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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, 2011

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, 2011, together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st July, 2011

	NOTES	2011 HK\$'000	2010 HK\$'000
Revenue		132,400	108,433
Direct operating costs		(72,597)	(58,630)
Gross profit		59,803	49,803
Other gains and losses		14,372	6,400
Other income		1,389	3,591
Marketing expenses		(1,448)	(1,830)
Administrative expenses		(63,050)	(65,556)
Other hotel operating expenses		(37,959)	(37,519)
Increase in fair value of investment properties		7,080	4,240
Share of profits (losses) of associates		12,281	(2,382)
Finance costs	5	(12,729)	(9,765)
Impairment loss recognised on properties for development		—	(20,000)
Loss before taxation		(20,261)	(73,018)
Income tax credit	6	2,706	2,351
Loss for the year	7	(17,555)	(70,667)
Other comprehensive income			
Exchange differences arising on translation		26,387	4,230
Total comprehensive income (expense) for the year		8,832	(66,437)

	<i>NOTE</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(17,248)	(70,209)
Non-controlling interests		(307)	(458)
		<u>(17,555)</u>	<u>(70,667)</u>
 Total comprehensive income (expense) attributable to:			
Owners of the Company		9,139	(65,979)
Non-controlling interests		(307)	(458)
		<u>8,832</u>	<u>(66,437)</u>
 Loss per share	 8		
Basic and diluted — HK cents		<u>(0.75)</u>	<u>(3.28)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st July, 2011

	<i>NOTES</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Non-current assets			
Investment properties		43,480	36,400
Property, plant and equipment		470,465	433,842
Prepaid lease payments		13,165	12,807
Premium on prepaid lease payments		191,393	186,021
Interests in associates		221,247	221,331
Available-for-sale investments		59,850	59,850
		<u>999,600</u>	<u>950,251</u>
Current assets			
Amounts due from associates		3,456	2,722
Properties for development		227,200	227,200
Inventories		2,881	2,634
Trade and other receivables	9	7,602	6,725
Prepaid lease payments		432	407
Investments held for trading		41,551	50,372
Pledged bank deposits		641	641
Bank balances and cash		49,790	32,956
		<u>333,553</u>	<u>323,657</u>
Current liabilities			
Trade and other payables	10	30,949	27,082
Amount due to a related company		150	5,713
Taxation payable		25,548	25,548
Bank borrowings — due within one year		19,391	11,866
		<u>76,038</u>	<u>70,209</u>
Net current assets		<u>257,515</u>	253,448
Total assets less current liabilities		<u>1,257,115</u>	1,203,699
Non-current liabilities			
Bank borrowings - due after one year		122,647	133,718
Consideration payable for acquisition of subsidiaries		—	80,277
Convertible notes — liability portion		16,173	—
Deferred tax liabilities		71,381	68,728
		<u>210,201</u>	<u>282,723</u>
Net assets		<u><u>1,046,914</u></u>	<u><u>920,976</u></u>

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Capital and reserves		
Share capital	246,783	214,839
Share premium and reserves	798,150	703,849
	<hr/>	<hr/>
Equity attributable to owners of the Company	1,044,933	918,688
Non-controlling interests	1,981	2,288
	<hr/>	<hr/>
Total equity	1,046,914	920,976
	<hr/> <hr/>	<hr/> <hr/>

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 an 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”) and are mandatorily effective for the Group’s financial year beginning 1st August, 2010, as follows:

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 32 (Amendments)	Classification of Rights Issues
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK — Int 5	Presentation of Financial Statements Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

¹ Except for the amendments that are effective for annual periods beginning on or after 1st January, 2011.

The adoption of the above new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group and the financial statements of the Company for the current or prior accounting periods.

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 2010 except for the amendments to HKFRS 3 (Revised 2008), HKAS 1 and HKAS 28 ¹
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁵
HKAS 19 (Revised in 2011)	Employee Benefits ⁴
HKAS 24 (Revised in 2009)	Related Party Disclosures ¹
HKAS 27 (Revised in 2011)	Separate Financial Statements ⁴
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures ⁴
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ¹

¹ Effective for annual periods beginning on or after 1st January, 2011.

² Effective for annual periods beginning on or after 1st July, 2011.

³ Effective for annual periods beginning on or after 1st July, 2012.

⁴ Effective for annual periods beginning on or after 1st January, 2013.

⁵ Effective for annual periods beginning on or after 1st January, 2012.

HKFRS 9 “Financial Instruments” (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 “Financial Instruments” (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Directors anticipate that HKFRS 9 that will be adopted in the Group’s consolidated financial statements for the annual period beginning 1st August, 2013 will affect the classification and measure of the Group’s available-for-sale investments based on the Group’s financial assets and financial liabilities as at 31st July, 2011.

The directors anticipate that the applications of other new and revised Standards, Amendments and Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment, based on information provided to the chief operating decision maker ("CODM") representing the board of directors of the Company, for the purpose of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised. The Group's operating and reportable segments are as follows:

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

Information regarding these segments is reported below.

Segment revenue and results

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

For the year ended 31st July, 2011

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
GROSS PROCEEDS	<u>131,832</u>	<u>125,078</u>	<u>568</u>	<u>257,478</u>
SEGMENT REVENUE	<u>131,832</u>	<u>—</u>	<u>568</u>	<u>132,400</u>
SEGMENT (LOSS) PROFIT	<u>(16,470)</u>	<u>13,698</u>	<u>6,068</u>	3,296
Unallocated income				1,031
Unallocated expenses				(24,140)
Share of profits of associates				12,281
Finance costs				<u>(12,729)</u>
Loss before taxation				<u>(20,261)</u>

For the year ended 31st July, 2010

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

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

5. FINANCE COSTS

	2011 HK\$'000	2010 HK\$'000
Interest on:		
Borrowings wholly repayable within five years:		
Bank borrowings	8,249	7,745
Consideration payable for acquisition of subsidiaries	444	2,020
Interest on convertible notes	<u>4,036</u>	<u>—</u>
	<u>12,729</u>	<u>9,765</u>

6. INCOME TAX CREDIT

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
The credit comprises:		
Deferred taxation	<u>(2,706)</u>	<u>(2,351)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC Enterprise Income Tax is calculated at the applicable rates of 25% in accordance with the relevant laws and regulations in the People's Republic of China (the "PRC"). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration	3,712	3,712
Other staff costs, excluding directors		
— Salaries and other benefits	36,701	30,951
— Retirement benefit scheme contributions	<u>2,093</u>	<u>2,009</u>
Total employee benefit expenses	<u>42,506</u>	<u>36,672</u>
Auditor's remuneration	1,750	1,650
Depreciation included in:		
— Other hotel operating expenses	31,318	31,267
— Administrative expenses	<u>2,006</u>	<u>1,884</u>
Release of prepaid lease payments and premium on prepaid lease payments (included in other hotel operating expenses)	6,641	6,252
Net exchange loss	766	1,484
Cost of inventories recognised as an expense	<u>26,511</u>	<u>20,197</u>
Gross rental income from investment properties	568	568
Less:		
direct operating expenses from investment properties that generated rental income during the year	(313)	(309)
direct operating expenses from investment properties that did not generate rental income during the year	<u>(1,185)</u>	<u>(1,198)</u>
	<u>(930)</u>	<u>(939)</u>
Bank and other interest income	(308)	(622)
Investment income earned from available-for-sale investments	(1,030)	(2,048)
Accretion interest income on convertible bonds	—	(675)
Loss on disposal of property, plant and equipment	—	279
Written off of property, plant and equipment	<u>—</u>	<u>8,557</u>

8. LOSS PER SHARE

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(17,248)</u>	<u>(70,209)</u>
	2011	2010
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>2,316,159,854</u>	<u>2,137,815,169</u>

For the year ended 31st July, 2011, the computation of diluted loss per share does not include the effects of outstanding convertible notes because the assumed exercise of convertible notes would result in a decrease in loss per share.

For the year ended 31st July, 2010, the computation of diluted loss per share does not include the effects of the share options because the assumed 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 of hotel business and property rental, an aged analysis of trade receivables based on invoice date is as follows:

	THE GROUP	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade receivables:		
0 to 30 days	2,273	2,008
31 to 60 days	245	143
61 to 90 days	102	24
91 days or above	<u>133</u>	<u>232</u>
	2,753	2,407
Prepayments and deposits	1,719	2,730
Other receivables	<u>3,130</u>	<u>1,588</u>
	<u>7,602</u>	<u>6,725</u>

Before accepting any new customer of hotel business, the Group assesses the potential customer's credit quality by investigating their historical credit record and then defines the credit limit of that customer. Trade receivables are neither past due nor impaired at the end of the reporting period for which the Group believes that the amounts are recoverable. 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 based on invoice date is as follows:

	THE GROUP	
	2011	2010
	HK\$'000	HK\$'000
Trade payables:		
0 to 30 days	3,865	3,207
31 to 60 days	1,856	2,031
61 to 90 days	1,795	1,002
91 days or above	929	717
	<hr/>	<hr/>
	8,445	6,957
Accruals	13,876	12,205
Deposits received	121	121
Other payables	8,507	7,799
	<hr/>	<hr/>
	30,949	27,082
	<hr/> <hr/>	<hr/> <hr/>

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK\$257.5 million for the year ended 31st July, 2011 (2010: HK\$226.9 million), which comprised gross proceeds from sales of securities of HK\$125.1 million (2010: HK\$118.5 million) and income from hotel operations and other business segments totalling HK\$132.4 million (2010: HK\$108.4 million).

Loss for the year attributable to owners of the Company for the year ended 31st July, 2011 was HK\$17.2 million, as compared to HK\$70.2 million for last year.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2011.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st July, 2011, the Group had cash of HK\$50.4 million (2010: HK\$33.0 million) mainly in Hong Kong dollars and marketable securities totalling HK\$41.6 million (2010: HK\$50.4 million).

Total bank borrowings (other than corporate credit card payable classified as “other payable”) were HK\$142.0 million at 31st July, 2011 (2010: HK\$145.6 million), of which HK\$19.4 million were repayable within one year and HK\$122.6 million within two to five years. The bank borrowings were denominated in Renminbi and carried interest on a floating rate basis.

Convertible notes of face value HK\$20.0 million outstanding at 31st July, 2011 were repayable in 2013.

The Group’s gearing ratio, expressed as a percentage of the Group’s total liabilities over the shareholders’ fund, was 27.4% at 31st July, 2011 (2010: 38.4%).

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, 2011, 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 Investimento Imobiliário 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 owns 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. During the year ended 31st December, 2010, the occupancy rate of the hotel has increased by 7.7% and recorded a turnover of approximately HK\$117.9 million in 2010 compared to HK\$93.7 million in 2009.

The Group also holds 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 keen competition in the Macau hotel industry, Hotel Fortuna, Macau continued to maintain a high occupancy rate of approximately 97% and recorded a stable turnover of approximately HK\$181.2 million in 2010 when compared to the turnover of HK\$181.8 million in 2009.

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, 2011, the Group had approximately 650 employees of which approximately 630 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2011 amounted to approximately HK\$42.5 million (2010: HK\$36.7 million).

PROSPECTS

A new recreational building of Hotel Fortuna, Foshan is under construction and will offer a gross floor area of approximately 6,000 square meters with swimming pool, gym, sauna, karaoke and other club house facilities. These new facilities are expected to enhance the operational efficiency, competitiveness and revenue of the hotel. After the completion of the recreational building, the site of Hotel Fortuna, Foshan still has an undeveloped permissible gross floor area for residential and commercial uses in excess of 64,000 square meters. It is the management's objective to launch feasible development plans to fully realise such development potential at the right time.

On 8 November 2010, the Company issued HK\$135 million aggregate principal amount of 4% convertible notes (the "Notes") due in 2013 and successfully raised approximately HK\$131 million of net proceeds (after deducting expenses). Up to the date of this report, Notes totalling HK\$115 million in face value have been converted into 319,444,440 new shares of the Company. The issue of the Notes has broadened the capital and shareholder base of the Company and effectively strengthened the Group's financial capabilities.

In spite of the uncertainties in the global economy, the Group is optimistic with the long term prospects of the property and hospitality sectors in Macau and the PRC. With healthy financial position and business operation, the Group will continue its prudent approach to identify and seek sound business opportunities to enhance shareholders' return.

PLEDGE OF ASSETS

At 31st July, 2011, hotel properties of HK\$331,140,000 (2010: HK\$322,452,000) of the Group were pledged to secure bank borrowings of RMB117,200,000 equivalent to approximately of HK\$142,038,000 (2010: RMB127,600,000, equivalent to approximately of HK\$145,584,000) granted to the Group. Bank deposit of HK\$641,000 (2010: HK\$641,000) of the Group was pledged to banks to secure credit facilities to the extent of HK\$600,000 (2010: HK\$600,000) granted to the Group, of which HK\$22,000 (2010: HK\$5,000) 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, 2011, 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:

1. 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.

2. Under Code E.1.2, the Chairman of the board of directors (the "Board") should attend the annual general meeting.

The Chairman of the Board was unable to attend the Company's annual general meeting which was held on 13th December, 2010 as he had other engagement that was important to the Group's business.

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, 2011 as set out in the Preliminary Announcement have been agreed by the Group's auditor, 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, 2011.

By order of the Board

Sio Tak Hong

Chairman

Hong Kong, 21st October, 2011

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.