was the beneficial owner of 37,162,165 Shares. Each of CE and Paul Y. was deemed to be interested in the same parcel of Shares in which Great Empire was interested since CE owned the entire issued share capital of Paul Y., which in turn beneficially owned the entire issued share capital of Great Empire.

4. Mr. Leung. Wing-pong and Mr. Kong, Chi-ming, Directors, are also employees of subsidiaries of CE and/or Paul Y.. These subsidiaries are not themselves substantial Shareholders.

5. Mr. Lau, by virtue of his 47.29% interest in the issued share capital of CE, was deemed to be interested in the same interests stated against CE under the provisions of the SFO.

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

7. Upon the signing of the Subscription Agreement, AK was deemed under the provisions of the SFO to be interested (as beneficial owner) in 938,123,327 Shares (representing 493,678,883 AK Subscription Shares and the 444,444,444 Conversion Shares which might fall to be allotted and issued to AK upon full conversion of the Conversion Rights attaching to the AK Bonds at the Conversion Price). The entire issued share capital of AK was held by Crown Jade Limited, which was in turn owned by Mr. Lau. Each of Crown Jade and Mr. Lau was deemed to be interested in the same parcel of Shares in which AK was interested.

8. Upon the signing of the Subscription Agreement, KB Sub was deemed under the provisions of the SFO to be interested (as beneficial owner) in 1,407,184,991 Shares (representing 740,518,325 KB Subscription Shares and 666,666,666 Conversion Shares which might fall to be allotted and issued to KB Sub upon full conversion of the Conversion Rights attaching to the KB Bonds at the Conversion Price). The entire issued share capital of KB Sub was held by Jamplan (BVI) Limited, the entire issued share capital of which was in turn owned by KB. Each of Jamplan (BVI) Limited and KB was deemed to be interested in the same parcel of Shares in which KB Sub was interested.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, there was no other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

6. ADDITIONAL DISCLOSURE OF SHAREHOLDING AND DEALINGS PURSUANT TO THE TAKEOVERS CODE

(a) The shareholdings of AK and KB Sub in the Company as at the Latest Practicable Date are set out in the paragraph headed "Interests of substantial Shareholders" above. The Company has no shareholding interest in AK and KB Sub.

(b) Save as set out in the paragraph headed "Interest of substantial Shareholders" above, as at the Latest Practicable Date, none of the directors of AK and KB Sub is interested in any securities of the Company.

During the Relevant Period, save for the disposal of Shares by Million Point Limited (being a party acting in concert with AK) as set out below, none of the directors of AK and KB Sub has dealings in the securities of the Company:

Date	**Number of Shares**	**Price** *(HK$ per Share)*
7 June 2007	120,000,000	HK$1.50

(c) Save as set out in the paragraph headed "Interest of substantial Shareholders" above, as at the Latest Practicable Date, none of the persons acting in concert with AK and KB Sub own or control any securities of the Company.

(d) No member of the Combined Concert Group had any arrangement of the kind described in Note 8 to Rule 22 of the Takeovers Code with any person as at the Latest Practicable Date.

(e) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between AK, KB Sub or any person acting in concert with it and any Director, recent Director, shareholder or recent shareholder of the Company which had any connection with or dependence upon the Subscription.

(f) As at the Latest Practicable Date, none of the Directors are interested in any securities of the Company, AK and KB Sub.

(g) As at the Latest Practicable Date, no shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or by the Independent Financial Adviser.

(h) As at the Latest Practicable Date, no person had any arrangement of the kind as described in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(i) As at the Latest Practicable Date, no shareholding in the Company was managed on a discretionary basis by fund managers connected with the Company.

(j) As at the Latest Practicable Date, no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Subscription.

(k) There was no agreement or arrangement between any Director and any other person which is condition on or dependent upon the outcome of the Subscription or otherwise connected with it.

(l) No material contracts have been entered into by AK and KB Sub in which any Director has any a material personal interest.

7. MATERIAL CONTRACTS

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

(a) a preliminary sale and purchase agreement and a formal sale and purchase agreement between Boria Enterprises Limited ("**Boria**"), an indirectly wholly-owned subsidiary of the Company as vendor and Ching Sum, Chik Kin Yuen, Tam Kam Wu and Tam Woon Chee, independent third parties, as purchasers in respect of 1st Floor, Chung Kiu Godown Building, Nos. 63-71 Lei Muk Road, Kwai Chung, New Territories at the consideration of HK$9 million dated 26 October 2005 and 18 November 2005 respectively;

(b) a preliminary sale and purchase agreement and a formal sale and purchase agreement between Great King Limited and Gold Concept Limited, indirectly wholly-owned subsidiaries of the Company as vendors and Million Hill Development Limited, an independent third party, as purchaser in respect of (i) Shop G on G/F and Cockloft, 1/F to 3/F of Golden Hall Building, Nos. 49–63 Castle Peak Road, Yuen Long, New Territories and (ii) Flat A and Flat B on 4th Floor, including Flat Roof and Unit A and Unit B of Roof of Golden Hall Building, Nos. 49-63 Castle Peak Road, Yuen Long, New Territories at the consideration of HK$67.8 million dated 27 February 2006 and 13 March 2006 respectively;

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

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

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

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

(g) the Acquisition Agreement; and

(h) the Subscription Agreement.

8. DIRECTORS' SERVICE CONTRACTS

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

None of the Directors has a service contract with the Company or any of its subsidiaries or associated companies which:

(a) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Announcement;

(b) are continuous contracts with a notice period of 12 months or more; or

(c) are fixed term contracts with more than 12 months to run irrespective of the notice period.

9. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

10. EXPERTS AND CONSENTS

The Independent Financial Adviser is a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO.

Norton Appraisals Limited is a corporation of registered professional surveyors.

The Independent Financial Adviser and Norton Appraisals Limited have given and have not withdrawn their respective written consent to the issue of this circular with the reference to their respective name and their respective letter, report, summary of values and valuation certificates (as the case may be) in the form and context in which they respectively appear.

As at the Latest Practicable Date, neither the Independent Financial Adviser nor Norton Appraisals Limited had any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, neither the Independent Financial Adviser nor Norton Appraisals Limited had any interest, direct or indirect, in any assets which since 31 December 2006, the date to which the latest published audited financial statements of the Group were made up, have 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.

11. GENERAL

(a) The registered address and correspondence address of AK are situated at Palm Grove House, P.O. Box 483, Road Town, Tortola, British Virgin Islands and 26/F, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong respectively. The ultimate beneficial owner of AK is Mr. Lau and the directors of each of AK and its holding company are Mr. Lau and Mr. Lau Ming-wai.

The registered address and correspondence address of KB Sub are situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and Block K, 5/F., Valiant Industrial Centre, 2-12 Au Pui Wan Street, Fotan, Shatin, New Territories, Hong Kong. The ultimate holding company of KB Sub is KB and the directors of KB Sub comprise Mr. Cheung Kwok Wing, Mr. Chan Wing Kwan and Mr. Chang Wing Yiu.

(b) The registered address of Access Capital Limited is situated at Suite 606, 6/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

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

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

(d) The registered address of BNP Paribas Capital (Asia Pacific) Limited is at 63/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(e) The registered address of the Independent Financial Adviser is at Unit 6503–06, 65th Floor, The Center, 99 Queen's Road Central, Hong Kong.

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

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

(h) As at the Latest Practicable Date, no agreement, arrangement or understanding existed between AK, KB Sub and CE and any other person pursuant to which the securities to be acquired in pursuance of the Subscription will be transferred, charged or pledged to any other persons.

(i) The English text of this circular shall prevail over the Chinese text for the purpose of interpretations.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 12:30 p.m. and from 1:30 p.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays) at (i) 26th Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) the Company's website at www.g-prop.com.hk during the period from 28 August 2007 to 12 September 2007:

(a) the memorandum of association and the bye-laws of the Company;

(b) the memorandum and articles of association of AK;

(c) the memorandum and articles of association of KB Sub;

(d) the annual reports of the Company for the two years ended 31 December 2006;

(e) the letter from the Independent Board Committee;

(f) the letter from the Independent Financial Adviser;

(g) the valuation report on the Group's property interests prepared by Norton Appraisals Limited as set out in Appendix II to this circular;

(h) the valuation report on the PRC Company's property interests prepared by Norton Appraisals Limited as set out in Appendix III to this circular;

(i) the written consents referred to in the paragraph headed "Experts and consents" in this Appendix; and

(j) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix.

G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 286)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of G-Prop (Holdings) Limited ("**Company**") will be held at Function Room of Queensway and Victoria, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 11:00 a.m. on Wednesday, 12 September 2007 for the purpose of considering and, if thought fit, with or without amendments, passing the following resolutions, each of which will be proposed as an ordinary resolution:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the agreement entered into by 山東魯能礦業集團有限公司 (unofficial English translation as Shandong Luneng Mining Group Ltd.) as vendor, Grade Crystal Investments Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser and Fame Ascent Investments Limited in relation to the acquisition of the entire registered capital of 內蒙古伊澤礦業投資有限公司 (unofficial English translation as Inner Mongolia Yize Mining Investment Co., Ltd.) dated 1 August 2007 ("**Acquisition Agreement**") (a copy of the Acquisition Agreement marked "**A**" and initialed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) and all transactions contemplated thereunder be and are hereby confirmed, approved and ratified; and

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

2. "**THAT** subject to and conditional upon the passing of the ordinary resolution numbered 3 as set out in the notice convening this meeting:

(a) the subscription agreement entered into by the Company (as issuer), Asian Kingdom Limited and Fame Ascent Investments Limited (both as subscribers) in relation to the subscription of the an aggregate of 1,234,197,208 shares of HK$0.01 each of the Company ("**Subscription Shares**") and the convertible bonds in the aggregate principal amount of HK$180,000,000 due 2010 ("**Convertible Bonds**") by Asian Kingdom Limited and Fame Ascent Investments Limited dated 1 August 2007 ("**Subscription Agreement**") (a copy of the Subscription Agreement marked "**B**" and initialed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) and all transactions contemplated thereunder be and are hereby confirmed, approved and ratified;

(b) subject to the completion of the Subscription Agreement, the allotment and issue of the Subscription Shares at the subscription price of HK$0.162 each as to 493,678,883 Subscription Shares to Asian Kingdom Limited and as to 740,518,325 Subscription Shares to Fame Ascent Investments Limited in accordance with the terms of the Subscription Agreement be and are hereby approved;

(c) subject to the completion of the Subscription Agreement, the creation and issue by the Company of the Convertible Bonds to Asian Kingdom Limited and Fame Ascent Investments Limited in accordance with the terms of the Subscription Agreement be and are hereby approved;

(d) the allotment and issue of the Shares (as such term is defined in the draft deed poll constituting the Convertible Bonds attached to the Subscription Agreement) upon the exercise of the conversion rights attaching to the Convertible Bonds be and are hereby approved; and

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

3. "**THAT** subject to the Executive (as defined in the circular of the Company dated 28 August 2007 ("**Circular**")) granting to Asian Kingdom Limited, Fame Ascent Investments Limited, Chinese Estates Holdings Limited and parties acting in concert with any of them ("**Combined Concert Group**") the Whitewash Waiver (as defined in the Circular) and the satisfaction of any condition attached to the Whitewash Waiver imposed by the Executive, the waiver pursuant to Note 1 to the notes on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers ("**Takeovers Code**") waiving any obligation on the Combined Concert Group to make a mandatory general offer to the holders of securities of the Company to acquire securities of the Company other than those already owned by the Combined Concert Group which would otherwise arise under Rule 26.1 of the Takeovers Code as a result of the subscription of the Subscription Shares (as defined in resolution numbered 2 as set out in the notice convening this meeting) and the allotment and issue of the shares of the Company upon the exercise of the conversion rights attaching to the Convertible Bonds (as defined in resolution number 2 as set out in the notice convening this meeting) be and is hereby approved."

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

Hong Kong, 28 August 2007

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

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

Notes:

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

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

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

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

(5) Each of the resolutions as set out above will be voted on by way of a poll.

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