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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, 2014

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, 2014, together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st July, 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Revenue		133,284	140,762
Direct operating costs		(86,473)	(86,393)
Gross profit		46,811	54,369
Other gains and losses		921	3,644
Other income		5,760	3,795
Marketing expenses		(1,982)	(2,264)
Administrative expenses		(67,395)	(61,590)
Other hotel operating expenses		(27,226)	(29,709)
Increase in fair value of investment properties		–	1,600
Impairment loss recognised on write-down of properties for/under development		(46,700)	(120,500)
Loss on disposal of a subsidiary		–	(1,905)
Share of profit (loss) of an associate		3,622	(4,383)
Finance costs	5	(3,901)	(9,906)
Loss before taxation		(90,090)	(166,849)
Income tax credit	6	26,813	1,567
Loss for the year	7	(63,277)	(165,282)
Other comprehensive (expense) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(4,228)	16,202
Total comprehensive expense for the year		(67,505)	(149,080)

	<i>NOTE</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(55,521)	(161,927)
Non-controlling interests		(7,756)	(3,355)
		<u>(63,277)</u>	<u>(165,282)</u>
 Total comprehensive expense attributable to:			
Owners of the Company		(58,681)	(147,354)
Non-controlling interests		(8,824)	(1,726)
		<u>(67,505)</u>	<u>(149,080)</u>
 Loss per share	 <i>8</i>		
Basic and diluted – HK cents		<u>(2.25)</u>	<u>(6.56)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 31st July, 2014*

	<i>NOTES</i>	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment		372,301	400,761
Prepaid lease payments		2,735	2,867
Premium on prepaid lease payments		41,773	43,732
Interest in an associate		212,313	208,691
Available-for-sale investments		63,738	63,738
Convertible bond		–	7,907
Derivative component in convertible bond		–	6,959
		692,860	734,655
Current assets			
Properties for/under development		288,358	284,416
Inventories		3,105	3,785
Trade and other receivables	9	8,404	9,080
Amount due from an associate		5,597	4,322
Prepaid lease payments		103	104
Investments held for trading		61,978	50,207
Pledged bank deposit		642	641
Bank balances and cash		42,641	115,493
		410,828	468,048
Current liabilities			
Trade and other payables	10	26,852	29,349
Amounts due to related parties		265,796	158,129
Taxation payable		–	25,548
Bank and other borrowings		12,010	101,596
Convertible notes – liability portion		–	19,628
		304,658	334,250
Net current assets		106,170	133,798
Total assets less current liabilities		799,030	868,453
Non-current liabilities			
Deferred tax liabilities		68,444	70,362
Net assets		730,586	798,091

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Capital and reserves		
Share capital	1,322,924	246,783
Reserves	(556,845)	577,977
	<hr/>	<hr/>
Equity attributable to owners of the Company	766,079	824,760
Non-controlling interests	(35,493)	(26,669)
	<hr/>	<hr/>
Total equity	<u>730,586</u>	<u>798,091</u>

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 Stock Exchange”). 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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 “Consolidated financial statements”, HKFRS 11 “Joint arrangements”, HKFRS 12 “Disclosure of interests in other entities”, HKAS 27 (as revised in 2011) “Separate financial statements” and HKAS 28 (as revised in 2011) “Investments in associates and joint ventures”, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements and HK(SIC) INT – 12 “Consolidation – Special purpose entities”. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

In the opinion of the directors of the Company, the application of HKFRS 10 has no significant impact on the consolidated financial statements of the Group.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 “Fair value measurement”

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period.

Except as described above, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle ²
HKFRS 9	Financial instruments ⁷
HKFRS 14	Regulatory deferral accounts ⁴
HKFRS 15	Revenue from contracts with customers ⁶
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁵
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ⁵
Amendments to HKAS 19	Defined benefit plans: Employee contributions ²
Amendments to HKAS 27	Equity method in separate financial statements ⁵
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ¹
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ¹
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting ¹
HK(IFRIC) – INT 21	Levies ¹

¹ Effective for annual periods beginning on or after 1st January, 2014.

² Effective for annual periods beginning on or after 1st July, 2014.

³ Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.

⁴ Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016.

⁵ Effective for annual periods beginning on or after 1st January, 2016.

⁶ Effective for annual periods beginning on or after 1st January, 2017.

⁷ Effective for annual periods beginning on or after 1st January, 2018.

HKFRS 9 “Financial instruments”

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. 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 new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 in the future may have an impact on the classification and measurement of available-for-sale investments; however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Other than as described above, the directors anticipate that the application of these new and revised HKFRSs will have no material impact on the Group’s and the Company’s financial performance and positions.

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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 executive 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 reportable and operating segments under HKFRS 8 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 properties for/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 reportable and operating segments:

For the year ended 31st July, 2014

	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>133,284</u>	<u>103,838</u>	<u>–</u>	<u>237,122</u>
SEGMENT REVENUE	<u>133,284</u>	<u>–</u>	<u>–</u>	<u>133,284</u>
SEGMENT (LOSS) PROFIT	<u>(26,538)</u>	<u>3,933</u>	<u>(46,982)</u>	<u>(69,587)</u>
Unallocated income				1
Unallocated expenses				(20,225)
Share of profit of an associate				3,622
Finance costs				<u>(3,901)</u>
Loss before taxation				<u>(90,090)</u>

For the year ended 31st July, 2013

	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>140,329</u>	<u>4,468</u>	<u>433</u>	<u>145,230</u>
SEGMENT REVENUE	<u>140,329</u>	<u>–</u>	<u>433</u>	<u>140,762</u>
SEGMENT (LOSS) PROFIT	<u>(18,142)</u>	<u>5,516</u>	<u>(119,695)</u>	<u>(132,321)</u>
Unallocated income				728
Unallocated expenses				(19,062)
Loss on disposal of a subsidiary				(1,905)
Share of loss of an associate				(4,383)
Finance costs				<u>(9,906)</u>
Loss before taxation				<u>(166,849)</u>

Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of central administration costs, directors' salaries, loss on disposal of a subsidiary, share of profit (loss) of an associate, 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

	2014 HK\$'000	2013 <i>HK\$'000</i>
Interest on:		
Borrowings wholly repayable within five years:		
Bank borrowings	3,125	7,051
Convertible notes	776	2,646
Loan from an associate	—	209
	<u>3,901</u>	<u>9,906</u>

6. INCOME TAX CREDIT

	2014 HK\$'000	2013 <i>HK\$'000</i>
Tax credit comprises:		
Hong Kong Profits Tax		
Overprovision in prior years	(25,548)	—
Deferred taxation	(1,265)	(1,567)
	<u>(26,813)</u>	<u>(1,567)</u>

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in the People's Republic of China ("PRC") is 25% from 1st January, 2008 onwards.

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

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax 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 assessable profits generated during the years.

The directors of the Company are of the opinion that tax provision made in prior years amounting to HK\$25,548,000 is unlikely to become payable. As such, such amount is written back during the year ended 31st July, 2014.

7. LOSS FOR THE YEAR

	2014	2013
	HK\$'000	HK\$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration	6,607	5,749
Other staff costs		
– Salaries and other benefits	47,235	47,630
– Retirement benefit scheme contributions	2,213	2,106
	<hr/>	<hr/>
Total employee benefit expenses	56,055	55,485
Auditor's remuneration	1,835	1,862
Cost of inventories recognised as an expense	31,736	30,842
Depreciation included in:		
– other hotel operating expenses	25,568	28,082
– administrative expenses	1,926	1,885
Gain on disposal of property, plant and equipment	(208)	(491)
Release of prepaid lease payments and premium on prepaid lease payments (included in other hotel operating expenses)	1,658	1,627
Gross rental income from investment properties	–	(433)
Less:		
– direct operating expenses from investment properties that generated rental income during the year	–	245
– direct operating expenses from investment properties that did not generate rental income during the year	–	864
	<hr/>	<hr/>
	–	676
Bank and other interest income	(2,541)	(33)
Interest income on convertible bond	(1,161)	(2,032)
Investment income earned from available-for-sale investments (included in other income)	–	(726)
Net foreign exchange loss (gain)	484	(514)
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8. LOSS PER SHARE

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

	2014 <i>HK\$'000</i>	2013 <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>(55,521)</u>	<u>(161,927)</u>
	2014	2013
Number of shares:		
Number of ordinary shares for the purposes of basic and diluted loss per share	<u>2,467,834,129</u>	<u>2,467,834,129</u>

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in a decrease in loss per share for both years.

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	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables:		
0 to 30 days	2,873	3,448
31 to 60 days	73	104
61 to 90 days	26	42
91 days or above	<u>107</u>	<u>112</u>
	3,079	3,706
Prepayments and deposits	3,889	2,535
Other receivables	<u>1,436</u>	<u>2,839</u>
	<u>8,404</u>	<u>9,080</u>

Before accepting any new customer of hotel business, the Group assesses the potential customer's credit quality by investigating the customer's 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	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables:		
0 to 30 days	3,162	3,475
31 to 60 days	1,667	3,520
61 to 90 days	923	1,548
91 days or above	898	1,967
	<hr/>	<hr/>
	6,650	10,510
Accruals	6,391	6,430
Other payables	13,811	12,409
	<hr/>	<hr/>
	26,852	29,349
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REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK\$237.1 million for the year ended 31st July, 2014 (2013: HK\$145.2 million), which comprised gross proceeds from sales of securities of HK\$103.8 million (2013: HK\$4.5 million) and income from hotel operations and other business segments totaling HK\$133.3 million (2013: HK\$140.8 million).

Loss for the year attributable to owners of the Company for the year ended 31st July, 2014 was HK\$55.5 million, as compared to HK\$161.9 million for last year. The loss for the year was mainly attributable to impairment loss recognised on write-down of properties for development amounting to HK\$46.7 million (2013: HK\$120.5 million).

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2014.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st July, 2014, the Group had cash of HK\$43.3 million (2013: HK\$116.1 million) mainly in Hong Kong dollars and marketable securities totalling HK\$62.0 million (2013: HK\$50.2 million).

Total bank and other borrowings (other than corporate credit card payable classified as “other payable”) were HK\$12.0 million at 31st July, 2014 (2013: HK\$101.6 million). The bank borrowings were denominated in Hong Kong dollars and United States dollars (2013: Renminbi), repayable within one year and carried interest on a floating rate basis.

Convertible notes of face value HK\$20.0 million outstanding at 31st July, 2013 were fully repaid on 8th November, 2013.

The Group’s gearing ratio, expressed as a percentage of the Group’s total liabilities over the shareholders’ funds, was 48.7% at 31st July, 2014 (2013: 49.1%).

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, 2014, 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 9,553 square meters located in Coloane, Macau for residential development. A revised building plan has been submitted in late 2013 pending approval for commencement of the development. According to the revised plan 6 luxury residential houses with extensive outdoor areas and related facilities will be built with a gross floor area of approximately 5,000 square meters.

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, S.A.. The site is for the development of a luxurious residential building on the waterfront at Nam Van Lake with a maximum permitted gross floor area of approximately 55,800 square meters.

Hotel operation

The Group maintains a 75% effective interest in Hotel Fortuna, Foshan, through an indirectly held subsidiary, Foshan Fortuna Hotel Company Limited. The hotel is located at Le Cong Zhen, Shun De District, Foshan, the PRC, and provides over 400 rooms. During the year ended 31st December, 2013, the hotel had a stable occupancy rate of approximately 61.8% and a turnover of approximately HK\$140.2 million in 2013 compared to HK\$140.6 million in 2012.

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\$261.3 million in 2013 compared to HK\$257.2 million in 2012.

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, 2014, the Group had approximately 600 employees of which approximately 580 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2014 amounted to approximately HK\$56.1 million (2013: HK\$55.5 million).

PROSPECTS

During the year, the Group has obtained relevant approvals for the construction of high-rise residential buildings and ancillary facilities with a total gross floor area of approximately 86,000 square meters alongside Hotel Fortuna, Foshan. The development has commenced, which will fully utilize the undeveloped permissible plot ratio counted gross floor area of Hotel Fortuna, Foshan and maximize shareholders' return.

The Group is optimistic with the business prospects of the property and hospitality sectors in Macau and the PRC. With healthy financial position and business operation, the Group continues to look for sound business opportunities which will provide growth, capital appreciation and profit to the Group.

PLEDGE OF ASSETS

At 31st July, 2013, hotel properties of HK\$330,698,000 of the Group were pledged to secure bank borrowings of RMB80,200,000, equivalent to HK\$101,596,000, granted to the Group. During the year ended 31st July, 2014, the security was released upon full repayment of the bank borrowings. Bank deposit of HK\$642,000 (2013: HK\$641,000) of the Group was pledged to banks to secure credit facilities to the extent of HK\$600,000 (2013: HK\$600,000) granted to the Group, HK\$5,000 (2013: HK\$6,000) of which 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, 2014, the Company complied with all applicable provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "Code") 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 profit or loss and other comprehensive income and the related notes thereto for the year ended 31st July, 2014 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 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, 2014.

By Order of the Board
Capital Estate Limited
Sio Tak Hong
Chairman

Hong Kong, 21st October, 2014

As at 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.