



CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST JULY, 2008

The board of directors (the “Board”) of Capital Estate Limited (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st July, 2008, together with comparative figures for the previous financial year as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST JULY, 2008

	NOTES	2008 HK\$'000	2007 HK\$'000 (Restated)
Continuing operations			
Property rental and sale income		898	567
Direct costs on property rental and sale		<u>(1,766)</u>	<u>(935)</u>
Gross loss		(868)	(368)
Other (losses) gains		(188,836)	154,133
Other income		6,613	8,407
Increase in fair value of investment properties		5,974	3,260
Administrative expenses		(25,882)	(56,069)
Gain on disposal of a subsidiary		148	—
Share of profits of associates		2,302	1,599
Finance costs	6	<u>(986)</u>	<u>(498)</u>
(Loss) profit before taxation		(201,535)	110,464
Taxation	7	<u>22</u>	<u>(22,770)</u>
(Loss) profit for the year from continuing operations		(201,513)	87,694
Discontinued operation			
		<u>—</u>	<u>(2,386)</u>
(Loss) profit for the year	8	<u><u>(201,513)</u></u>	<u><u>85,308</u></u>

	<i>NOTES</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> (Restated)
Attributable to:			
Equity holders of the Company		(201,507)	85,140
Minority interests		(6)	168
		<u>(201,513)</u>	<u>85,308</u>
(Loss) earnings per share	9		
From continuing and discontinued operations			
Basic		<u>(1.614) HK cents</u>	<u>1.044 HK cents</u>
Diluted		<u>N/A</u>	<u>1.040 HK cents</u>
From continuing operations			
Basic		<u>(1.614) HK cents</u>	<u>1.075 HK cents</u>
Diluted		<u>N/A</u>	<u>1.071 HK cents</u>

CONSOLIDATED BALANCE SHEET
AT 31ST JULY, 2008

	<i>NOTES</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current assets			
Investment properties		36,650	37,828
Property, plant and equipment		3,017	3,731
Prepaid lease payments		—	7,265
Interests in associates		233,724	392,499
Available-for-sale investments		69,890	56,250
Deposit paid for acquisition of a subsidiary		250,000	—
		593,281	497,573
Current assets			
Amount due from an associate		45	—
Properties for development		301,033	—
Properties held for sale		—	206
Derivative financial instruments		208	—
Trade and other receivables	<i>10</i>	928	12,987
Prepaid lease payments		—	908
Investments held for trading		103,412	266,127
Pledged bank deposits		641	630
Restricted bank deposits		6,227	—
Bank balances and cash		39,743	151,464
		452,237	432,322
Current liabilities			
Trade and other payables	<i>11</i>	4,611	6,401
Derivative financial instruments		1,005	775
Taxation payable		34,286	34,308
Bank borrowings — due within one year		—	1,039
		39,902	42,523
Net current assets		412,335	389,799
Total assets less current liabilities		1,005,616	887,372
Non-current liability			
Bank borrowings — due after one year		—	4,937
		1,005,616	882,435

<i>NOTES</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Capital and reserves		
Share capital	132,869	107,598
Reserves	868,982	774,837
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	1,001,851	882,435
Minority interests	3,765	—
	<hr/>	<hr/>
	1,005,616	882,435
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NOTES:

1. GENERAL

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

The Company acts as a property and investment holding company.

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

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

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

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions

In addition, the group has applied, for the first time, amendments to Hong Kong Accounting Standard 39 “Financial Instruments: Recognition and Measurement” and Hong Kong Financial Reporting Standard 7 “Financial Instruments: Disclosures”, which were issued on 15th October, 2008, and effective from 1st July, 2008.

The adoption of these new HKFRSs has no significant impact on the Group’s results and financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

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

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) — Int 12	Service Concession Arrangements ³
HK(IFRIC) — Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation ⁵

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

² Effective for annual periods beginning on or after 1st July, 2009

³ Effective for annual periods beginning on or after 1st January, 2008

⁴ Effective for annual periods beginning on or after 1st July, 2008

⁵ Effective for annual periods beginning on or after 1st October, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 23 (Revised) will remove the option of immediately expensing those borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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

3. CHANGE IN PRESENTATION OF FINANCIAL STATEMENTS

In the current year, the Group has changed its presentation of revenue and direct cost in the consolidated income statement in respect of its financial investments. In prior years, net (loss) gain on investments held for trading and derivative financial instruments and the related dividend income from such financial assets were included in the Group's revenue. In the current year, net (loss) gain on investments held for trading and derivative financial instruments and the related dividend income are included in other (losses) gains instead of revenue. The Group has determined that this change in presentation would provide more useful and relevant information to users of its financial statements. The comparative amounts in the consolidated income statement have been reclassified accordingly.

The effects of the change in presentation is set out below:

	2008 HK\$'000	2007 HK\$'000
Net (loss) gain on investments held for trading (previously included in revenue, now included in other (losses) gains)	(175,546)	128,702
Net (loss) gain on derivative financial instruments (previously included in revenue, now included in other (losses) gains)	(15,704)	20,762
Dividend income from investments held for trading (previously included in revenue, now included in other (losses) gains)	2,414	4,669
	(188,836)	154,133

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Principal activities are as follows:

Property rental — leasing of properties

Financial investment — trading of listed securities and derivative financial instruments

Property development and sale — sale of properties held for sale and property under development

During the year ended 31st July, 2007, the Group disposed of its subsidiary, Consecutive Profits Limited (“Consecutive Profits”) which were engaged in estate agency service operations.

During the year ended 31st July, 2008, the Group acquired property for development through acquisition of a subsidiary. The Group plans to develop for sale residential houses and related facilities on the land acquired. In order to implement the development plan, the Group had submitted an application to the relevant authorities in Macau requesting an amendment of the land lease concession.

Segment information about these businesses is presented below:

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

	Continuing operations				Discontinued		
	Property rental <i>HK\$'000</i>	Financial investment <i>HK\$'000</i> (restated)	Property development and sale <i>HK\$'000</i>	Others <i>HK\$'000</i> (restated)	Sub-total <i>HK\$'000</i> (restated)	operation Estate agency <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (restated)
INCOME STATEMENT							
For the year ended 31st July, 2007							
GROSS PROCEEDS	<u>567</u>	<u>749,509</u>	<u>—</u>	<u>—</u>	<u>750,076</u>	<u>—</u>	<u>750,076</u>
SEGMENT REVENUE	<u>567</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>567</u>	<u>4,879</u>	<u>5,446</u>
SEGMENT RESULT	<u>6,029</u>	<u>149,596</u>	<u>—</u>	<u>—</u>	<u>155,625</u>	<u>599</u>	<u>156,224</u>
Unallocated corporate income					7,645	—	7,645
Unallocated corporate expenses					(53,907)	—	(53,907)
Share of (loss) profits of associates	—	—	(57)	1,656	1,599	—	1,599
Loss on disposal of subsidiaries					—	(2,099)	(2,099)
Impairment loss on goodwill					—	(780)	(780)
Finance costs					(498)	—	(498)
Profit before taxation					110,464	(2,280)	108,184
Taxation					(22,770)	(106)	(22,876)
Profit for the year					<u>87,694</u>	<u>(2,386)</u>	<u>85,308</u>

Geographical segments

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

Segment information about these geographic markets is presented below:

	Property rental and sale by geographical market	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> (restated)
Hong Kong	<u>898</u>	<u>5,446</u>

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Hong Kong	146,724	312,999	1,562	3,719
Macau	301,131	—	—	—
	<u>447,855</u>	<u>312,999</u>	<u>1,562</u>	<u>3,719</u>

6. FINANCE COSTS

	Continuing operations	
	2008 HK\$'000	2007 HK\$'000
Interest on:		
Borrowings wholly repayable within five years:		
Bank borrowings	185	49
Other borrowing	801	—
	<u>986</u>	<u>49</u>
Borrowings not wholly repayable within five years		
Bank borrowings	—	449
	<u>986</u>	<u>498</u>

7. INCOME TAX (CREDIT) EXPENSES

	Continuing operations		Discontinued operation		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
The (credit) charge comprises:						
Hong Kong Profits tax						
Current year	—	22,770	—	173	—	22,943
Overprovision in prior years	(22)	—	—	—	(22)	—
Deferred tax	—	—	—	(67)	—	(67)
	<u>(22)</u>	<u>22,770</u>	<u>—</u>	<u>106</u>	<u>(22)</u>	<u>22,876</u>

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which included the reduction in corporate profit tax rate by 1% to 16.5 % effective from the year of assessment 2008/09. The effect of such decrease has been reflected in measuring the current and deferred tax for the year ended 31st July, 2008.

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable (loss) profit for the year.

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

8. (LOSS) PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
(Loss) profit for the year has been arrived at after charging (crediting):						
Directors' remuneration	3,712	11,785	—	—	3,712	11,785
Other staff costs, excluding directors						
— Salaries and other benefits	1,762	1,262	—	2,200	1,762	3,462
— Retirement benefit scheme contributions, excluding directors	56	36	—	97	56	133
— Share-based payment expense	4,980	33,321	—	—	4,980	33,321
Total employee benefit expenses	10,510	46,404	—	2,297	10,510	48,701
Auditor's remuneration:						
Current year	1,368	1,039	—	28	1,368	1,067
Underprovision in prior years	270	310	—	—	270	310
Depreciation	849	148	—	417	849	565
Release of prepaid lease payments	681	227	—	—	681	227
Share of tax of associates (included in share of profits of associates)	356	466	—	—	356	466
Gross rental income from investment properties	568	567	—	—	568	567
Less:						
direct operating expenses from investment properties that generated rental income during the year	(308)	(313)	—	—	(308)	(313)
direct operating expenses from investment properties that did not generate rental income during the year	(1,252)	(622)	—	—	(1,252)	(622)
	(992)	(368)	—	—	(992)	(368)
Bank and other interest income	(3,892)	(8,407)	—	—	(3,892)	(8,407)
Gain on disposal of property, and prepaid lease payment	(1,581)	—	—	—	(1,581)	—

9. (LOSS) EARNINGS PER SHARE

For continuing and discontinued operations

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss) profit for the year attributable to equity holders of the Company for the purposes of basic and diluted (loss) earnings per share	<u>(201,507)</u>	<u>85,140</u>
	2008	2007
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	12,482,642,329	8,154,358,748
Effect of dilutive potential ordinary shares:		
— share options	<u>—</u>	<u>35,115,778</u>
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	<u>12,482,642,329</u>	<u>8,189,474,526</u>

In 2007, the weighted average number of ordinary shares for the purpose of calculating the basic and diluted earnings per share have been adjusted to reflect the effects of bonus element of the rights issue. In 2008, the computation of diluted loss per share does not assume the conversion of share options since their exercise would result in a decrease in loss per share from continuing operations.

From continuing operations

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss) earnings for the purpose of basic (loss) earnings per share:		
(Loss) profit for the year attributable to equity holders of the Company	(201,507)	85,140
Add: Loss for the year attributable to equity holders of the Company from discontinued operation	<u>—</u>	<u>2,554</u>
(Loss) earnings for the purpose of diluted (loss) earnings per share from continuing operations	<u>(201,507)</u>	<u>87,694</u>

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

From discontinued operations

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

	2008	2007
From discontinued operations		
— Basic (loss) earnings per share	<u>N/A</u>	<u>(0.031) HK cents</u>
— Diluted (loss) earnings per share	<u>N/A</u>	<u>(0.031) HK cents</u>

10. TRADE AND OTHER RECEIVABLES

At 31st July, 2008, the balance of trade and other receivables of the Group included trade receivables of HK\$87,000 (2007: HK\$41,000). An aged analysis of trade receivables is as follows:

	THE GROUP	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 60 days	29	31
61 to 90 days	11	—
91 days or above	47	10
	<u>87</u>	<u>41</u>

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

11. TRADE AND OTHER PAYABLES

At 31st July, 2008, the balance of trade and other payables of the Group included trade payables of HK\$302,000 (2007: HK\$1,305,000). An aged analysis of trade payables is as follows:

	THE GROUP	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 60 days	302	1,159
91 days or above	—	146
	<u>302</u>	<u>1,305</u>

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK\$1,381.4 million for the year ended 31st July, 2008, which comprised mainly gross proceeds from sales of securities, as compared to HK\$750.1 million for the last year.

Net loss after tax attributable to equity holder of the Company for the year ended 31st July, 2008 was HK\$201.5 million, as compared to the net profit of HK\$85.1 million for last year. The loss was mainly due to decline of the fair value of investments held for trading of approximately HK\$173.8 million, which included the reversal of unrealized holding gain of approximately HK\$116.3 million on certain marketable securities held at 31 July, 2007 upon their subsequent disposals during the year.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2008.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st July, 2008, the Group had cash of HK\$39.7 million (2007: HK\$151.5 million), mainly in Hong Kong dollars and marketable securities totalling HK\$103.4 million (2007: HK\$266.1 million). Following the early repayment of a bank loan of approximately HK\$5.9 million during the year, the Group has no outstanding bank borrowings (other than corporate credit card payable classified as “other payable”) at 31st July, 2008 (2007: HK\$6.0 million). The Group’s gearing ratio, expressed as a percentage of the Group’s total liabilities over the shareholders’ fund, was 4.0% at 31st July, 2008 (2007: 5.4%).

EXCHANGE RATE EXPOSURE

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

BUSINESS REVIEW

For the year ended 31st July 2008, the principal activities of the Group are property investment and development, financial investment and related activities.

According to the official statistics from the Macau government, the gaming industry continues to be the backbone and catalyst of Macau’s economy with gaming proceeds amounted to US\$106 billion in 2007. Prosperous growth of the industry has drummed up the demand for housing and hotel accommodations and attracted many visitors and investors. In view of the positive economic environment, the Group has expanded its presence in Macau’s property and hotel sectors through active investments and acquisitions during the year.

The Group had acquired a total of 99% controlling interests in Sun Fat Investment and Industry Company Limited (“Sun Fat”) in Macau with two acquisitions in June and November 2007. The principal asset of Sun Fat is its 100% ownership in a piece of vacant land located in Coloane, Macau, which consists of an area of approximately 10,154 square meters with a valuation of HK\$304 million before deducting the land premium required for conversion of the land use to residential purpose. The subsidiary is awaiting the approval of the commencement of the development of 48 luxury residential houses and related facilities with a total gross floor area of approximately 19,934 square meters over the site.

Tin Fok Holding Company Limited (“Tin Fok”), the associated company owned as to 32.5% by the Group, continued to operate the 100% owned Hotel Fortuna, Macau. The hotel achieved a high occupancy rate of approximately 94% and recorded a turnover of approximately HK\$185.1 million in 2007, up 6% from HK\$174.2 million in 2006.

The Group has a 5% interest in Sociedade de Investimento Imobiliário Pun Keng Van, SARL (“Pun Keng Van”), which owns the site at Avenida Commercial de Macau for the development of a 57-storey luxurious residential building on the waterfront at Nam Van Lake. Successful government approval of the building plans and construction permit have been obtained. The progress of the development will be monitored closely.

In December 2007, the Group successfully raised approximately HK\$161.7 million after expenses by the placing of 1,500,000,000 new shares under general mandate. The placing has strengthened the Group’s general working capital and financial capabilities for future development and acquisition of investments.

PROSPECTS

The Wall Street’s financial turmoil and credit risk faced by banks has eroded the underpinnings of the global economy and worsened the operating environment. The Group has been exercising greater caution in its securities trading and investment activities. On the other hand, the Group will continue to seek sound investments in the neighbouring Guangdong Province and Macau for its long term growth.

The Group has entered into a joint venture arrangement on 26th February, 2008 with other parties, pursuant to which a joint venture company, New Fortune Environmental Protection Limited (“New Fortune”), has been formed in Hong Kong and owned as to 89.9% by the Group and 10.1% by other parties. New Fortune intends to establish five subsidiaries in the PRC with proposed aggregate registered capital of RMB200 million, each of which would be owned as to 99% by New Fortune. The initial investment of New Fortune in the five subsidiaries is therefore expected to be RMB198 million, of which the Group would contribute approximately RMB178.0 million in proportion to its beneficial interest in New Fortune. These subsidiaries in the PRC are expected to be engaged in the environmental or property related projects in the PRC.

On 29th February, 2008, the Company has entered into a sale and purchase agreement with certain vendors pursuant to which the Company has conditionally agreed to acquire the entire equity interest in Hotel Fortuna (Hong Kong) Limited (“Hotel Fortuna (Hong Kong)”) and all outstanding liabilities owned by Hotel Fortuna (Hong Kong) to the vendors for a consideration of HK\$550 million (subject to adjustments). Hotel Fortuna (Hong Kong) owns and operates a hotel with 408 rooms at Le Cong Zhen, Shun De District, Foshan, the PRC (the “Hotel”) through its wholly owned subsidiary in the PRC. The Hotel was built over a parcel of land of approximately 22,671 square meters, which offers further development potential of approximately 44,861 square meters of permissible gross floor area for residential and commercial uses. The acquisition, duly approved by shareholders at a general meeting held on 14th April 2008, has not yet been completed. The long stop date for completion was 29 August 2008, but has been extended to 28th February 2009 in order to allow additional time required for obtaining necessary governmental approval in respect of an adjacent land, including the real estate ownership licence. Details of the acquisition were set out in the circular of the Company dated 28th March, 2008. With the thriving tourism in Foshan, the acquisition, when completed, will further enrich the Group’s portfolio of property interests and generate stable income.

Although the tightening of tourism policy by the Guangdong provincial government since May 2008 appears to have subdued market sentiment, Macau has managed to retain its lustre. With the opening of more large-scale entertainment complexes and world-class casinos, Macau has achieved a GDP growth of 26.1% in the first half of year 2008. The Group is confident that the economic outlook of Macau is still favourable and will continue to explore business opportunities in Macau as to maximize the return for shareholders.

REWARD FOR EMPLOYEES

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

PLEDGE OF ASSETS

At 31st July, 2008, bank deposits of HK\$641,000 (2007: bank deposit of HK\$630,000 and investment properties of HK\$27,800,000) of the Group were pledged to banks to secure credit facilities to the extent of HK\$600,000 (2007: HK\$10,600,000) granted to the Group, of which HK\$37,000 (2007: HK\$5,976,000) was utilised by the Group. In 2008, since the Group has fully settled the outstanding bank mortgage loan, the pledge of investment properties was released during the year.

CONTINGENT LIABILITIES

At 31st July, 2008, the Company had no outstanding guarantees issued in favour of banks in respect of banking facilities made available to subsidiaries (2007: guarantees to banks with amount utilised of HK\$5,903,000).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

In order to attain a high standard of corporate governance, the Company is committed to continuously adopting and improving effective measures and practices to achieve a high level of transparency and accountability in the interests of its shareholders.

During the year ended 31st July, 2008, the Company complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, except for the following deviations:

1. Under Code A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Chairman of the Board, Mr. Chu Nin Yiu, Stephen, provides overall leadership for the Board and takes the lead to ensure the Board acts in the best interest of the Company. The Company does not have a chief executive officer and the day-to-day management of the Company's business is shared among the executive directors. The Company will endeavour to ensure that there is a clear division of these responsibilities at the board level to maintain a balance of power and authority.

2. Under Code A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

The independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation at annual general meetings in accordance with Article 103(A) of the Company's Articles of Association.

MODEL CODES FOR SECURITIES TRANSACTIONS

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st July, 2008 as set out in the Preliminary Announcement have been agreed by the Group’s auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

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

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

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

1. reviewed and commented on the Company’s draft annual and interim financial reports;
2. reviewed and commented on the Group’s internal controls; and
3. met with the external auditors and participate in the re-appointment and assessment of the performance of the external auditors.

The Audit Committee has reviewed the audited results of the Group for the year ended 31st July, 2008.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE’S WEBSITE

A results announcement containing the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

ANNUAL GENERAL MEETING

The 2008 Annual General Meeting of the Company will be held on Wednesday, 10th December, 2008. The Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

BOOK CLOSURE

The register of members will be closed from Monday, 8th December, 2008 to Wednesday, 10th December, 2008, both dates inclusive, during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on Wednesday, 10th December, 2008, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712 — 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:00 p.m. on Friday, 5th December, 2008.

By order of the Board
Chu Nin Yiu, Stephen
Executive Chairman

Hong Kong, 10th November, 2008

As of the date of this announcement, the Board comprises Mr. Chu Nin Yiu, Stephen, Mr. Chu Nin Wai, David, Mr. Lau Chi Kan, Michael as executive directors and Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai as independent non-executive directors.