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, 2010

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, 2010, together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st July, 2010

	NOTES	**2010** *HK$'000*	2009 *HK$'000*
Revenue		**108,433**	48,174
Cost of sales		**(58,630)**	(28,533)
Gross profit		**49,803**	19,641
Other gains (losses)		**6,400**	(38,934)
Other income		**3,591**	5,081
Distribution and marketing expenses		**(1,830)**	(716)
Administrative expenses		**(63,672)**	(38,957)
Other operating expenses		**(39,403)**	(23,222)
Increase (decrease) in fair value of investment properties		**4,240**	(4,490)
Share of losses of associates		**(2,382)**	(1,886)
Finance costs	*5*	**(9,765)**	(9,708)
Impairment loss recognised on available-for-sale investments		**—**	(10,040)
Impairment loss recognised on properties for development		**(20,000)**	(54,033)
Impairment loss recognised on goodwill		**—**	(71,079)
Loss before taxation		**(73,018)**	(228,343)
Taxation	*6*	**2,351**	—
Loss for the year	*7*	**(70,667)**	(228,343)
Other comprehensive income			
Exchange differences arising on translation		**4,230**	2,811
Total comprehensive expense for the year		**(66,437)**	(225,532)

	NOTES	**2010**	2009
		HK$'000	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(70,209)**	(227,224)
Non-controlling interests		**(458)**	(1,119)
		(70,667)	(228,343)
Total comprehensive expense attributable to:			
Owners of the Company		**(65,979)**	(224,413)
Non-controlling interests		**(458)**	(1,119)
		(66,437)	(225,532)
Loss per share	*8*		
Basic — HK cents		**(3.28)**	(16.69)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st July, 2010

	NOTES	**2010** *HK$'000*	2009 *HK$'000*
Non-current assets			
Investment properties		**36,400**	32,160
Property, plant and equipment		**433,842**	461,292
Prepaid lease payments		**12,807**	13,112
Premium on prepaid lease payments		**186,021**	190,268
Interests in associates		**221,331**	223,713
Available-for-sale investments		**59,850**	59,850
Convertible bond		**—**	41,845
Derivative component in convertible bond		**—**	6,883
		950,251	1,029,123
Current assets			
Amounts due from associates		**2,722**	99
Properties for development		**227,200**	247,000
Inventories		**2,634**	2,599
Trade and other receivables	*9*	**6,725**	8,413
Prepaid lease payments		**407**	403
Investments held for trading		**50,372**	32,345
Pledged bank deposits		**641**	641
Restricted bank deposits		**—**	947
Bank balances and cash		**32,956**	40,905
		323,657	333,352
Current liabilities			
Trade and other payables	*10*	**27,082**	20,050
Amount due to a related party		**5,713**	—
Derivative financial instruments		**—**	1,056
Taxation payable		**25,548**	25,548
Bank borrowings — due within one year		**11,866**	6,110
		70,209	52,764
Net current assets		**253,448**	280,588
Total assets less current liabilities		**1,203,699**	1,309,711
Non-current liabilities			
Bank borrowings — due after one year		**133,718**	144,377
Consideration payable for acquisition of subsidiaries		**80,277**	113,593
Deferred tax liabilities		**68,728**	71,079
		282,723	329,049
Net assets		**920,976**	980,662

	NOTES	**2010** *HK$'000*	2009 *HK$'000*
Capital and reserves			
Share capital		**214,839**	212,899
Reserves		**703,849**	765,017
Equity attributable to owners of the Company		**918,688**	977,916
Non-controlling interests		**2,288**	2,746
Total equity		**920,976**	980,662

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 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 the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) — Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendments to HKFRS2, HKAS 38, paragraph 80 of HKAS 39, HK(IFRIC) — Int 9 and HK(IFRIC) — Int 16

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the financial statements.

HKFRS 8 is a disclosure standard that has resulted in redesignation of the Group's reportable segments (see note 4) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for expanded disclosures in accordance with the transitional provision set out in the amendments.

HKFRS 3 (Revised) affects the Group's accounting for business combination for which the acquisition date is on or after 1st August, 2009. The requirements in HKAS 27 (Revised) in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group for transactions on or after 1st August 2009. As there was no transaction during the current financial year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting period. Accordingly, no prior year adjustment has been recognised.

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1st August 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1st August 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods. In the current year, the Group has not incurred material borrowing costs eligible for capitalisation.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 7 (Amendment)	Disclosures — Transfer of Financial Assets[8]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Amendments that are effective for annual periods beginning on or after 1st January, 2010.
2 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate.
3 Effective for annual periods beginning on or after 1st January, 2010.
4 Effective for annual periods beginning on or after 1st February, 2010.
5 Effective for annual periods beginning on or after 1st July, 2010.
6 Effective for annual periods beginning on or after 1st January, 2011.
7 Effective for annual periods beginning on or after 1st January, 2013.
8 Effective for annual periods beginning on or after 1st July, 2011.

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective for the Group’s financial year commencing from 1st August 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1st August 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e., the executive directors of the Company) in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group’s operating segments as compared with the primary segments determined in accordance with HKAS 14.

In prior years, the primary segment information was analysed on the basis of the types of goods and services supplied by the Group’s operating divisions, namely property rental, financial investment, property development and sale and hotel operations. However, for the property operations, the chief operating decision maker reviews the financial information of the property rental and property development and sale altogether. Therefore, the property operations are disclosed as one operating segment.

The Group’s operating segments under HKFRS 8 are therefore as follows:

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

Information regarding these segments is reported below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

For the year ended 31st July, 2010

	Property	Financial investment	Hotel operations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
GROSS PROCEEDS	568	118,480	107,865	226,913
SEGMENT REVENUE	568	—	107,865	108,433
SEGMENT (LOSS) PROFIT	(16,838)	7,532	(31,829)	(41,135)
Unallocated income				2,051
Unallocated expenses				(21,787)
Share of loss of associates				(2,382)
Finance costs				(9,765)
Loss before taxation				(73,018)

For the year ended 31st July, 2009

	Property	Financial investment	Hotel operations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
GROSS PROCEEDS	568	89,699	47,606	137,873
SEGMENT REVENUE	568	—	47,606	48,174
SEGMENT LOSS	(59,402)	(39,993)	(88,964)	(188,359)
Unallocated income				1,366
Unallocated expenses				(29,756)
Share of loss of associates				(1,886)
Finance costs				(9,708)
Loss before taxation				(228,343)

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of central administration costs, directors' salaries, share of loss of associates, certain investment income and finance costs. This is the measure reported to the chief operating decisions maker for the purposes of resource allocation and performance assessment.

5. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on:		
Borrowings wholly repayable within five years:		
Bank borrowings	**7,745**	3,978
Consideration payable for acquisition of subsidiaries	**2,020**	3,196
Other borrowing	**—**	2,526
Finance leases	**—**	8
	9,765	9,708

6. TAXATION

	2010	2009
	HK$'000	*HK$'000*
The credit comprises:		
Deferred taxation	**2,351**	—

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

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

No provision for Hong Kong Profits Tax and Enterprise Income Tax in PRC subsidiaries has been made for both years as the Company and its subsidiaries either did not generate any assessable profits for the years or have available tax losses brought forward from prior years to offset against any assessable profits generated during the years.

7. LOSS FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration	**3,712**	5,464
Other staff costs, excluding directors		
— Salaries and other benefits	**30,951**	18,218
— Retirement benefit scheme contributions	**2,009**	1,223
— Share-based payment expenses	**—**	198
Total employee benefit expenses	**36,672**	25,103
Auditor's remuneration:		
Current year	**1,650**	1,480
Underprovision in prior years	**—**	80
Depreciation (included in other operating expenses)	**33,151**	19,605
Release of prepaid lease payments and premium on prepaid lease payments (included in other operating expenses)	**6,252**	3,617
Net exchange loss	**1,484**	56
Cost of hotel inventories recognised as an expense	**20,197**	8,805
Gross rental income from investment properties	**568**	568
Less:		
direct operating expenses from investment properties that generated rental income during the year	**(309)**	(255)
direct operating expenses from investment properties that did not generate rental income during the year	**(1,198)**	(1,058)
	(939)	(745)
Bank and other interest income	**(2,670)**	(3,159)
Accretion interest income on convertible bond	**(675)**	(1,861)
Loss on disposal of property, plant and equipment	**279**	372
Written off of property, plant and equipment	**8,557**	—

8. LOSS PER SHARE

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

	2010	2009
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(70,209)**	(227,224)

	2010	2009 (restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share *(note)*	**2,137,815,169**	1,361,568,868

note: The weighted average of ordinary shares for the purpose of calculating basic loss per share for both years have been retrospectively adjusted for the effect of share consolidation completed in May 2010.

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

9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers, an aged analysis of trade receivables based on invoice date is as follows:

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Trade receivables:		
0 to 30 days	**2,008**	965
31 to 60 days	**143**	149
61 to 90 days	**24**	64
91 days or above	**232**	154
	2,407	1,332
Prepayments and deposits	**2,730**	4,124
Other receivables	**1,588**	2,957
	6,725	8,413

Before accepting any new customer, the Group assesses the potential customer's credit quality by investigating their historical credit record and then defines the credit limit of that customer. There were no balances as at 31st July, 2010 and 2009 which were past due but not provide for impairment. The Group does not hold any collateral over these balances.

10. TRADE AND OTHER PAYABLES

The average credit period on purchases of goods is 30 to 120 days, an aged analysis of trade payables is as follows:

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Trade payables:		
0 to 30 days	**3,207**	2,633
31 to 60 days	**2,031**	1,432
61 to 90 days	**1,002**	565
91 days or above	**717**	73
	6,957	4,703
Accruals	**12,205**	11,560
Deposits received	**121**	121
Other payables	**7,799**	3,666
	27,082	20,050

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK$226.9 million for the year ended 31st July, 2010 (2009: HK$137.9 million), which comprised gross proceeds from sales of securities of HK$118.5 million (2009: HK$89.7 million) and income from hotel operations and other business segments totalling HK$108.4 million (2009: HK$48.2 million).

Loss for the year attributable to owners of the Company for the year ended 31st July, 2010 was HK$70.2 million, as compared to HK$227.2 million for last year.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2010.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st July, 2010, the Group had cash of HK$33.0 million (2009: HK$40.9 million) mainly in Hong Kong dollars and marketable securities totalling HK$50.4 million (2009: HK$32.3 million).

Total bank borrowings (other than corporate credit card payable classified as "other payable") were HK$145.6 million at 31st July, 2010 (2009: HK$150.5 million), of which HK$11.9 million were repayable within one year and HK$133.7 million within two to five years. The bank borrowings were denominated in Renminbi and carried interest on a floating rate basis.

Other borrowing amounted to HK$80.3 million at 31st July 2010 (2009: HK$113.6 million), which represents the remaining consideration payable to the vendors by 31st December 2011 for the acquisition of Hotel Fortuna, Foshan completed in December 2008. The outstanding amount was denominated in Hong Kong Dollar and carried interest at the rate of 2% per annum.

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' fund, was 38.4% at 31st July, 2010 (2009: 39.0%).

EXCHANGE RATE EXPOSURE

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

BUSINESS REVIEW

For the year ended 31st July, 2010, the principal activities of the Group are property investment and development, hotel operation, financial investment and related activities.

Property investment and development

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

The Group holds an effective 5% interest in the land site at Avenida Commercial de Macau through an investee company, Sociedade de Investmento Imboiliaro Pun Keng Van, SARL. The site is for the development of a 51-storey (plus 4 basement levels) luxurious residential building on the waterfront at Nam Van Lake with a maximum permitted gross floor area of approximately 55,800 square meters. The progress of the project will be monitored closely.

Hotel operation

The Group hold 100% interest in Hotel Fortuna, Foshan, a hotel with 408 rooms located at Le Cong Zhen, Shun De District, Foshan, the PRC, through a wholly owned subsidiary, Foshan Fortuna Hotel Company Limited. After the Group acquired the operation on 31st December, 2008, the occupancy rate of the hotel has increased by 11.1% and recorded a turnover of approximately HK$93.7 million in 2009 compared to HK$87.9 million in 2008.

The Group also hold a 32.5% interest in Hotel Fortuna, Macau which is owned and operated by Tin Fok Holding Company Limited, an associated company of the Group. Despite the intensive competition in the Macau hotel industry, Hotel Fortuna, Macau continued to maintain a high occupancy rate of approximately 93% and recorded a stable turnover of approximately HK$181.8 million in 2009 when compared to the turnover of HK$184.0 million in 2008.

EMPLOYEES

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

At 31st July, 2010, the Group had approximately 654 employees of which approximately 640 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2010 amounted to approximately HK$36.7 million (2009: HK$25.1 million).

PROSPECTS

The site of Hotel Fortuna, Foshan had an undeveloped portion with permissible gross floor area for residential and commercial uses in excess of 53,000 square meters. The management will launch appropriate development plans to fully realise such development potential at appropriate times. In 2010, Hotel Fortuna, Foshan started to construct a 3-storey (plus 2 basement levels) recreational building with swimming pool, gym, sauna, karaoke and other club house facilities. These new facilities, when completed, are expected to enhance the operational efficiency and competiveness of the hotel and uplift its occupancy rate and revenue.

On 14 October 2010, the Company entered into a placing agreement to procure subscribers for up to HK$135,000,000 aggregate principal amount of 4% convertible notes (the "Notes") of the Company due in 2013 convertible into ordinary shares of the Company. The placing of the Notes is still in progress at the date of this report, and upon successful completion, it will raise a maximum of up to approximately HK$131 million of net proceeds (after deducting estimated expenses) in the near future. The placing will broaden the capital and shareholders base of the Company and strengthen the Group's financial capabilities for future investment activities.

The global financial market is still facing uncertainties and challenges, and the Group has been cautious in its investment activities. Overall, the management is optimistic with the long term prospects of the property and hospitality sectors in Macau and the PRC, and is confident that the Group can capture sound business opportunities ahead and enhance shareholders' return.

PLEDGE OF ASSETS

At 31st July, 2010, hotel properties of HK$322,452,000 (2009: HK$338,638,000) of the Group were pledged to secure bank borrowings of RMB127,600,000 equivalent to approximately of HK$145,584,000 (2009: RMB133,000,000, equivalent to approximately of HK$150,487,000) granted to the Group. Bank deposit of HK$641,000 (2009: HK$641,000) of the Group was pledged to banks to secure credit facilities to the extent of HK$600,000 (2009: HK$600,000) granted to the Group, of which HK$5,000 (2009: HK$23,000) was utilised by the Group.

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, 2010, the Company complied with all the applicable provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, except for the following deviation:

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

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

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 statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st July, 2010 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 two 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, 2010.

By order of the Board
Sio Tak Hong
Chairman

Hong Kong, 4th November, 2010

As of the date of this announcement, the Board comprises Mr. Sio Tak Hong, 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.