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, 2013

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, 2013, 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, 2013

	NOTES	**2013** **HK$'000**	2012 *HK$'000*
Revenue		**140,762**	142,923
Direct operating costs		**(86,393)**	(83,360)
Gross profit		**54,369**	59,563
Other gains and losses		**3,644**	(9,019)
Other income		**3,795**	2,700
Marketing expenses		**(2,264)**	(2,058)
Administrative expenses		**(61,590)**	(59,302)
Other hotel operating expenses		**(29,709)**	(37,897)
Write-off of property, plant and equipment		**–**	(65,338)
Increase in fair value of investment properties		**1,600**	6,620
Impairment loss recognised on write-down of properties for development		**(120,500)**	–
(Loss) gain on disposal of a subsidiary		**(1,905)**	106
Share of loss of an associate		**(4,383)**	(8,163)
Finance costs	*5*	**(9,906)**	(10,415)
Loss before taxation		**(166,849)**	(123,203)
Income tax credit	*6*	**1,567**	2,557
Loss for the year	*7*	**(165,282)**	(120,646)
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**16,202**	1,583
Total comprehensive expense for the year		**(149,080)**	(119,063)

	NOTE	2013 HK$'000	2012 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(161,927)**	(120,325)
Non-controlling interests		**(3,355)**	(321)
		(165,282)	(120,646)
Total comprehensive expense attributable to:			
Owners of the Company		**(147,354)**	(118,742)
Non-controlling interests		**(1,726)**	(321)
		(149,080)	(119,063)
Loss per share	*8*		
Basic and diluted – HK cents		**(6.56)**	(4.88)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st July, 2013

	NOTES	**2013** **HK$'000**	2012 HK$'000
Non-current assets			
Investment properties		**–**	43,700
Property, plant and equipment		**400,761**	403,047
Prepaid lease payments		**2,867**	2,854
Premium on prepaid lease payments		**43,732**	43,444
Interest in an associate		**208,691**	213,074
Available-for-sale investments		**63,738**	63,738
Convertible bond		**7,907**	6,523
Derivative component in convertible bond		**6,959**	3,562
		734,655	779,942
Current assets			
Properties for development		**284,416**	383,810
Inventories		**3,785**	3,471
Trade and other receivables	*9*	**9,080**	11,179
Amount due from an associate		**4,322**	3,272
Prepaid lease payments		**104**	97
Investments held for trading		**50,207**	–
Pledged bank deposit		**641**	641
Bank balances and cash		**115,493**	26,041
		468,048	428,511
Current liabilities			
Trade and other payables	*10*	**29,349**	36,024
Amounts due to related parties		**158,129**	9,120
Taxation payable		**25,548**	25,548
Bank borrowings – due within one year		**101,596**	25,537
Convertible notes – liability portion		**19,628**	–
		334,250	96,229
Net current assets		**133,798**	332,282
Total assets less current liabilities		**868,453**	1,112,224
Non-current liabilities			
Bank borrowings – due after one year		**–**	97,527
Convertible notes – liability portion		**–**	17,782
Deferred tax liabilities		**70,362**	69,064
		70,362	184,373
Net assets		**798,091**	927,851

	2013	2012
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**246,783**	246,783
Share premium and reserves	**577,977**	679,408
Equity attributable to owners of the Company	**824,760**	926,191
Non-controlling interests	**(26,669)**	1,660
Total equity	**798,091**	927,851

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 amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 1	Presentation of items of other comprehensive income
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets

Amendments to HKAS 1 "Presentation of items of other comprehensive income"

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 12 "Deferred tax: Recovery of underlying assets"

The Group has applied for the first time the amendments to HKAS 12 "Deferred Tax: Recovery of underlying assets" in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

The application of the amendments to HKAS 12 in the current year has not resulted in any financial impact in the Group's consolidated financial statements since the Group did not recognise any deferred tax on changes in fair value of the investment properties in prior years due to accumulated fair value loss on investment properties.

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 and the Company's statement of financial position.

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 2009 – 2011 cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[2]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[2]
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine[1]
HK(IFRIC) – Int 21	Levies[2]

[1] *Effective for annual periods beginning on or after 1st January, 2013.*
[2] *Effective for annual periods beginning on or after 1st January, 2014.*
[3] *Effective for annual periods beginning on or after 1st January, 2015.*

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

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 fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2015, with earlier application permitted.

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 investment; however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements. HK(SIC) – Int 12 "Consolidation – Special purpose entities" will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, will be applied by the Group for its annual period beginning on 1st August, 2013.

The directors anticipate that the application of these five standards will not have a significant impact on amounts reported in the consolidated financial statements. However, it is not practicable to quantify the impact of the relevant standards until a detailed review has been performed by the directors.

HKFRS 13 "Fair value measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad. It applies 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 in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual period beginning on or after 1st January, 2013, with earlier application permitted. The directors will apply HKFRS 13 for its annual period beginning on 1st August, 2013. The application of the new standard is not expected to affect the measurement of the Group's assets and liabilities reported in the consolidated financial statements as at 31st July, 2013 but will result in more extensive disclosures in the consolidated financial statements.

Other than those disclosed above, the directors anticipate that the application of the other 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 investment properties and certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. 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 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 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, 2013

	Hotel operations *HK$'000*	**Financial investment** *HK$'000*	**Property** *HK$'000*	**Consolidated** *HK$'000*
GROSS PROCEEDS	140,329	4,468	433	145,230
SEGMENT REVENUE	140,329	–	433	140,762
SEGMENT (LOSS) PROFIT	(18,142)	5,516	(119,695)	(132,321)
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				(9,906)
Loss before taxation				(166,849)

For the year ended 31st July, 2012

	Hotel operations *HK$'000*	Financial investment *HK$'000*	Property *HK$'000*	Consolidated *HK$'000*
GROSS PROCEEDS	142,355	62,571	568	205,494
SEGMENT REVENUE	142,355	–	568	142,923
SEGMENT (LOSS) PROFIT	(20,257)	(7,724)	5,605	(22,376)
Unallocated income				975
Unallocated expenses				(17,992)
Write-off of property, plant and equipment				(65,338)
Gain on disposal of a subsidiary				106
Share of loss of an associate				(8,163)
Finance costs				(10,415)
Loss before taxation				(123,203)

Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of central administration costs, directors' salaries, write-off of property, plant and equipment, gain (loss) on disposal of a subsidiary, share of 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

	2013 ***HK$'000***	2012 *HK$'000*
Interest on:		
Borrowings wholly repayable within five years:		
Bank borrowings	**7,051**	8,006
Convertible notes	**2,646**	2,409
Loan from an associate	**209**	–
	9,906	10,415

6. INCOME TAX CREDIT

	2013 HK$'000	2012 HK$'000
Tax credit comprises:		
Deferred taxation	**(1,567)**	(2,557)

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.

7. LOSS FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration	**5,749**	3,713
Other staff costs		
– Salaries and other benefits	**47,630**	43,620
– Retirement benefit scheme contributions	**2,106**	1,934
Total employee benefit expenses	**55,485**	49,267
Auditor's remuneration	**1,862**	1,800
Cost of inventories recognised as an expense	**30,842**	30,598
Depreciation included in:		
– other hotel operating expenses	**28,082**	31,234
– administrative expenses	**1,885**	1,574
(Gain) loss on disposal of property, plant and equipment	**(491)**	60
Release of prepaid lease payments and premium on prepaid lease payments (included in other hotel operating expenses)	**1,627**	6,664
Gross rental income from investment properties	**(433)**	(568)
Less:		
– direct operating expenses from investment properties that generated rental income during the year	**245**	340
– direct operating expenses from investment properties that did not generate rental income during the year	**864**	1,156
	676	928
Bank and other interest income	**(33)**	(56)
Interest income on convertible bond	**(2,032)**	(1,365)
Investment income earned from available-for-sale investments (included in other income)	**(726)**	(975)
Net foreign exchange gain	**(514)**	(284)

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:

	2013	2012
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(161,927)**	(120,325)

	2013	**2012**
Number of shares:		
Number of ordinary shares for the purposes of basic and diluted loss per share	**2,467,834,129**	2,467,834,129

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	
	2013	2012
	HK$'000	*HK$'000*
Trade receivables:		
0 to 30 days	**3,448**	4,690
31 to 60 days	**104**	224
61 to 90 days	**42**	49
91 days or above	**112**	204
	3,706	5,167
Prepayments and deposits	**2,535**	1,859
Other receivables	**2,839**	4,153
	9,080	11,179

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	
	2013	2012
	HK$'000	*HK$'000*
Trade payables:		
0 to 30 days	**3,475**	3,680
31 to 60 days	**3,520**	3,533
61 to 90 days	**1,548**	1,760
91 days or above	**1,967**	1,887
	10,510	10,860
Accruals	**6,430**	14,184
Deposits received	**–**	121
Other payables	**12,409**	10,859
	29,349	36,024

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK$145.2 million for the year ended 31st July, 2013 (2012: HK$205.5 million), which comprised gross proceeds from sales of securities of HK$4.5 million (2012: HK$62.6 million) and income from hotel operations and other business segments totaling HK$140.8 million (2012: HK$142.9 million).

Loss for the year attributable to owners of the Company for the year ended 31st July, 2013 was HK$161.9 million, as compared to HK$120.3 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$120.5 million while the loss for last year was mainly attributable to the write-off of the carrying amount of certain old building and facilities demolished at the site of Hotel Fortuna, Foshan, the PRC amounting to HK$66.1 million.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2013.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st July, 2013, the Group had cash of HK$116.1 million (2012: HK$26.7 million) mainly in Hong Kong dollars and marketable securities totalling HK$50.2 million (2012: Nil).

Total bank borrowings (other than corporate credit card payable classified as “other payable”) were HK$101.6 million at 31st July, 2013 (2012: HK$123.1 million). The bank borrowings were denominated in 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 repayable on 8th November, 2013.

The Group’s gearing ratio, expressed as a percentage of the Group’s total liabilities over the shareholders’ fund, was 49.1% at 31st July, 2013 (2012: 30.3%).

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, 2013, 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 2012 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 4,426 square meters.

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, 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. The progress of the project will be monitored closely.

Hotel operation

After the partial disposal as discussed under the heading "PROSPECTS" below, the Group maintains a 75% effective interest in Hotel Fortuna, Foshan, a hotel with over 400 rooms located at Le Cong Zhen, Shun De District, Foshan, the PRC, through an indirectly held subsidiary, Foshan Fortuna Hotel Company Limited ("Foshan Fortuna"). During the year ended 31st December, 2012, the hotel maintained a stable occupancy rate of approximately 58% and recorded a turnover of approximately HK$140.6 million in 2012 compared to HK$145.7 million in 2011.

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 96% and recorded a stable turnover of approximately HK$257.2 million in 2012 compared to HK$224.5 million in 2011.

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, 2013, the Group had approximately 640 employees of which approximately 620 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2013 amounted to approximately HK$55.5 million (2012: HK$49.2 million).

PROSPECTS

On 28th February, 2013, the Company entered into two sales and purchase agreements with each of Gao Wang Investments Limited (高旺投資有限公司) and Gold Champion Investments Limited (金冠投資有限公司) (together the "Purchasers") and their respective beneficial owner as guarantor (together the "Guarantors") whereby the Company agreed to sell and the Purchasers agreed to purchase, an aggregate of 25% of the entire issued share capital of Hotel Fortuna (Hong Kong) Company Limited ("Fortuna (HK)") and 25% of the shareholder's loan advanced by the Company to Fortuna (HK) for a total consideration of HK$150,000,000.

Fortuna (HK) is the immediate holding company of Foshan Fortuna and the Guarantors are directors of Foshan Fortuna and certain other subsidiaries of the Group. The disposal was approved by the shareholders by poll at the extraordinary general meeting held on 8th April, 2013 and completed on 11th April, 2013.

The Group has been committed to the full utilization of the undeveloped permissible plot ratio counted gross floor area at Hotel Fortuna, Foshan of approximately 62,000 square meters by the construction of new residential buildings for sale according to plan with a view to maximize shareholders' return.

The disposal provided additional working capital and funding to the Group especially for the above property development in Foshan, and aligned the interests of the Guarantors with the interests of the Group. The Guarantors have been operating Hotel Fortuna, Foshan and have valuable experience in property development and vast business network, especially in the PRC. The Guarantors and the Group are expected to work together to achieve their common goal.

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 (2012: HK$328,507,000) of the Group were pledged to secure bank borrowings of RMB80,200,000, equivalent to HK$101,596,000 (2012: RMB101,200,000, equivalent to HK$123,064,000) granted to the Group. Bank deposit of HK$641,000 (2012: HK$641,000) of the Group was pledged to banks to secure credit facilities to the extent of HK$600,000 (2012: HK$600,000) granted to the Group, HK$6,000 (2012: HK$7,000) 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, 2013, 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, 2013 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, 2013.

By order of the Board
Sio Tak Hong
Chairman

Hong Kong, 28th October, 2013

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.